THAMES VALLEY HOUSING ASSOCIATION LIMITED

ANNUAL REPORT 18/19

YEAR ENDED 31 MARCH 2019

Metropolitan Thames Valley

Contents

BOARD MEMBERS, EXECUTIVES AND ADVISORS 2018/19

Metropolitan Thames Valley Housing Group

Chair
Paula Kahn

Non-executive Board members
Lesley-Anne Alexander
Stuart Beevor
Paul Bridge
Kathryn Davis
Michael Dunn
Brian Hendon
Grainia Long
Jerry Piper
Ingrid Reynolds

Executive Board members
Chief Executive
Geeta Nanda

Executive Director, Finance
Ian Johnson

Executive Directors
Executive Director, Business Transformation
John Baldwin

Executive Director, Development
Guy Burnett

Executive Director, Property
Mark Everard

Executive Director, Customer Services
Ann Gibbons

Executive Director, People
Jane Long (appointed 1 May 2019)
Claire Posaner (resigned 30 April 2019)

Executive Director, Integration
Daniel Jones (resigned 7 June 2019)

Secretary
Patricia Etter

Deputy Company Secretary
Donald McKenzie

Registered Offices
The Grange, 100 High Street, Southgate, London, N14 6PW
Premier House, 52 London Road, Twickenham, Middlesex, TW1 3RP

Auditors
BDO LLP, 2 City Place, Beehive Ring Road, Gatwick, West Sussex, RH6 0PA

Bankers
Lloyds Banking Group
Barclays Plc

Metropolitan Housing Trust

Chair
Paula Kahn
(resigned as Chair 8 October - remained on Board)

Grainia Long
(appointed 8 October 2018)

Non-executive Board members
Lesley-Anne Alexander
Stuart Beevor
Paul Bridge
(appointed 8 October 2018)
Kathryn Davis
(appointed 8 October 2018)
Clive Deadman
(resigned 8 October 2018)
Janet Dean
(resigned 8 October 2018)
Michael Dunn
Brian Hendon
(appointed 8 October 2018)
Jerry Piper
Ingrid Reynolds
(appointed 8 October 2018)

Executive Board members
Chief Executive
Geeta Nanda

Executive Director, Finance
Ian Johnson

Executive Directors
Executive Director, Housing Services
Ann Gibbons

Executive Director, People
Claire Posaner
(interim from 1 April 2018, resigned 30 April 2019)

Jane Long
(appointed 1 May 2019)

Executive Director, Development
Kerry Kyriacou
(interim - resigned 30 April 2018)

Guy Burnett
(seconded from TVHA as interim 13 March 2018)

Executive Director, Integration
Daniel Jones
(resigned 7 June 2019)

Executive Director, Property
Mark Everard

Executive Director, Business Transformation
John Baldwin
(appointed 8 October 2018)

Secretary
Patricia Etter
(appointed 8 October 2018)

Deputy Company Secretary
Donald McKenzie

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Bankers
Lloyds Banking Group

Thames Valley Housing Association

Chair
Paula Kahn
(appointed 8 October 2018)

Grainia Long
(resigned on 8 October 2018)

Non-executive Board members
Lesley-Anne Alexander
(appointed 8 October 2018)
Stuart Beevor
(appointed 8 October 2018)
Paul Bridge
Emma Cariaga
(resigned 19 July 2018)
Kathryn Davis
Michael Dunn
(appointed 8 October 2018)
Brian Hendon
Jerry Piper
(appointed 8 October 2018)
Ingrid Reynolds
(appointed 9 August 2018)

Executive Board members
Interim Chief Executive
John Baldwin
(resigned 8 October 2018)

Finance Director
Rita Akushie
(resigned 8 August 2018)

Executive Directors
Interim Finance Director
Sam Horne
(appointed 9 August 2018, resigned 8 October 2018)

Interim Housing and Neighbourhood Services Director
Howard Dawson
(resigned 8 October 2018)

Group Development Director
Guy Burnett

Interim Corporate Services Director
John Barry
(resigned 8 October 2018)

Executive Director, Business Transformation
John Baldwin
(appointed 8 October 2018)

Secretary
Patricia Etter

Deputy Company Secretary
Donald McKenzie
(appointed 8 October 2018)

Registered office
Premier House, 52 London Road, Twickenham TW1 3RP

Auditors
BDO LLP, 2 City Place, Beehive Ring Road, Gatwick, West Sussex RH6 0PA

Bankers
Barclays Plc

RESULTS AT A GLANCE

Group figures

	2019	2018
Turnover	£411m	£414m
Surplus after Tax*	£6m	£100m
Underlying Operating Surplus**	£154m	£162m
Operating Surplus	£149m	£162m
Operating Margin	36%	38%
Letting Margin	34%	36%
Gearing	41%	39%

These are the first financial statements since the merger by MHT and TVH to form MTVH in October 2018. Both current figures and prior year comparatives have been prepared using merger accounting which assumes the merged entity has always existed.
*Surplus after tax is after one-off operating costs of £6m to form MTVH and one-off non-recurring finance costs of £78m
**Operating surplus before one-off operating costs of the merger of £6m to form MTVH

PERFORMANCE AT A GLANCE

Highlights of 2019 (consolidated figures)

1,037
New homes delivered

£118m
Investment in existing stock

6,506
Homes development pipeline

1,800+
Customers supported into employment and training

£1.2m
Of new annual business in care and support

£361m
Invested in acquiring new land and building new homes

G1
Governance rating

V2
Financial viability rating

A-
Credit rating from Standard & Poors

154
Stonewall Top 200 Employer Rating (MHT figure)

MHT 83.3% & TVH 78.1%
Proportion of Repairs fixed first time (No consolidated MTVH figure)

CHAIR & CHIEF EXEC INTRODUC

Chair, Paula Kahn (left) and Chief Executive, Geeta Nanda OBE (right)

This has been a watershed year for us. In October 2018 Metropolitan Housing Trust and Thames Valley Housing formed a partnership to become one of the largest providers of affordable housing in the UK, owning, managing or administering 57,000 homes across London, the South East, East Midlands and the East of England.

CUTIVE’S
TION

Coming together to form Metropolitan Thames Valley Housing (MTVH) was a natural union as we shared common values, a similar vision, as well as complementary geographies, housing tenures, areas of expertise, commercial models and customer service aspirations.

But why do it? We’re in the midst of a deepening housing crisis, with over a million people on housing lists, huge obstacles for first time buyers to get their foot on the housing ladder, and homelessness on the rise.

The demand for new homes outstrips supply; there has never been a greater need for housing, especially in London and the South East of England.

This year the government announced £2bn of new funding for developments signalling a shift in its thinking about social housing. However, the role of the housing association has never been more important or more necessary. We are more than simply providers of bricks and mortar. Instead, we are important anchors in our communities that solve societal problems and support our customers through trying times. We are often the only lifeline vulnerable people have.

Like our peers in the industry, we face considerable challenges in the coming years and must continue to be innovative, come up with new funding models, and work with partners to keep delivering affordable homes and investing in communities.

In this time of societal and social change, with new expectations, we have to do more for our residents too. To do this, we need to be people-focused, recognise hardship, listen more (and better), harness technology, involve our customers and energise our staff.

As a new organisation, we’re more resilient and financially stronger with greater capacity and commercial acumen. We’re regularly stress testing the business to ensure we’re well poised to meet any challenges posed by the external environment. We aim to better serve our customers and communities and respond to the changing (and varied) needs of local housing markets with new and innovative solutions.

CHAIR & CHIEF EXECUTIVE'S INTRODUCTION

We are one of the key partners and only social landlord working with Creative Living, an art project that supports older people in Derby to live rich and fulfilling lives.

> "We're proud to say we have supported more than **1,800** people into employment and training, including **468** accredited qualifications."

Our vision is that everyone should have a home and the chance to to live well. With an ambitious development strategy to build 1,800-2,000 homes a year (of which approximately 80% will be affordable) we will provide more homes in communities where people want to live. This year we have provided that opportunity by delivering homes where they are most needed. We have also continued to invest in communities and we are developing services our customers trust.

For us, customer service is paramount and we are collaborating with our customers to improve services to them by understanding what matters most and how we can deliver these improvements.

Against the backdrop of the Housing Green Paper, we have raised the profile and impact of our customer engagement, and will make further bold changes during 2019. As early adopters of the Together with Tenants approach, we will bring the voice of our customers closer to the Board.

As a people-powered organisation we value the work of our colleagues who go the extra mile to help our customers. We are creating a place where people want to work and continue to attract the best talent by offering a wide range of opportunities and engagement in our values.

We have revised our structure and financial plan following partnership, reshaping the structure of our debt to increase our borrowing capacity and we're now in a strong position to grow as an organisation. We've become stronger and more resilient and we are ready to do more.

Group turnover was £411m, down marginally on the previous year and we made an operating surplus of £149m. 100% of our surplus is reinvested into the business. It was a challenging year for the sales market, with sales in London suffering from the economic uncertainty prevalent in the market due to Brexit.

Yet our financial strength enables us to build more homes. Over the past financial year we have delivered 1,037 new homes. Of these, 346 were for rent (with the majority let at a social rent), 572 were for shared ownership and 119 were for outright sale.

We have also invested in improvements to residents' homes. This year we invested £118m in property maintenance, of which £35m was capitalised as improvements.

Our customers' safety is of paramount importance to us and we have reviewed everything we can do to keep them safe in their homes following the Grenfell tragedy. Alongside other organisations in the sector, we carried out an in-depth review of our buildings and procedures, contractor management and risk assessments and we've made a significant investment in making our stock both safer and better to live in.

We're proud to say our community investment has supported more than 1,800 people into employment and training, including 468 accredited qualifications.

We begin our journey as MTVH with an excellent track record of investing in communities. Now we have the capacity to make an even greater impact by reaching more people in need of housing and care and support services, and changing more lives for the better.

Paula Kahn
Chair

Geeta Nanda
Chief Executive

CHIEF EXECUTIVE'S STRATEGIC OPERATIONAL REVIEW

Who we are

Metropolitan Thames Valley (MTVH) is one of the UK's leading providers of affordable housing and care and support services.

Metropolitan Housing Trust (MHT) and Thames Valley Housing formally completed our partnership on 8 October 2018 to form Metropolitan Thames Valley (MTVH). The primary drivers for the partnership were to enable us to better serve existing residents; build more new homes and stronger communities; and achieve greater organisational resilience.

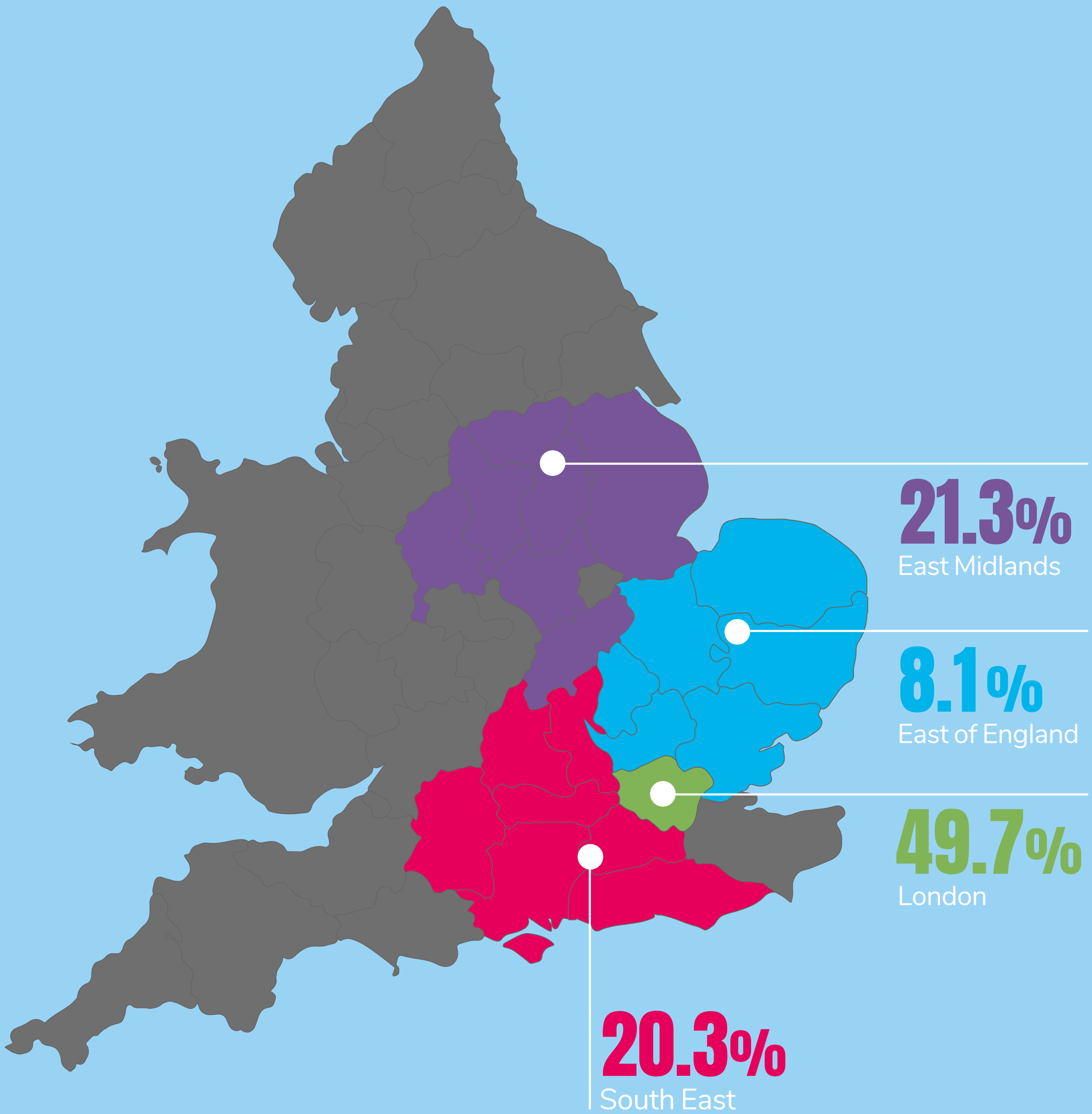
We had a similar vision and values, and some complementary strengths, including strong track records of investing in communities. Now as MTVH we are stronger and more resilient with the capacity to do much more: help more people in need of housing and care and support services at a time of chronic need, while transforming the experience for existing residents and service users.

Our vision is that everyone should have a home and the chance to live well.

From L-R: The Board - Paul Bridge, Grainia Long, Stuart Beevor, Kathryn Davis, Michael Dunn, Paula Kahn, Jerry Piper, Geeta Nanda, Ian Johnson, Ingrid Reynolds, Lesley-Anne Alexander, Brian Hendon.

WHERE WE OPERATE

We own, manage and administer **over 57,000 homes.** Here is a map showing percentages of housing stock by region.



*South Wales (0.2%); Yorkshire and The Humber (0.2%); West Midlands (0.1%) and Other (0.1%)

PEOPLE POWERED LIVING

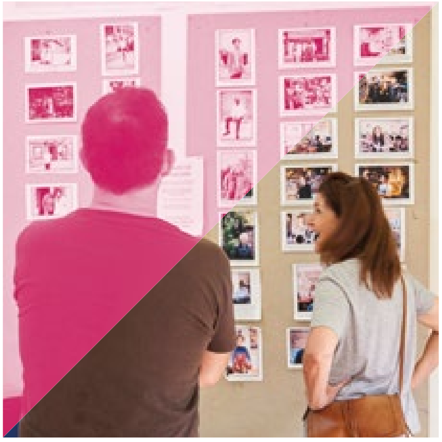
We're a new organisation with a new vision and values. Everyone should have a home and the chance to live well.

We are a people-focussed business, solving social issues by working together.
In everything we do we are guided by three values which define how we work.

dare

We dare to change by

- Using our voice to challenge ourselves and others
- Thinking differently and commercially to create new and better ways of doing things
- Working with drive and energy to achieve our goals



care

We care about customers, colleagues and communities by

- Listening to everyone's view to help us do the right thing
- Keeping people safe and managing risk at the heart of our work
- Treating everyone with dignity and respect

collaborate

We collaborate with others by

- Working as one team to solve problems together and deliver the best outcomes
- Challenging ourselves to deal with the difficult questions in an open and honest way
- Using our integrity and sound judgement to share information when it is right to do so

TRANSFO

Now that we've successfully merged, we're aiming to deliver key integration projects by March 2020 – around 18 months after the creation of the new organisation.

This has been clearly planned and budgeted for and will bring MTVH together operationally. This will give us the basis from which we can then truly transform our business and services.

Our vision will be achieved through the outcomes of four key strategies:

- Customer Experience Strategy: our customers receive consistent and easy-to-use services and feel safe in their home.
- Growth and Investment Strategy: we provide more homes in communities where people want to live.
- People and Organisation Development Strategy: people want to work here because of our engaged and values-driven culture.
- Resident and Community Empowerment Strategy: our customers live well through the investment we make in them and their communities.

Two of these key strategies have already been developed. The Customer Experience Strategy has been approved and a delivery plan is in place to redesign our services around the needs of our customers. This includes an investment into a Customer Relationship Management (CRM) system that will ensure end-to-end ownership of enquiries. We already have a well-developed digital solution for online customer services, which will be available to all residents later in the year as a result of the merger. We are also developing a regional operating model, which will centralise some work and processes, but devolve other services to local teams who know their communities best. To inform this, we are piloting local service delivery at Canalside in Hackney using service design principles to look at how to best meet customer needs.

Our Growth and Investment Strategy has also been approved, and involves us rationalising our footprint, identifying 'core' and 'opportunity' boroughs in which we will expand, and divesting stock where other organisations are better able to manage it. Our aim is to build more than 16,000 new homes over the next 10 years beginning April 2019.

Our People and Organisation Development Strategy and Resident and Community Empowerment Strategy are currently in development. However, as a new organisation, our vision and values reflect our ambition and ways of working. Our mantra of 'People Powered Living' drives joined-up ways of working and transparency in decision making.

Plans are also well advanced to bring together our colleagues in London and relocate to a new central office in Farringdon from July 2019, which includes the downsizing of current offices in Twickenham and Southgate.

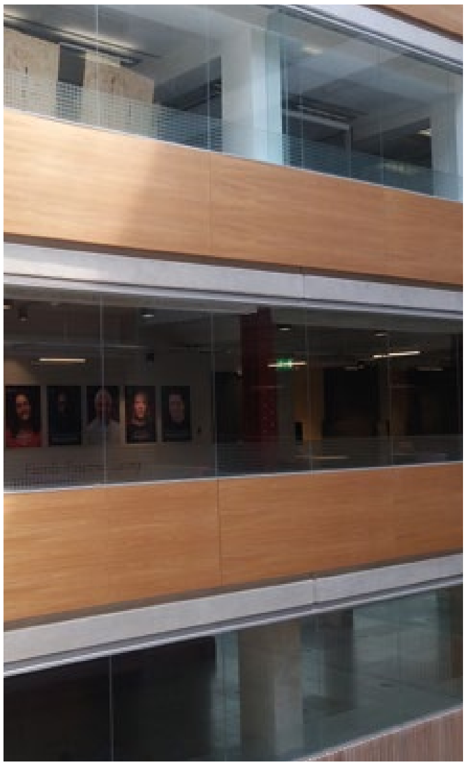
RMATION

Investment in technology

Technology is a strategic and integrated part of the new organisation and the cornerstone of many of the projects due to be delivered this year. A large part of our technology programme will be the integration of legacy systems across MTVH to ensure we can work efficiently.

Alongside this, we have an ambitious programme for data; governance, security, integrity, accessibility and completeness are our priorities. We will invest in this area both to future-proof the business and to become more advanced in our use of data to drive us forward, and improve decisions around services.

This integration and transformation work will cost £10m but deliver £24.7m in efficiency savings over five years, a net saving of £14.7m. We have also agreed ambitious IT performance targets with the Board and have combined our reporting systems as of 1 April 2019.



The Johnson Building, our central office in Farringdon

Our people work closely with residents, colleagues and partners. We have put a specific focus on Equality, Diversity and Inclusion

“Our team of Engagement Ambassadors has continued to grow in size and scope and they are adding real value to us - both as a voice of our colleagues and as a positive communication channel.”

PEOPLE

Improving service to colleagues

The People Directorate has been at the forefront of the preparation – and ongoing activity – to integrate two entities and create MTVH. It is supporting all assimilation activity and is working across the business to help define and launch new values and behaviours that underpin our new organisation's DNA.

Work is underway to design a new reward framework consisting of terms and conditions, policies and pay levels for the merged organisation. We will implement these to drive our performance, recognise our values and reward our colleagues well. This also underpins our aspiration to become an employer of choice, not only in the housing sector, but across the employment landscape.

We are planning our long-term technological needs and will be investing in new systems to support and improve our service to internal customers, enabling both managers and colleagues to be more proactive.

Investing in our people

Value for money is a priority and we have saved the organisation more than £500k in recruitment fees over the past year. Our leadership development programme for 60 senior leaders was completed in July 2019. A new approach for leadership and management development across MTVH will be developed during 2019. Our team of Engagement Ambassadors has continued to grow in size and scope and they are adding real value to us – both as a voice of our colleagues and as a positive communication channel. They have been instrumental in activities relating to the merger, leading the way in many focus groups and conversations across the organisation, as well as gauging the feelings of our colleagues.

Equality, Diversity and Inclusion

We have put a specific focus on our Equality, Diversity and Inclusion agenda and have appointed a full-time lead to help bring diversity and inclusion back into the heart of our business.

As a result, we have raised the bar in the Stonewall Workplace Equality Index moving up 35 places. We are now recognised as a disability confident employer and have re-launched our colleague network groups across a broad range of communities. This includes groups such as LGBTQ+, BAME, women's, disability, flexible workers, multi-faith and allies.

We are also the first in the sector to run the 'Black on Board' development programme to equip members of the BAME community with the skills and confidence to become members of boards. So far, out of a cohort of 20, 14 course participants have been offered places on external boards of varying sizes, and internally, on our Migration Foundation Board.

JASON

Jason's giving a voice to under-represented communities

Black, Asian and minority ethnic (BAME) representation on company boards in the UK has always been disproportionately low.

We're the first housing association to implement a programme, Black on Board, which gives our employees the confidence to apply for board positions.

Jason, who works in our Communications team, was encouraged by his line manager to sign up for the pilot programme. She believed his personal attributes, together with his digital and social media experience, would be an asset to any organisation if they appointed him to their board.

Jason wanted the chance to make a contribution and to be a role model to his own children – and other black youngsters in his community: "Most of all, I felt it was my duty to give a voice to under-represented people – those, who look and talk like me, but who feel disconnected from the organisations whose actions and decisions impact on their daily lives."

Until he was introduced to the programme, the idea of being a board member was never on his radar.

"Sometimes your judgement about these things is clouded; you wouldn't have a clue about how to go about it. But the course has been good: it has demystified how boards work and has given me confidence. I now know I have the skills to be effective and that board membership is a viable option as I've been offered – and have accepted — a position on a board!"

He believes it's important to apply for board positions that fit your personal interests and passions. "You have to do it for the right reasons: these positions are voluntary and can take up some of your free time. The board I've been invited to join is a great fit for me – it works as a catalyst for social change by supporting the BAME community into jobs, to start social businesses and on to boards."

The first cohort of Black on Board began in October 2018 and consisted of 20 people (including two residents) who had to commit to two full days every month. The next cohort is in progress.

Lecturers on the seven-month course stressed that boards were not the exclusive domain of any one group and that there were board positions out there that needed to be filled. Course leader and CEO of Olmec (a social enterprise that champions race equality and which is delivering Black on Board), John Mayford, told participants to 'Give yourself permission to be powerful.'

"That has stuck with me," said Jason. "It was a huge confidence booster. I think it's a good mantra to live your life by. It's also helped in my job; I find myself thinking more strategically and being more assertive."

“I now know I have the skills to be effective... I've been offered, and have accepted, a position on a board!”

DEVELOPMENT

Building more homes

As we face a monumental housing crisis, our priority is to work with our partners to deliver new affordable homes that our customers want to live in. This year we delivered 1,037 new homes (2018: 623) across London, the Midlands and the South East. Of the total homes delivered, 346 were for rent (with the majority let at a social rent), 572 were for shared ownership and 119 homes were for outright sale.

All the affordable homes we have delivered contribute to the Affordable Homes Programme and this would not have been possible without the £119m of grant received from the Greater London Authority (GLA) and Homes England.

In 2018/19 we invested £361m in acquiring land and building new homes (2018: £299m) for affordable rent, shared ownership and outright sales. A key highlight was the Bridge Road scheme in Welwyn where we secured planning consent to deliver another 643 new (mainly affordable) homes.

Over the next five years we have an ambitious delivery pipeline of 3,915 units, with 968 of these on track to be delivered in 2019/20.

Clapham Park, our flagship regeneration scheme, where we will deliver 7,500 new homes by 2027.

Regeneration

Not only do we invest in building new homes, we also invest in areas where we operate to create thriving, sustainable communities.

As a regeneration specialist, we are proud to be at the centre of four major regeneration schemes in London: Brunel Streetworks, West Hendon, Westhorpe Gardens and our flagship regeneration project at Clapham Park. Across these projects we will deliver around 7,500 new homes by 2027 in partnership with the private and public sectors.

Within the year we have agreed the S106 having secured planning consent for the next phase at Clapham Park equating to some 2,500 new homes, a community centre and shops.

Included in this phase are 164 private new build apartments. Of these, 132 have been purchased from us by the real estate investment trust, Residential Secure Income (ReSI), for £60m. The one, two and three bedroom apartments will be converted into shared ownership homes. We will continue to manage the portfolio.

Our commitment to using BIM (Building Information Modelling) was acknowledged by Building Magazine, when we received the 'Digital & BIM Initiative of the Year Award' for the smart regeneration at Clapham Park.

By way of the first resident ballot under the Mayor of London's new guidelines we secured the overwhelming support of the community for the regeneration of Westhorpe Gardens in the London Borough of Barnet.

Growing our business

During the first two quarters of the financial year we saw continued growth in sales values and strong demand for sale products. But as we entered summer, the UK property market began to cool, fuelled mainly by changing sentiment as the proposed Brexit date loomed.

As in previous cycles, the resilience of shared ownership was clear. Enquiry rates remained stable and mortgage lending and support grew over the period. In January 2019, we received close to 2,000 enquiries about our new build schemes - an all-time monthly high.

A total of 431 new build shared ownership sales were made over the budget period with a further 120 sales in the pipeline.

Working in Partnership

Our organisation was created through successful partnerships with the public and private sectors. Over the years we have evolved excellent partnerships as evidenced by our joint ventures with Galliford Try and Barratt London.

Our joint venture with Galliford Try, known as Opal, was established in 2010 and is delivering new homes at a range of price points, employment opportunities and community facilities in schemes across London, the Midlands and the South East.

Working with Barratt and the London Borough of Barnet, we continue to make great progress in the regeneration of West Hendon, delivering 144 homes in the year. We plan to increase the number of new homes in future phases by a further 134, taking the overall number to 2,134 homes in the estate.

With a successful track record - and backed by years of experience - we're in a strong position to continue delivering by working closely with existing and new partners who share our ambition.

Working with partners to deliver new affordable homes at Wanstead Park

CARLTON

Regeneration of Clapham Park makes the area a better place to live in

Carlton, who moved into his brand new flat in Clapham Park in November 2018, is thrilled to be a part of MTVH's £1.6bn regeneration project in south London.

As part of the regeneration of the area we are providing new and refurbished homes for rent, as well as other improvements to make it a better place to live for everyone.

Carlton is one of 37 existing tenants to be moved into new homes on Allingham Road in the current phase of the regeneration. Many of his neighbours are leaseholders - the regeneration also provides new homes for outright sale and shared ownership.

"I couldn't believe I'd be moving into a brand new flat; that I'd be the first person to live there! I was happy with my old flat; I think you have to make the most of what you have. But this is special – it's just beautiful. My friends say I'm so lucky," says Carlton.

He enjoys showing off his stylish one bed flat with its spacious living area, large bathroom and balcony with its wooden flooring and glass surrounds. "I've never had a balcony before and it makes a huge difference," he says, "It is big enough to use for exercise or you can just relax and chill and take in the views."

Resident Liaison Officer, Jennifer McLeod, who helped Carlton move into his new home, says she is so impressed at how house proud he is.

With an eye for interior design, Carlton has furnished his home stylishly with minimalist décor. "Everything has its place and I like to keep it spick and span," he laughs. "My mum is Jamaican – she wouldn't expect anything less!"

The revitalisation of the area also includes a new nursery, two new parks, space for shops and businesses and a range of community facilities. The new community centre is just a stone's throw away from where he lives and he looks forward to taking advantage of what it offers – things like free yoga and boxing classes.

Carlton, who works as a barber in the local area, can already see positive changes in the neighbourhood.

"The atmosphere has definitely changed – it's quieter and more pleasant. I'm really grateful to still be living in the area I grew up in. This area's coming up in the world and I'm pleased to be part of it."

VUYO

Social worker moves
from shared ownership
to full ownership

Vuyo had always dreamed of buying her own home and had been saving hard for many years.

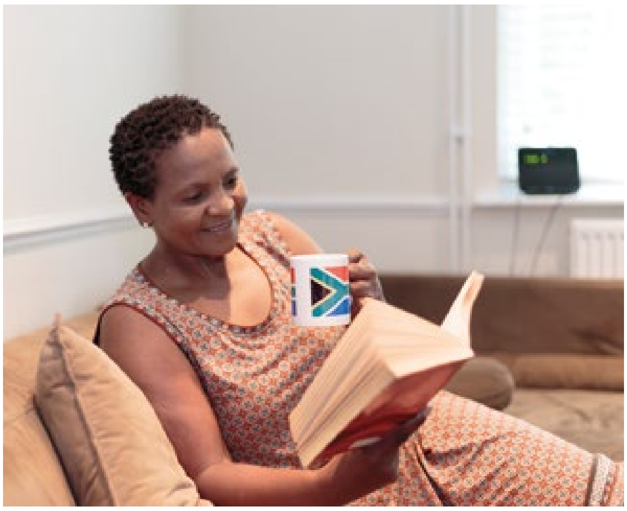
As a social worker on a modest salary, she thought home ownership was out of reach until she discovered shared ownership and found that she could afford a 50 per cent share of a re-sale property through So Resi, MTVH's home ownership product. After buying her two-bedroom maisonette near Woking, Surrey, in 2012, she continued saving hard for the next five years to buy more shares in her property. She now owns 100 per cent of her home.

"I'd been living in a one-bedroom key worker flat in the centre of Woking, but I want to adopt a child so needed more space and the security of owning my own home. Shared ownership has transformed my life – I could never afford to buy a house outright and it's a brilliant way to buy in stages."

Through determined saving, Vuyo bought a further 35 per cent of her home in 2016, increasing her holding to 85 per cent, and in 2017 she bought the final 15 per cent share and became the sole owner of her property.

In the short term she has rented her second bedroom to a student to help offset the cost of her mortgage payment. This means that she can put more savings aside for when she adopts a child.

She was pleased to find that there was no compromise in quality or location with her home. She says: "I was already living in Woking and staying in the area was very convenient; I didn't have to change my lifestyle or move away from my friends. The location is great, it's about a half-hour walk from my home to the town centre and I'm a keen walker! I also travel around a lot in my job and the road and rail links from Woking are excellent which makes life very easy."



"I have my own home, more space and I'm well on the way to building the life I've always wanted. It feels bigger than many new properties and has a lovely garden too, which will be perfect for children."

PROPERTY

Investing in our stock

This year, though one of transition, has seen good progress in the delivery of our services. Customers tell us our repairs service is their top priority. We have taken steps to improve our repairs performance to create an efficient, flexible and customer-focussed service. In the 2018/19 financial year we received 4,529 responses to a customer survey in which we achieved a satisfaction score of 71.2% for day-to-day repairs.

We also invested in streamlining our structure: all property maintenance - responsive, planned and cyclical works, mechanical programmes and property compliance as well as routine and void maintenance - is grouped under a single umbrella. This will further enhance the service we provide to our customers.

We've continued investing in our stock, completing more than 7,000 stock condition surveys. This year our planned maintenance programme resulted in the replacement of 747 kitchens (2018: 1,321), 732 bathrooms (2018: 510) and 2,328 boilers (2018: 2,180).

In total we invested £118m in property maintenance during 2018/19, of which £35m was capitalised as improvements.

Investment in our stock condition and asset data has enabled us to produce a 3-5 year investment programme where kitchens, bathrooms and windows are renewed within their standard replacement cycles. We are starting to see the dividends of this planned, proactive asset investment strategy.

Looking after our customers' safety

As a responsible landlord, we take the safety of our residents very seriously. In the light of the tragic events at Grenfell Tower, we have carried out an in-depth review and surveys of our buildings and procedures. We have invested heavily in fire risk assessments throughout our estates. This year more than 3,000 fire risk assessments (FRAs) have been done, followed up with 21,000 actions. We have also commenced a proactive programme of the most in-depth FRAs at properties for our most vulnerable customers and at buildings with a 'stay put' policy in case of fire. We have also invested in other areas of compliance. We have achieved a 99.9% compliance in landlord's gas safety responsibility over the year.

Other improvements have included:

- a detailed review and development of a renewal programme for domestic heating, communal heating and lifts;
- a data health check to align our entire stock condition survey data; and
- work has begun so that going forward we are able to assess homes against strategic and financial values in order to enhance the appraisal of the portfolio.

Our focus is to establish proactive, data-driven planned investment programmes to ensure that the overall quality of our assets will improve, leading to a reduction in our responsive maintenance and void spend. We have seen a reduction in complaints and disrepair (along with the considerable costs associated with these) and we expect this to continue.

New Property Desk

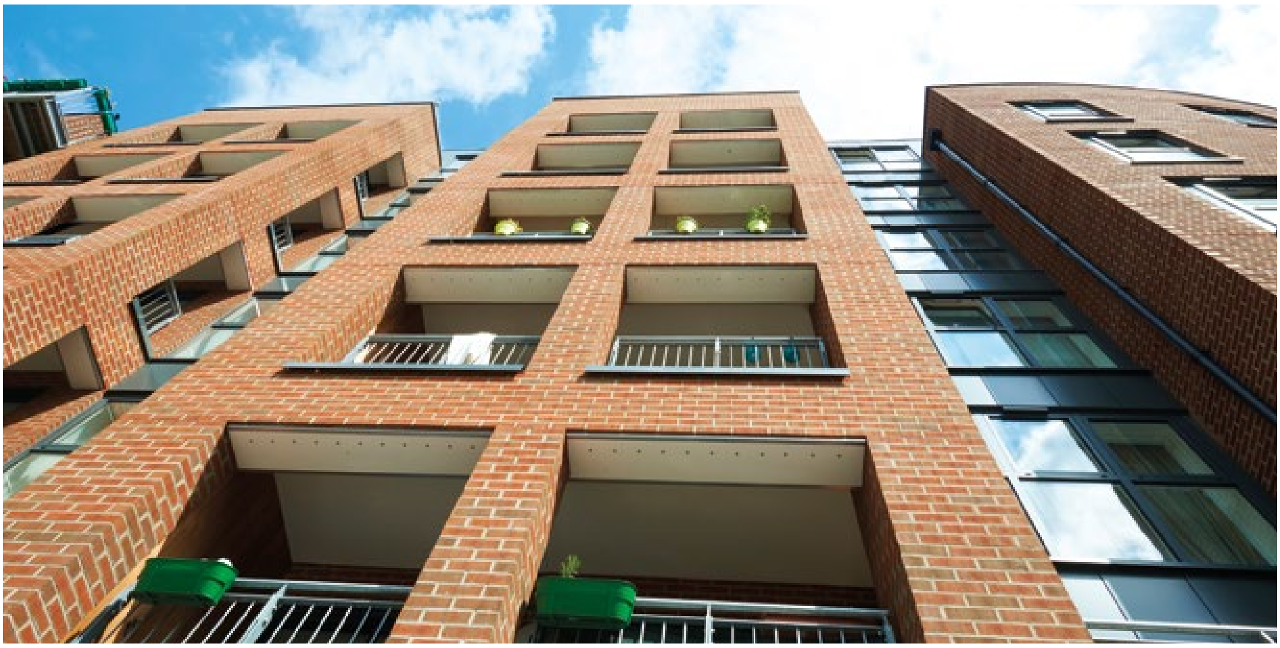
Over the year we established a restructured Property Desk which provides a dedicated section of our contact centre for customers with property-related enquiries. The Property team has focused on reducing void turnaround time using a new voids management process.

Our in-house contractor, Metworks, continues to improve in its core areas of London and the East Midlands, with over 78,000 jobs completed during the year (2017/18: 72,483). We logged a first-time repair of 83% across these regions, with 94% of repairs completed on time. Our South London depot at Mudie Yard is being re-developed and is expected to be completed later this year.

Work has begun on other projects to maximise the value of our assets, boost value for money and improve service standards for our customers. This has meant establishing a new commercial team, a new strategic asset management strategy, a major procurement exercise and the introduction of better supplier contract management.

As we move to a regional operating structure with a strong local focus, and our frontline housing and property services works closely with colleagues across the business, we will deliver an enhanced service to our customers.

Clapham Park



We invested £118m in property maintenance during 2018/19.

THE PROPERTY DESK

‘Short loop’ between the customer call and technical support means better service

Every year, on the Property Desk, we handle around a quarter of a million customer calls and administer some 130,000 individual repairs work orders.

Answering the business requirement to deliver stronger, more focused and technically competent responses to customers, resulted in the creation of the Property Desk in July 2018. Initially a pilot, it became a permanent fixture in the business in October 2018.

With a total of 72 employees, the Property Desk consists of three areas of service responsibility each led by an operations manager.

After customers select the primary reason for their call – Housing or Property – they are routed to a dedicated team: Customer Services for Housing calls and Property Desk (customer contact) for all property-related queries. Our other Property Desk teams (Contractor Governance and Complex & Disrepair) are all on hand to support the Property Service Advisors.

Previously queries would have been passed between departments, but a 'short loop' between the customer call and technical support ensures that enquiries are dealt with more efficiently.

Nins Thorpe, Customer Contact Operations Manager says: "Having separate areas of responsibility means each team can be a service specialist and so provide better outcomes for incoming customer queries."

Teams are responsible for raising and expediting responsive repairs covering elements including lifts, door entry systems, fire alarms, heating specialisms as well as estate services requests and queries including pest control issues, voids works, complex and disrepair works.

They manage and administer multiple contractors and service delivery partners, and matters they address include contract issues, operational escalations and critical or major incident responses.

In addition, they provide customers with an emergency service 24 hours a day, seven days a week, including bank holidays.

Survey returns show that many customers prefer the 'one stop' property shop approach because they can see issues are being resolved faster and at first point of contact. We have many fantastic examples every day of how effective the Property Desk is and this encourages us to do even more for our customers", says Nins.

"We have many fantastic examples every day of how effective the Property Desk is and this encourages us to do even more for our customers."

METWORKS

Makeover for school for children with learning disabilities

A school for children with learning disabilities has had a makeover thanks to a team of colleague volunteers.

Over two weekends in July and August 2018, more than 20 colleagues from Metworks, our in-house repair team, and across the business got together to revamp Waverley School in Enfield, north London.

The team brightened the classrooms, redecorated the assembly hall, overhauled the courtyard garden, donated and painted a bench and re-grouted the swimming pool.

They were joined by volunteers from the school and builders' merchant Travis Perkins Managed Services – which donates a percentage of its income back to customers like us to use for charitable purposes.

Overall, £7,000 worth of materials and more than 240 hours of volunteers' time was contributed. The work wound up with a well-earned barbecue and refreshments with pupils' families.

Waverley School was suggested as the beneficiary of the charitable donation by Metworks repairs supervisor, Lukasz, whose 12-year-old son Wiktor is a pupil there.

Lukasz said: "It was great to see so many people give up two summer weekends for this good cause. I know first-hand the excellent work done at Waverley – my son Wiktor loves going to school here. So it feels really good to put our skills to use giving the buildings and facilities here a bit of a lift."

Gail Weir, Head Teacher at Waverley School, said: "I'm delighted by the work which has been carried out – seeing the spruced up classrooms, swimming pool and main hall will be a lovely surprise for our students when they come back after the summer holidays."

" I'm very proud of the effort of our volunteers, who have worked hard in their spare time at Waverley School. It's a great example of colleagues getting together to make things better in the local communities and areas in which we work.

Mark Everard,
Executive Director of Property
at Metropolitan Thames Valley

CUSTOMER S

As a people-focused organisation, customer satisfaction is a top priority: we know our customers want us to be easy to access and work with, and that they want to feel supported and listened to. Together with our customers, we are devising an approach that recognises and supports the different requirements of those who live in our homes and utilise our services.

We have already raised the profile of our customer engagement. In 2019 we will do more to bring customers' voices closer to the Board.

We have also piloted recommendations from a review of our complaints handling. We review the performance and efficiency of our contact centre on an ongoing basis with first-time resolution of issues wherever possible.

By reorganising our customer services (covering housing, care and support and business development) into three geographical regions we are better able to deliver a good quality, consistent customer experience, with a focus on purpose, not process.

We will spend more than £21m on projects which will improve our service to customers through improved systems, processes and premises.

Financial strength underpins everything we do and it is a careful balance to ensure that the business maximises rent income while supporting customers who need help.

Tenant Welfare Fund

The roll out of Universal Credit (UC) has resulted in £1.96m arrears from claimants and we estimate this figure to reach £4m for customers in receipt of UC by year end 2019/20. An active programme – working with Experian and Housing Partners - is underway to support customers and mitigate the impact of UC. Our Money Advice and Tenancy Support teams targeted 4,962 customers before they transitioned to UC to offer practical help before they get into arrears.

This has led to 1,931 referrals received by the Money Advice Team which resulted in 2,681 visits to customers. Total financial gains for customers reached £1,052,643. This comprises £485,612 of rent arrears reduction and £567,031 of additional income (benefit maximisation).

In August 2018 we established the Tenant Welfare Fund to offer practical solutions for customers going through periods of financial hardship such as moving to UC, losing their job or bereavement, committing more than £170k to do so.

Committed to deliver value for money, quality services

Last year we helped almost 2,800 households move into new homes. We supported 245 customers to swap where they were living through the national home swapping service.

Arrears for social rents (general needs/housing for older people/affordable) ended the year at 4.55% which equates to £8.86m. This is slightly above target, however given the impact of UC on social rented arrears, it is an excellent result. During the year the number of evictions for rent arrears reduced by 4.5%. There were 1,994 new UC claims last year across MTVH, taking our total number of cases up to 3,504. We take tenancy fraud seriously, so using Housing Partners' information we continue to identify potential tenancy fraud cases for investigation. In this financial year (2018/2019) 54 properties were recovered and returned to house those in desperate need of housing.

SERVICE

Looking after vulnerable customers

Care and Support has continued to show good levels of service with all regulated services achieving a Good rating from the Care Quality Commission (CQC). From a financial perspective, Care and Support continues to perform well and deliver a positive operational contribution which contributes to overheads. For Care and Support provision only (excluding rent and service charges) this was 17.42%. Total income generated through tenders, contract extension and negotiation of new contracts this year came to £15.3m.

We have signed up to the Make A Stand pledge developed by the Chartered Institute of Housing, Women's Aid and the Domestic Abuse Housing Alliance. This encourages housing organisations to commit to support people experiencing domestic abuse.

Our Community Investment team has supported over 1,800 people into employment and training (including 468 accredited qualifications). We provide wellbeing and sports opportunities within communities through community partnerships with England Boxing, the Rio Ferdinand Foundation and Mental Health First Aid.

The Metropolitan Migration Foundation uses income from an endowment to help make migration work for people and communities. It expanded public legal access and empowerment through a number of grants; supported more than 30 people out of homelessness and towards resolving immigration issues at the ReStart Point Hostel in the East Midlands; as well as concluded a three-year programme of funding for Roma organisations and commissioned an evaluation of this investment.

We provide care and support services for vulnerable customers including an art group in Derby where locals can socialise and get to know their neighbours

MARIA

Sheltered housing gives Maria the opportunity to turn her life around

Maria, a resident at one of our schemes for older people near Edgware, says getting a place of her own has changed her life.

An MTVH resident since 2015, she previously lived in Watford where she rented a room in an HMO (House in Multiple Occupancy) she shared with two other families above a restaurant.

"The landlord breached his HMO licence and it meant we all had to leave the property within a few weeks. I felt desperate and began searching for another place to live," she says.

Maria found her current home browsing on the internet. "When I saw I met the criteria I was amazed. It shows that God is good; I'd been praying," she explains.

Maria had forgotten what it was like to have anything of her own: "For so many years I'd shared everything with other people. Now I have things that are my own: my own bathroom, my own kitchen, everything... My own privacy. It's priceless to me," she enthuses.

For Maria, it was love at first sight when she saw her flat. It's the only flat not linked to the others in the scheme and that faces inwards to the garden. She doesn't look out onto the bus stop or hear any traffic. "I'm so lucky. The day I came to view the property, I was welcomed by the scheme manager and I saw a cat sitting on the bench in the garden grooming itself. I was so happy. I knew I was in a place where I could turn things around."

Maria, who originally hails from Macau (an island between Hong Kong and south China), is fluent in four languages - Portuguese, English, Cantonese and Mandarin. She has used her talent for languages for many years to volunteer as an interpreter for Age UK and various Chinese associations.

Even though she had excellent references from the charities she volunteered with, she was unable to land a job.

"I spent a lot of time at BOOST (Burnt Oak Opportunity Support Team) a project set up to help people get into work. They suggested I try self-employment," she explains.

Maria is now an Uber driver and the owner of a new car. "This address enables me to register as a limited company and I can now call myself a business owner. I'm able to park my car here safely which gives me peace of mind. I love driving, I feel in control, in charge. It has given me a lot of confidence."

This confidence boost has helped her control other aspects of her life – her depression and post-traumatic stress disorder (PTSD). "I know I have to look after my own (physical and mental) health, because no one else will," she says.

Being an Uber driver has given her such flexibility that she has been able to devote time to build up a clientele for her fledgling beauty sales business (Avon), and continue with her volunteering and charity work, raising over £500 for Macmillan Cancer Support this year.

"I feel blessed living here and thankful to MTVH. Rachel, our Housing with Support Manager, is amazing too. It's through them I've been given the opportunity to start again. I know how difficult it is when you don't have a helping hand, so now I'm happy to give something back to the community. These days I'm just a happy-go-lucky lady," she says as she heads off to exercise at the open-air 'gym' at the nearby park.

> "For so many years I'd shared everything with other people. Now I have things that are my own: my own bathroom, my own kitchen, everything... My own privacy. It's priceless to me."

DAWN

Money, employment and training advice brings stability to Dawn's life

Thanks to ongoing advice about money, employment and training, Dawn, a Derby-based resident, is getting her life back on track. "It's been a scary road, but I'm finding my way with all the help and support I've been given," she says.

Dawn has had her share of bad luck and is desperate to do whatever it takes to build more stability in her life. She was working part-time as a cleaner - through a funded placement by a local employer and the Shaw Trust - when she was first referred to the Trocadero Court Team.

Unfortunately, when the Trust's involvement ended, Dawn was paid sporadically by the employer and was not given wage slips. "I was struggling to pay my rent, so I was so pleased when the income officer got involved and tried to help me get what I was owed," she explains.

But her battle to reduce her arrears continued when the employer went bankrupt. "I was helped to claim Universal Credit which was a huge relief, and I was given food vouchers when my benefits stopped," she says.

Dawn was also helped to update her CV, register on job search websites and linked to a work coach at her local job centre.

When a part-time cleaning vacancy arose with one of MTVH's contractors, Dawn was put forward for the position. She impressed at the interview and was offered a job on the spot. She now works one day a week and continues to get excellent feedback.

"I am very happy doing this job and I'm proving myself: they have said that if any more hours become available, I will be offered them," says Dawn. This has given her a massive confidence boost and Dawn was congratulated for starting work with 'Love to Shop' vouchers from MTVH (which also helped while she was waiting for her first wages).

Dawn hopes to find a second job and continues to attend a weekly job club at her local community centre for support with her job search, job applications and to get help with interview preparation.

She is working hard to reduce her rent arrears and is sustaining her tenancy. Additional support from the Derby Homes Homeless Prevention Grant and the Tenant Welfare Fund helped massively to reduce her arrears.

Dawn is receiving ongoing support to manage her finances and through careful budgeting she is reducing her expenditure.

Until she achieves her goal of full-time employment, Dawn is doing every course she can to improve her skills and makes time to do some charity work every weekend.

"The dream would be to get a full-time job. I used to work as a decorator," she explains, "I'm very happy – every week things get a little bit better."

"I was struggling to pay my rent, so I was so pleased when the income officer got involved and tried to help me get what I was owed."

EXECUTIVE DIRECTOR OF FINANCE'S REVIEW

FINANCE

Highlights

The focus this year has been on preparations for the merger before the completion date (8 October 2018) and on subsequent requirements to ensure policies, plans, structures and systems are fit for purpose for the new combined group, "MTVH". MTVH has applied merger accounting in preparing these financial statements. Merger accounting assumes that the newly formed group had always existed.

Key highlights are:

- Re-negotiation with lenders and the establishment of a new covenant suite within the £2.2bn of combined debt facilities as part of which we incurred £78m of non-recurring break costs

- £300m of additional facilities to fund new liquidity requirements

- Sale of £100m of the 2015 retained bond

- Confirmation of the credit rating for the combined entity at A- stable outlook

- Adoption of Defined Benefit accounting policies for our primary pension scheme SHPS

Overview

Group turnover was £411m (2018: £414m), marginally down by 1% on the prior year. Turnover from the core rental business increased from £280m to £288m. Turnover from outright sales and first tranche sales was £85m (2018: £96m). We sold 60 units (2018: 80 units) as outright sale and the first tranche of 431 (2018: 524) shared ownership units.

Outright sales surplus was £3.5m at a 15% margin (2018: £1.7m at 10% margin) and first tranche surplus was £6.2m at 10% (2018: £20.5m at 26%). This reflects a challenging year for sales, with sales rates suffering from the economic uncertainty prevalent in the market. The Board is committed to creating social housing subsidy through the market sale of homes to build more affordable housing than it could otherwise afford. This remains a core element of our business plan and we cap our market exposure in our development strategy to manage risk and ensure our primary focus is on social housing development.

Underlying operating surplus (which excludes non-recurring costs associated with the merger and the abortive sale of an associate) was £154m (2018: £162m) due to a lower surplus from sales as well as higher property costs. Building on the merger rationale - to do more for our customers and improve customer satisfaction - we continue to drive up the standards of safety and quality in our homes.

Reported operating surplus was £149m (2018: £162m) which reflects the impact of £5m (2018: £nil) of non-recurring operating expenses relating to the merger transaction, subsequent restructuring and abortive fees associated with the sale of our investment in an associate. The quieter sales market also experienced lower volumes from our shared equity operations, including shared ownership equity sales ('staircasing') and mortgage loan buy-backs ('redemptions').

MTVH is one of the largest providers in the sector of Shared Ownership homes and HomeBuy loans (administered through our 'So Resi' brand) and this remains core to our affordable home solutions. During the year we completed 437 staircasing transactions which delivered £15m of operating surplus at a 36% margin (2018: £19m at 34% from 570 completions). In addition, we completed 331 HomeBuy loan redemption transactions, achieving £8.7m of operating surplus at a 38% margin (2018: £7.3m at a 38% margin from 379 completions).

The group recorded a surplus after tax of £6m (2018: £100m), which reflects the costs associated with re-negotiating and establishing the new covenant suite and restructuring some of the loans as a result of the merger. Other comprehensive income includes charges totalling £47m (2018: £0.4m gain) in respect of changes in accounting treatment for our defined benefit pension obligations as we, along with the rest of SHPS members, changed the accounting basis for this multi-employer scheme, following the confirmation by the Pension Trust that they can disaggregate and assign the SHPS multi-employer scheme liabilities to individual Registered Providers.

Cash generation remained strong with a net operating cash inflow of £190m in the year (2018: £183m). Capital expenditure on development projects was £257m (2018: £238m).

Gearing ended the year at 41% on an historical cost of property basis (2018: 39%) and EBITDA interest cover was 2.5 times (2018: 2.8 times).

Finance costs

External interest receivable amounted to £5m (2018: £4m) and total interest payable was £77m (2018: £70m). We also had non-recurring financing costs associated with the lender re-negotiations (transaction and advice fees), break costs (associated with the term reduction on some loans), as well as early repayment of our syndicated private placement debt, together totalling £78m. These costs were incurred to facilitate the partnership and do not represent a substantial modification of our loans. Therefore the carrying value of the loans remains unchanged. The Board is satisfied that the ability to replace this debt at significantly lower rates, together with the additional borrowing capacity created (which will facilitate the completion of up to 2,000 homes per year) made these break costs worthwhile incurring.

Taxation

Tax payable during the year amounted to £668k (2018: (£608k)) and the surplus resulting in this tax is from joint venture activities. Surpluses from the core rental business are exempt from tax as the Group has charitable status. Generally where activities are taxable they are undertaken by subsidiaries which gift aid the surplus to the Group which in turn invests these tax savings to subsidise the development of affordable homes. During the year surpluses of £8.4m (2018: £15.8m) were gift aided within the Group to subsidise the development of affordable homes.

Segmental analysis

	2019 Turnover **£m**	2019 Operating Surplus **£m**	2018 Turnover **£m**	2018 Operating Surplus **£m**
Property	35.2	(21.4)	35.3	(10.7)
Development	91.0	26.1	93.1	18.9
Customer Services	320.3	175.2	324.4	177.8
Central Services & consolidated adjustments	(35.7)	(31.3)	(38.5)	(24.5)
	410.8	**148.6**	**414.3**	**161.5**

The segmental analysis for 2018 has been restated to align with the new reporting structure following the merger.

EXECUTIVE DIRECTOR OF FINANCE'S REVIEW

Other comprehensive income

Three items are included in the other comprehensive income. First, the impact of the first time recognition of the Social Housing Pension Scheme (SHPS) as a defined benefit scheme as a result of The Pension Trust (TPT) now being able to disaggregate and assign the SHPS liabilities to individual Registered Providers - in the past TPT had said this was not possible. This resulted in a recognition of £17m initial actuarial deficit (2018: £Nil). Second, the actuarial re-measurement of both the SHPS and the local government pension scheme of £30m loss (2018: £0.4m gain). With regard to these two items it is important to note that these are driven entirely by changes in accounting policies and assumptions; the underlying pension obligation to our employees remains unaffected, the scheme being closed to further accrual. Third, there was a £5m charge (2018: £2m) relating to the adjustment to the current fair value of the effective element of our portfolio of interest rate derivatives.

Cash generation and utilisation

The Group continues to deliver a strong operating cash performance. Net cash flow from operating activities (including sales and disposal proceeds) was £190m (2018: £183m). We spent £222m (2018: £207m) on new affordable housing developments and £35m (2018: £31m) on improvements to our existing estate. Development costs for outright sales and first tranche sales properties are reflected in the net cash flow from operating activities. Net inflows from drawdowns of new facilities less debt repayments totalled £188m (2018: £85m).

Balance sheet

The net book value of housing assets was £4.4bn (2018: £4.2bn), with £32m (2018: £27m) of depreciation charged in the year. This figure includes assets under construction at 31 March 2019 of £283m (2018: £277m). Development work in progress (WIP), was £205m (2018: £227m) reflecting the growth in our development portfolio. Short and long term creditors are £2.8bn (2018: £2.5bn), including £2bn of borrowings (2018: £1.8bn) and £106m (2018: £102m) of housing grant repayable. Total provisions amounted to £1m (2018: £1m).

Funding and treasury

As at 31 March 2019, MTVH had net debt of £1.8bn (2018: £1.6bn). We define net debt as debt less cash available to repay lenders. 79% (2018: 85%) of the loan book was fixed at rates of interest ranging from 1.2% to 20%, with the remainder at floating rates of interest. Our overall cost of debt was 4.5% per annum (2018: 4.5%).

During the year the credit rating for MTVH was confirmed by Standard & Poor's as A- stable and once the merger transaction was complete, we took action to sell the £100m retained element of our £250m, 2015 bond in the capital markets. This was a successful, oversubscribed sale, at a margin of 175bps over gilts and an effective total interest rate of 3.6%. The bond matures in 2048.

As at 31 March 2019 the Group had committed undrawn facilities of £326m (2018: £312m) – which are fully secured and available at 48 hours' notice, in addition to cash and short-term investment balances, totalling £223m (2018: £159m). Cash is invested at average returns of 0.7% (2018: 0.5%).

Managing treasury risk

Treasury risk management is a key and complex area of financial control and is included here separately from the report of the Board and the statement on internal controls.

Governance and control

MTVH operates a central treasury function under a Director of Corporate Finance who reports to the Chief Financial Officer. Oversight is provided by a Treasury Committee of experienced and qualified non-executives who report, in turn, to the main Board. The activities of the Treasury function are governed by a Treasury Policy and Strategy which are approved each year by the Treasury Committee and Board. The policy is based on the CIPFA Code of Practice for Housing Associations as well as Treasury Management Policy Statements and good practice notes issued by the Regulator of Social Housing (RSH) and its predecessor bodies.

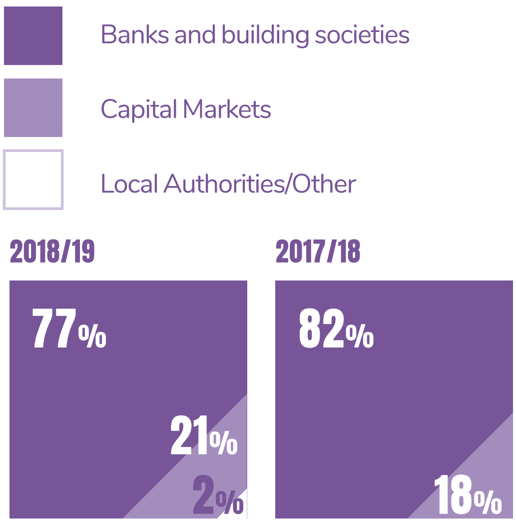
A risk-based approach is adopted with the overriding objective of managing risk in line with the Board's risk appetite. Risks are regularly assessed and recorded in the Finance risk register, which forms part of the Group's risk register.

Loans and credit structure: maturity risk

The Group's borrowings are funded from a number of sources. This includes long-term loans and bonds. All borrowing is denominated in Sterling: the Group has no foreign exchange exposures.

The funding sources are split as follows:

% of total



As detailed in note 23 to the accounts, the borrowings and related interest rate hedges are structured with stage maturities to ensure that no more than 10% of the total loan book matures in any one year to mitigate the related refinancing risk. MTVH has £533m (2018: £159m) of loans maturing in the next five years which represents 27% (2018: 9%) of our total drawn loans.

Interest rate risk

The Group has entered into a number of hedging contracts in order to mitigate the risks on interest cost volatility arising from its floating rate debt and RPI-based cash flows. At 31 March 2019 79% (2018: 85%) of the Group's total debt cost was hedged either by fixed rate loans, floating-fixed swaps or index-linked arrangements.

As detailed in note 31 to these accounts, MTVH has £189m (2018: £189m) nominal value of ISDA swaps which hedge interest costs at rates between 2% and 6%. The mark to market exposure is monitored closely and collateralised with a mixture of cash and property assets.

Counterparty risk

Surplus cash is invested with approved banks and counterparties with the priority on the preservation of capital rather than maximising returns. The treasury policy requires that the maximum deposit exposure to any approved bank is £15m, with the exception of the Group's operational bankers, where a higher level is approved.

Covenant compliance

MTVH's loan covenants are based primarily on interest cover and gearing ratios. Covenant ratios are monitored monthly and reported to the Board. Quarterly performance information is provided to our lenders and we issue quarterly RNS (Regulatory News Service) announcements to bond investors. We hold regular meetings to update our lenders including annual group meetings, and provide covenant certification as part of the annual audit process.

Liquidity risk

We prepare monthly and quarterly cash flow re-forecasts and we also carry out a budget and long-range forecasting exercise at least annually which ensures we can operate well within our safe limits for covenant tests, even under highly adverse changes in performance and market conditions.

Short-term surplus cash balances are placed on deposit for terms of not more than 364 days, with a number of approved counterparties. Cash balances held are sufficient to fund short-term development, capital expenditure and working capital requirements.

VALUE FOR MONEY

Board engagement, governance and performance monitoring

Value for Money is woven into the fabric of the organisation and is a core element in our culture. Throughout the organisation, co-ordinated processes support our delivery of value for money. In outline, these are:

Governance: Our Executive Team and Board scrutinise performance, review policies and ensure compliance. The Board is accountable for ensuring our compliance with regulatory standards.

Business planning: The budgets and objectives set by the organisation seek to ‘raise the bar’ on performance and efficiency.

In-depth cost-base analysis: We have a number of initiatives, e.g. on asset performance and service charges, aimed at developing a richer understanding of our cost base, in order to identify opportunities for further improvement.

Performance tracking: At Board, Executive and functional levels, we scrutinise and report on our ongoing operating performance to identify trends and areas of opportunity for improvement.

Resident involvement: We use resident forums to capture valuable feedback from our customers on where and how to improve – this helps us understand value for money from the perspective of our customers.

Our colleagues: Our people are key to delivering the right service to our customers and our reward and recognition policies seek to ensure that this happens.

Merger activity: A clear business case underpinned the decision of Metropolitan Housing Trust and Thames Valley Housing to merge during the year.

Internal targets

The year was heavily impacted by the merger between our two legacy organisations.

Performance monitoring has therefore been understandably focused on aligning key performance indicators to set a baseline, against which improvements brought about by integrating the businesses can be measured going forward. This is as opposed to tracking against legacy performance and targets. Additionally, we are monitoring the financial benefits of the merger as discussed in more detail below.

However, three key targets were given prominence at Board and executive level to monitor our performance in maintaining value for money by serving our customers, building new homes and operating efficiently, as follows:

- Operating performance as a whole is discussed more fully elsewhere in this report, but was impacted by increased spending on stock maintenance, to ensure quality and safety across our portfolio.
- New homes delivery is also discussed more fully elsewhere, with sector-wide issues associated with the challenging sales environment a significant driver for slower-than-planned delivery.
- Performance against the RSH's key metrics for value for money is included in the table at the end of this section of the report.

Merger

- The largest area of focus for the business over 2018/19 has been preparation for and integration activity following the merger of Metropolitan Housing Trust and Thames Valley Housing in October 2018.
- Although the achievement of savings per se was not the rationale for the decision to combine businesses, nevertheless the achievement of value for money is a major factor in realising the business case for the merger.
- Overall we are seeking to achieve a net annual cost reduction of £5.7m by 2021 in central costs, procurement savings and staffing. These will be achieved due to synergies from the merger and elimination of duplication of overhead costs.
- Approximately £0.9m of annualised savings have already been achieved in 2018/19.
- Additionally, a programme of work is underway to integrate the underlying businesses in a way to maximise efficiency and benefit for our customers.
- This encompasses work on systems, processes, staff and operating models.
- Progress on these areas will be monitored on a detailed project-by-project basis and is being tracked and reported to the Board on a regular basis.

	2018/19 Performance	2018/19 Target	2017/18 Performance
Operating Margin	37.4%	36.5%	39.0%
New Homes	1037	1113	940
Customer Satisfaction	64.3% rolling average (legacy MHT)	67% (legacy MHT)	n/a -new mechanism introduced
	78.4% (legacy TVH)	82% (legacy TVH)	

Social value

- During the year we continued to invest in supporting our vulnerable customers. As a result of our projects and interventions we have provided over 1,800 training and employment opportunities for customers. For customers with more specific needs our Care and Support business continues to provide valuable services whilst maintaining a positive contribution to the organisation with an operating margin of 17.4% (up from 15.4% in the previous year).

Property and procurement

- We have stepped up our investment across Property consciously to secure a sector-leading compliance service.
- Board approved the investment in servicing and compliance to run at £21m in 2019/20 with additional increases in capital investment to £41m in the same year. The additional investment in servicing and compliance allows us to move to a bigger planned programme more quickly, reducing the pressure on day-to-day repairs and securing better value for money overall.
- The investment reaches across works, internal resources and systems upgrades. An ambitious programme to refresh and widen stock condition data across 2019/20 will inform the investment planning for 2020/21 and beyond.
- In 2018/19 we started the re-procurement of our supply chain across health and safety, mechanical and electrical, planned works, complex works, minor works and estates services.
- Using flexible new frameworks supported with market-based commercial pricing, we will secure a supply chain with the quality and capacity to meet our growing investment needs over the coming five to 10 years. The frameworks will start to come online from April 2020

Arrears

- The target for arrears this year was to hold the level steady despite the impact of Universal Credit.
- Although the final levels were just above target (4.05% vs 3.95% for legacy Metropolitan, with an overall figure of 6.14% when combined with legacy TVH), this nevertheless is roughly stable with the previous year and consolidates the positive trend over the last five years, which has seen levels reduce significantly.

Tackling tenancy fraud

- We continue to ensure we maximise value for money for society through steps we take to ensure housing goes to those who need it.
- In the last financial year we returned 54 properties - where tenancy fraud was found - to house those in need (against a target of 32).

Value for Money metrics

Our results in these metrics remain close to our G15 peers although affected by a number of drivers including the impact of the merger between our two legacy organisations, rent reduction, our strategy to increase spend on stock maintenance and the customer experience, and our support for our vulnerable customers through our care and community investment activities.

Based on RSH definitions published April 2018	**2017**	**2018**	**2018 G15 average**	**2019**
1. Reinvestment %	5.9%	6.3%	5.8%	5.8%
2a. New supply delivered % (Social housing units)	2.4%	1.9%	1.4%	2.0%
2b. New supply delivered % (Non-social housing units)	0.9%	0.2%	0.5%	0.2%
3. Gearing	38.1%	39.5%	44.7%	41.7%
4. EBITDA MRI	165.7%	158.8%	147.6%	123.6%
5. Headline social housing cost per unit	4,003	4,555	4,870	4,578
6a. Operating margin (SHL only)	41.8%	36.5%	34.2%	34.2%
6b. Operating margin (overall)	36.8%	31.2%	28.4%	27.5%
7. ROCE	4.0%	3.7%	3.5%	3.2%

Analysis of Value for Money metrics

These metrics were calculated in accordance with the definition of the Regulator of Social Housing's Value for Money metrics, these may differ from the calculation of our internal targets. We have chosen to benchmark our performance against our G15 peers, as we are of similar size, activities and location. We contribute to the annual G15 benchmarking exercise and are able to use the results to understand our performance and to drive improvements in value for money.

The metrics reflect our strategic objectives to invest in improving our stock and our customer experience, as set out below. For example, metrics 1 - 3 are investment driven and show that we are investing more in new stock and improving existing stock, whilst maintaining our borrowing at a prudent level thus demonstrating efficiency and effectiveness. Metrics 4 - 7 measure efficiency and economy, and are driven by the income and expenditure account (including capitalised repairs spend for metrics 4 and 5).

The review of each Value for Money metric is outlined below:

- Reinvestment: This metric looks at the investment in properties (existing stock as well as new supply) as a percentage of the value of total properties held. We reinvested £258m into housing within the year; this represents 5.8% of the current carrying value of total property held as at the end of the year. In the context of operating surplus, we have invested over 170% of our operating surplus into our housing asset base representing an increase in investment since 2018 (163%), which is a positive performance.

- New supply delivered % (social and non-social): These metrics set out the number of new units (social or non-social) that have been acquired or developed in the year as a proportion of the total units owned at period end. The number of new social housing and non-social housing units that have been acquired or developed in the year was 907 and 130 respectively. As a proportion of total social housing units and non-social housing units owned at period end, this is 2% and 0.2% respectively.

- Gearing: This metric measures net loans (including finance lease obligations) as a percentage of the value of housing properties. Our gearing ratio of 42% has increased since 2018 (40%) and remains slightly lower than the 2018 G15 average. This is a positive result as the gradual increase demonstrates our increased investment whilst keeping well within sector norms. One of MTVH's strategic aims is to increase the size of its development programme, and we have negotiated loan facilities and covenants that will support this strategic objective.

- EBITDA MRI: This measures the level of operating surplus (including expenditure on capitalised major repairs and excluding depreciation and amortisation) compared to total interest payable. The Regulator of Social Housing (RSH) sees this as a key indicator for liquidity and investment capacity as it excludes non-cash items such as depreciation and amortisation and capitalised interest. At 124%, EBITDA MRI has decreased compared to the 2018 result of 159%, and is now lower than the 2018 G15 average. This metric shows a declining trend as it continues to be affected by the 1% rent reduction required by the government. Additionally, the trend reflects both our increased expenditure on asset investment and customer service improvements in 2019, and an increase in interest payable.

- Headline social housing cost per unit assesses the costs that MTVH incurs to manage social housing properties divided by the number of units managed by the association. Headline social housing cost per unit for 2019 was £4,578; this is a positive result as we have held the cost per unit level this year, with a result that is below the G15 average performance for 2018. Our care and community investment activities are included within the £4,578 total; these add c. £370 and c.£50 per unit respectively to the headline social housing cost per unit.

- Social Housing operating margin: This measures the profitability of social housing lettings (SHL) activity, based on surplus on SHL as a percentage of turnover. Social housing operating margin of 34% is lower than the previous year result of 36% and is in line with the G15 average for 2018.

- Operating margin: This measures the profitability of operating assets as a percentage of turnover. Note that the RSH excludes surplus on disposal of fixed assets from the calculation. As seen in the EBITDA MRI metric, our operating margin has reduced in 2019 to 27% (2018: 31%) reflecting reductions and increased expenditure on asset investment and customer service improvements in 2019. Both the social housing margin and overall margin show a declining trend; as noted above, this is due to investment in our property and services, and is in line with our strategic priorities.

- Return on capital employed (ROCE): This metric compares operating surplus to total assets less current liabilities and is used to assess the efficient investment of capital resources. The 2019 result of 3.2% has been affected by our reduced operating surplus, but remains broadly in line with the G15 average of 3.5%.

STATEMENT ON CORPORATE GOVERNANCE

Metropolitan Thames Valley (MTVH) has adopted the 2015 National Housing Federation's (NHF) 'Code of governance – promoting board excellence for housing associations'.

The organisation complies with the requirements of the Code and in fulfilling its obligations under the Code, makes use of good practice drawn from guidance associated with the Code, the UK Corporate Governance Code and, where relevant, the Charity Commission.

Governance

Metropolitan Housing Trust (MHT) and Thames Valley Housing Association (TVH) have chosen to form a board made up of the same individuals (a Common Board, referred to as the Metropolitan Thames Valley (MTVH) Board). The MTVH Board is the Parent Board for the Group with overall responsibility for Group strategy and oversight. MTVH and its subsidiaries are governed by the same policies. Each of MHT and TVH's subsidiaries also has a board and the Parent Board has nomination rights to each of the subsidiary boards and makes all appointments to MTVH Board committees.

The subsidiaries of MHT are:

Metropolitan Living Limited

EM Property Services Limited (our in-house repairs contractor, trading as Metworks)

Metropolitan Funding plc (our funding vehicle)

Longsdale Limited (dormant)

Spiritagen Limited (dormant).

The subsidiaries of TVH are:

Metropolitan Housing Trust Limited

Evolution Woking (Holdings) Limited
(with Evolution (Woking) Limited its subsidiary)

TVH Fizzy Holdings Limited (with TVH Fizzy 2 Limited, Fizzy Services Management LLP, Fizzy Brand Management LLP as its subsidiaries).

The wider group also includes several joint ventures and associated undertakings which operate through limited liability partnerships.

The MTVH Board has satisfied itself that the organisation complies substantially with the Regulator of Social Housing's Governance and Financial Viability Standard. However, it recognises that, although it is working through a robust plan to achieve full compliance with the General Data Protection Regulation (GDPR), this has not yet been fully completed. We aim to have all required provisions in place during the year to be able to report full compliance in the 2020 Financial Statements. Although both MHT and TVH previously achieved G1 and V1 viability ratings, following the RSH's review of the Financial Plan the Group was reassessed in January 2019 as G1 and V2 due to the level of sales exposure and investment in property.

During the six months since merger, the MTVH Board met on five occasions, including a strategic away-day session when the Board considered the Group's long-term strategy.

The MTVH Board comprises ten non-executive members and two executive members (the Chief Executive and the Executive Director of Finance). The Boards of subsidiaries are appointed by the MTVH Board and include Executive Directors or other Senior Leadership Team members and each subsidiary business reports to the MTVH Board annually.

The roles of Chair of the MTVH Board and the Chief Executive are separate, reflecting the different responsibilities of leading the Board and the Executive. These roles are set out in their role descriptions and each member of the Board is bound by an agreement for services, the code of conduct and other agreed policies and documents. The Secretary maintains a group register of Board members' interests, which is updated on a regular basis.

During 2018 the Board reviewed the committee structure, which now includes the following Group committees, which meet on a quarterly cycle. Each committee provides feedback to the MTVH Board after it meets and also provides an annual report on activities during the year. Committee membership comprises Board members in the main, with specialist and resident input on the Safeguarding and Quality, and Customer Services committees.

During 2018-19, as part of the partnership preparations, the governance structure and processes were reviewed. An internal audit of governance arrangements took place in March 2019 and gave a rating of significant assurance with minor improvement opportunities.

Audit and Risk Committee

The Audit and Risk Committee is responsible for ensuring that internal controls are adequate and effective and that the organisation's approach to risk management is commensurate with risk appetite. The committee approves the internal audit work plan and reviews internal audit findings. It considers significant issues relating to the financial statements, including the accounting policies. It also recommends the appointment of internal and external auditors to the Board.

Development Committee

The Development Committee has delegated authority to approve new developments and provides oversight and assurance in relation to them, including any new or innovative proposals, and an understanding of funding mechanisms. Its remit also includes oversight and assurance of regeneration activity, strategic asset management activity and key metrics for development finance and appraisal assumptions. It receives a detailed quarterly report on Investment and Development activity.

Customer Services Committee

The Customer Services Committee (CSC) provides assurance to the Board on our service delivery and customer service. There is a direct link with the customer-led scrutiny committee through service audits, and the National Customer Group, providing valuable customer insight. The committee includes up to six resident members as well as three board members. During the year 2019/20 resident engagement in the governance of MTVH is being reviewed.

Treasury Committee

The Treasury Committee provides an expert focus on the management of the Group's loans and investments portfolio.

Remuneration & Nominations Committee

The Remuneration and Nominations Committee keeps under review the composition of the Board, succession and the framework for appointing, developing and appraising Board members. It has oversight of senior executive pay and remuneration matters, including Board member remuneration.

Safeguarding and Quality Panel

The Safeguarding and Quality Panel provides assurance that MTVH is providing a high quality of care and support services and safe housing services for vulnerable children and adults across its housing provision. The committee reviews how MTVH responds to serious incidents of harm to customers and colleagues, reviews outcomes from Care Quality Commission reports and embeds learning from these throughout the business. The committee includes input from independent external experts in the safeguarding field and has an MTVH Board observer.

STATEMENT ON CORPORATE GOVERNANCE

Corporate and social responsibility

As a social business we believe corporate responsibility and sustainability should be embedded across our organisation. This includes working with suppliers to embed sustainable practices and our commitment to openness and transparency.

The Modern Slavery Act requires MTVH to disclose information relating to the steps we have taken to ensure there is no slavery or human trafficking in our own business or supply chains. The risk of slavery and human trafficking within our organisation is avoided and mitigated by policies and procedures.

As part of our continued commitment to identify and mitigate risk we use the central government procurement documents which address modern slavery. Where applicable our procurement documents request transparency in relation to working conditions including health and safety, fair remuneration, non-discrimination and forced, cheap labour. We continue to expect our incumbent and new suppliers to have up-to-date, suitable anti-slavery and human trafficking policies and processes.

Non-executive Board membership

All non-executive Board members are required by the Rules of each association to be shareholders. All members of the Board, executive and non-executive, have the same legal status and share responsibility equally for decisions taken by the Board.

There is an induction programme which all new Board members undergo and ongoing development is achieved through attendance at NHF and other conferences and seminars. In addition pre-board briefings take place throughout the year to update and inform the Board about current and emerging issues.

Individual non-executive Board member appraisals take place annually with the Chair and each Board member has clear objectives for the year. The Chair's role is also annually appraised, with the process led by the Senior Independent Director

There are clear mechanisms in place for members who fall short of the required standards. The effectiveness of the board and committees is reviewed annually.

The level of remuneration of non-executive Board members has been arrived at after benchmarking levels of Board member pay in comparable housing associations, and takes into account the need to attract, retain and motivate members who have the required levels of skill and experience. Board members' remuneration was increased in October 2018 following external review, to recognise the increased size and complexity of the MTVH Group.

MTVH has robust, transparent and independent systems for the recruitment of Board members. Search and advertising for new members is sufficiently broad to ensure that equal opportunities and diversity standards are met and the recruitment process is governed by principles of transparency, openness and accountability.

Note 10 in the notes to the accounts shows the salaries paid to Board members for the discharge of their duties during 2018/19.

BOARD STATEMENT ON INTERNAL CONTROL AND RISK ASSURANCE

Internal control and risk

The Board has overall responsibility for the system of internal control and risk across the Group and for reviewing its effectiveness.

The review process

The internal control framework is designed to manage and reduce the risk of failing to achieve business objectives. It can only provide reasonable, not absolute, assurance against material misstatement or loss.

The framework also exists to give reasonable assurance about the reliability of financial and operational information and the safeguarding of MTVH's assets and interests. The Audit and Risk Committee regularly reviews the effectiveness of internal controls through the assurance provided by internal audit, regular updates on risk management and assurance provided by the Executive Team.

The Board is responsible for overseeing the framework of delegation and systems of internal control, including risk appetite and strategic risks. The Board has reserved certain matters to itself, including determining the long-term business objectives of the group and any material decisions. A formal scheme of delegation and financial regulations set a framework for Board committees, the Chief Executive and the Executive Team. Board committees provide assurance to the Board on key areas of activity such as service delivery, safeguarding, finance and treasury.

Key risks and mitigations

The key risks and how they are mitigated are summarised opposite. The Board's risk appetite and the approach to strategic risk identification, assessment and management has been reviewed during the year and a revised policy has been agreed by the Board. This is now firmly embedded across the Group.

The Policy clearly sets out Board, Committee, Executive and Management responsibility with regard to the identification, evaluation and control of significant risks. This includes the review of those risks considered to be of strategic importance at quarterly meetings of the Audit and Risk Committee and the Board. The monthly review by the Executive Team includes regular reviews of the strategic risk register and registers for each operational area.

The strategic risk register represents a combination of risks that may impact on our ability to achieve our strategic goals, as well as those that may have a significant impact on our operations. The acronyms used in the table opposite are defined in the Glossary section on page 58.

Risk Type	Risk Causes	Risk Consequences	Summary of controls
		Externally Influenced	
Sales revenue	Negative house price inflation as a result of Brexit and/or a lack of confidence in the property market.	Reduction in sales revenue and/or delays in achieving sales (including JV investments); adverse impact on liquidity and profit.	Performance of the development programme is carefully monitored with regular progress/performance reports presented to Executive, Development Committee as well as Board. Options Group reviews sales performance and makes recommendations to Executive. Review of multi-variate stress tests; Regular review of Golden Rules for covenants and liquidity and Business Planning rules to ensure there remains adequate stress buffer for prevailing conditions; Revising long-term financial plan.
Clapham Park Regeneration	Failure to secure vacant possession of a site; increase in costs or decrease in value impacting on scheme viability.	Failure to meet MTVH's contractual obligations as set out in the contract with London Borough of Lambeth; impact could be financial as well as reputational.	Regular progress/ performance reports are presented to Executive, Development Committee, Clapham Park Committee as well as Board.
Increase in total scheme costs (including JV investments)	Construction costs increase as a result of Brexit.	Adverse impact on viability of scheme.	Regular monitoring of scheme costs by Executive and Development Committee.
Government policy or regulation	Changes in government policy or regulation.	Changes adversely affect business plan; regulatory non-compliance.	Good headroom in business plan; Key financial indicators within target; Annual STEP/SWOT; Multi-variate scenario testing; Regulatory self-assessment.
Compliance	Failure to comply with legislative requirements relating to the servicing or maintenance of assets associated with fire, gas & electrical safety, asbestos, legionella, site safety or failure to maintain properties in a safe way.	Death or injury; reputational damage or prosecution.	Compliance metrics as reported in Board performance pack; Weekly compliance monitoring reports; Monthly quality monitoring meetings; Expanded Compliance Team; Specialist Compliance Auditors; CDM site audit.

BOARD STATEMENT ON INTERNAL CONTROL AND RISK ASSURANCE

Risk Type	Risk Causes	Risk Consequences	Summary of controls
Internally controlled			
Staff retention and recruitment	Failure to recruit and retain staff.	Integration benefits not realised; service standards not achieved; costs increase.	Staff recruitment procedures; KPI reporting: % unfilled post and % staff turnover.
Data protection	Lack of GDPR compliance caused by IT security failure, cyber risk or failure to follow processes.	Serious data breach could result in fines and significant reputational and regulatory damage	Mandatory staff training; Policies and information governance; Internal data breach reports and learning; Record of cases reported to ICO; Legacy MHT gap analysis completed; Formal breach reporting via ARC.
Asset management	Inadequate data on assets; delays in repairs programme.	Poor asset management decisions made and reputational damage.	Asset management strategy & action plan: Improving stock condition survey data capture; Improved systems for extracting and analysing data.
Merger risk	Integration plan fails to deliver the cultural, process and technology changes needed.	MTVH objectives/ business plan are not achieved; failure to deliver an integrated organisation.	Integration delivery plan; Monitoring delivery and completion of objectives' targets set in annual corporate plan; Monitoring efficiency savings against targets in business plan.
Responding to complaints	Internal failure to respond to complaints within SLA.	Poor customer feedback and potential reputational and regulatory non-compliance. Failure to meet standards laid out in IDA, CQC, Ombudsman.	Introduction of complaints panel. Review of complaint handling processes. Monitoring number of Ombudsman complaints; Monitoring any finding of maladministration; KPI reports on number of open complaints and targets for resolution. All MP complaints monitored through complaints team.
Customer satisfaction	Poor service, contractor or product.	Failure to improve customer satisfaction.	Customer satisfaction data trends; Service improvement plans.

Risk Type	Risk Causes	Risk Consequences	Summary of controls
Internally controlled			
Duty of care	a) Inadequate training and control mechanisms or b) failure in duty of care, caused by inadequate training and internal control mechanisms; and poor operating processes.	Death or injury arising from failure to care for customers. Reputational risk impact and regulatory non-compliance.	Mandatory training % completion; CQC assessments; SQ Committee, Quality Walks, RQA audits and action plans.
Business continuity	Major incident: loss of access to systems of offices.	Inadequate disaster recovery or business continuity plan prevents operation of the business.	Company-wide BCP Plan; Full DR plan; DR & BCP rehearsals; Communication plan.

Information and financial reporting systems

Our Financial Plan is monitored regularly by management, the Executive and the Board to ensure that the business remains financially healthy and that targets for financial growth and other objectives are met in order to enable the delivery of our social objectives. The Financial Plan is stress tested against a range of challenging regulatory, investment, economic, financial and business performance scenarios, including the Bank of England stress tests. The 2019/20 Plan was approved by the Board in May 2019.

Fraud, Anti-bribery and whistleblowing

Fraud is an ever-present threat to resources and may occur from outside or from within the organisation. MTVH has an approved anti-fraud, bribery and corruption policy that covers the prevention, detection, investigation and reporting of fraud, including remedial action to prevent a recurrence. Cases of fraud and attempted fraud are recorded on the fraud register and reported to the Executive Team and to the Audit and Risk Committee. Our anti-fraud, bribery and corruption policy makes clear that we have zero tolerance of any form of bribery. The Group has appointed a Money Laundering Compliance Principal and a Nominated Officer as part of its compliance with anti-money laundering legislation.

MTVH values its reputation and is committed to maintaining the highest possible ethical standards in all its business activities. The organisation has a whistleblowing policy that encourages staff and others to express any serious concerns regarding suspected misconduct or malpractice going on within the organisation. These policies were reviewed by the Board in 2018.

Monitoring, control environment and control procedures

A process of control, self-assessment and regular management reporting on control issues provides hierarchical assurance to successive levels of management and the Board, together with an auditable trail of accountability. The certification is tailored to reflect the potential risks and the control environment of the business. This enables corrective action to be taken where appropriate and provides assurances to management and the Board. The Chief Executive provides an annual assurance report to the Board, which includes assurance that key legislative and regulatory requirements have been met.

The Code of Conduct sets out MTVH's expectation of staff with regard to quality of service, business disciplines, honesty and integrity. It is supported by a framework of policies and procedures with which staff 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. Policies are periodically reviewed in accordance with a prescribed timetable.

BOARD STATEMENT ON INTERNAL CONTROL AND RISK ASSURANCE

Audit assurance

The internal audit function is outsourced and reports directly to the Executive Director of Finance and has direct access to the Audit and Risk Committee. The internal audit programme of work is aligned to strategic objectives and risk. The Audit and Risk Committee meets four times a year and considers internal control and risk management at each meeting. The Committee provides an annual report to the Board and feedback following each of its meetings. The work of the external auditors provides further independent assurance on the control environment as described in their audit report. MTVH receives a letter from the external auditors identifying any weaknesses in internal control with recommendations for improvement. This letter is considered by the Audit and Risk Committee together with a detailed action plan to address any issues. A review of the effectiveness of the internal and external auditors takes place annually.

Going concern

After making enquiries, the Board has a reasonable expectation that MTVH has adequate resources to continue in operational existence for the foreseeable future. For this reason the Board continues to adopt the going concern basis in preparing the Group's financial statements.

Glossary

ARC – Audit and Risk Committee

BCP – Business Continuity Plan

CDM- Construction Design and Management (regulations)

CQC – Care Quality Commission

DR – Disaster Recovery

EBITDA – Earnings before interest, tax, depreciation and amortisation

EBITDA- MRI – Earnings before interest, tax, depreciation and amortisation, major repairs included

FCA – Financial Conduct Authority

G15 – The group of London's largest housing associations

GDPR – General Data Protection Regulation

HSE – Health & Safety Executive

IDA – In-Depth Assessment

ICO – Information Commissioner's Office

JV – Joint Venture

KPI - Key Performance Indicators

LCHO – Low Cost Home Ownership

MF plc - Metropolitan Funding plc

MLL - Metropolitan Living Limited

MP- Member of Parliament

PBE- Public Benefit Entity

ReSI – Residential Secure Income

ROCE – Rate of return on capital employed

RSH - Regulator of Social Housing

RQA – Risk Quality Association

SHL – Social Housing Lettings

SLA – Service Level Agreement

So Resi – MTVH shared ownership brand

SQ – Safeguarding & Quality Panel

STEP – Social, Technological, Economic and Political

SWOT – Strengths, Weaknesses, Opportunities and Threats

STATEMENT OF RESPONSIBILITIES OF THE BOARD

The Board members are responsible for preparing the report of the Board, which for MTVH comprises Chair and Chief Executive's introduction, Chief Executive's strategic operational review, Executive Director of Finance's review, Value for money, Statement on corporate governance, Board statement on internal control and risk assurance and this Statement of responsibilities of the Board; and the financial statements in accordance with applicable law and regulations.

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

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by Registered Social Housing Providers 2014 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Trust will continue in business.

The Board members are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and the Trust's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Trust and enable them to ensure that the financial statements comply with 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. They are also responsible for safeguarding the assets of the Group and the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Paula Kahn, Chair
18 July 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

Opinion

We have audited the financial statements of Thames Valley Housing Association Limited ("the Association") and its subsidiaries (together "the Group") for the year ended 31 March 2019, which comprise the consolidated and Association Statement of comprehensive income, the consolidated and Association Statement of changes in reserves, the consolidated and Association Statement of financial position, 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 United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2019 and of the Group's and the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the 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 Group and 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 member's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Business Combination

As explained in the accounting policies in Note 1a, Thames Valley Housing Association and Metropolitan Housing Trust entered into a business combination with Thames Valley Housing Association Limited becoming the parent of the newly combined Group.

The financial and accounting systems of the historical components have continued to operate separately under the amalgamated entity resulting in a complex compilation exercise being needed in order to prepare the Group financial statements.

In addition, management have exercised a significant degree of judgement in determining the appropriate accounting implications of this business combination. In particular in respect of:

- the application of merger accounting at Group level resulting in the presentation of financial information as if the newly formed Group had always existed
- conclusions about the significance of aligning the accounting policies of the combined group
- the nature and extent of related disclosure explaining the combination and the effect on the financial statements.

As a consequence of these matters and because the nature of the underlying records and its effect on our audit strategy and allocation of resources, the business combination is considered to be a key audit matter.

Our response to the key audit matter

We obtained information derived from the historical constituents' accounting systems and checked that such information had been combined to produce the results of the amalgamated group. As part of our work:

- We obtained management's rationale for the application of merger accounting at group level and we checked that the rationale was consistent with the principles of merger accounting for a public benefit entity as set out in FRS 102. We checked that the rationale was supported by appropriate evidence, particularly in respect of the participation of historical boards in setting strategic, financial and operating objectives for the amalgamated entity.
- We checked that the merger accounting requirements had been appropriately applied. We also confirmed there had been alignment of significant accounting policies of the Group.

We checked that the related disclosure was presented in accordance with the requirements of the underlying framework and that related policies were adequately disclosed and explained, including reference to key judgements and estimates made where necessary.

Key observations

Based on our procedures we identified no misstatements. We confirm that the business combination has been appropriately disclosed.

Loan Refinancing

As explained in the accounting policies in note 1a, a significant proportion of the group's loan portfolio was restructured following the formation of the new Thames Valley Housing Association Limited Group. As part of this restructuring:

- All of the bank facilities have undergone some negotiations in terms of margin and/or tenor.
- There have also been some breaks of embedded hedging (in Barclays) with a payment of the MTM of £30.5m.
- Restated loans of £2.2bn were assumed at terms and conditions that management considered to not be substantially different from those of the loans that they replaced. Therefore none of the loans had to be derecognised and treated as a new financial liability. Management determined that the new loans are classified as 'basic' in accordance of the requirements of FRS 102;

Whether or not the changes to loans constitute substantial modifications in FRS 102 terms has a significant effect on a number of material classes of transactions, account balances and disclosures within the financial statements and was therefore considered to be a significant risk. Because of the effect of this significant risk on our audit effort and strategy, it is considered to be a key audit matter.

Our response to the key audit matter

Our response included the following:

- We reviewed the paper (and supporting calculations) prepared by management setting out why the Group has concluded that the restructuring of the loan portfolio does not constitute a substantial modification to the terms of the existing arrangements.

    - All of the loans have undergone negotiations in terms of margin and/or tenor and there have also been some breaks of embedded hedging. However there have been no changes to other features of the loans such as face amount, currency denomination or security. Therefore we looked to quantitative analysis to assess the impact of the modifications.

    - FRS 102 does not include quantitative measures as to whether a change is a substantial modification. Management have therefore looked to IFRS, where terms are considered to have been substantially modified when the present value of the cash flows under the new terms, using the original effective interest rate (i.e. of the original liability), differs by more than 10 percent from the present value of the remaining payments under the original terms. This calculation is referred to as a 10% test.

In preparing the calculations for the 10% test management treated loans with amortised payment schedules of principal as bullet repayments at the end of loan when determining future cash flows. As the cash flows for loans with amortised payment schedules of a principal are significantly different to those for bullet loans we recalculated the test, using the amortised payment schedules for those loans closest to the 10% threshold to determine whether revising the cash flows would result in the threshold being exceeded.

- We checked the basis of measurement of the borrowing as basic against the criteria set out in FRS 102, agreeing the key terms back to loan agreements

- We agreed a sample of break costs recognised in the statement of comprehensive income to supporting documentation.

Key observations

Our work identified no misstatements or inappropriate application of judgement or estimation. Based on our procedures we noted no exceptions and found management's key assumptions to be within a reasonable range and the effect of the changes related to the SHPS liability to be appropriately disclosed.

Our work identified no inappropriate application of judgement regarding whether the restructuring of the loan portfolio constitutes a substantial modification under FRS 102.

Carrying amount of properties developed for resale

As explained in note 16, properties developed for sale, including shared ownership first tranches and properties developed for outright sale, are measured at the lower of cost and net realisable value resulting in an amount recognised in the balance sheet of £205,309,000. For completed properties at the balance sheet date, an assessment is needed of an anticipated selling price. For properties in development at the balance sheet date, an assessment is needed of an anticipated selling price and a determination of the expected costs to complete.

Due to the volume of properties under construction and the level of judgement involved in estimating both selling price and costs to complete we considered there to be a significant risk that the carrying amount of properties developed for sale is misstated and was therefore a key audit matter.

Our response to the key audit matter
Having obtained management's assessment of the net realisable value of properties developed for sale, we tested this on a sample basis.

Our samples were chosen from the populations of items that represented both developments under construction as well as completed developments at year-end.

For a sample of completed properties we agreed the amounts involved to supporting documentation where the property was sold post year-end. Where the property was not yet sold we obtained third-party housing market information to confirm that properties were held at the lower of cost and net realisable value.

For a sample of properties under development we obtained details of the expected costs to complete from the scheme budget for that development and agreed the budgeted contracted cost of the development to the latest contract documentation. We examined supporting documentation for anticipated sales proceeds and we compared the incurred expenditure to the balance sheet date to the estimated amount at that date.

Key observations

Our work identified no misstatements or inappropriate application of judgement or estimation. Based on our procedures we noted no exceptions and found management's key assumptions to be reasonable.

Recognition and measurement of liabilities related to the Social Housing Pension Scheme and related presentation and disclosure

As disclosed in note 24 and in the accounting policies a method for the determination of sufficient information for full defined benefit accounting has been determined and information to facilitate inclusion of the share of assets and liabilities on the balance sheet has been provided to the Association and Group. FRS 102 has also been amended to reflect accounting requirements in such an event. The policy and note explain that these changes have been early-adopted and explain the how this change has been reported in respect of:

- De-recognising the previously recognised SHPS deficit reduction liability
- Recognising the Association's share of the assets and liabilities of SHPS
- The value of the assets and liabilities recognised
- The effect on the opening and closing balances.

This was a key audit matter because of the effect of this adjustment on the financial statements, including disclosures, the level of judgement and estimation involved in the determination of amounts to recognise, the timeliness of the provision of relevant information and the level of audit attention given to these changes.

Our response to the key audit matter
Our specific audit testing in this regard included:

- A determination of whether the accounting entries had been made in accordance with the requirements of the revised FRS 102. Our work included specific consideration of the related disclosures. We assessed the following against the requirements of the standard in this respect:
- The updated SHPS-related accounting policies
- The disclosure concerning the early adoption of new requirements
- The reporting of key judgements and estimates and
- The discussion of the accounting implications of the change of approach to calculation of the SHPS liability within the pension note.
- Securing appropriate audit evidence in respect of SHPS-related accounting entries and disclosures from a number of key sources including:
    - The Scheme Trustee
    - Control assurance provider
    - An auditor's pension and actuarial expert

Our work in respect of each involved appropriate involvement in setting the scope of the work and assessing suitability of the output derived from other sources as audit evidence and covered both the opening and year-end positions.

- Performing testing, on a sample basis, of certain inputs to the SHPS tool which were derived from the Association's records and considered the appropriateness of assumptions used in calculating the outputs at each of the relevant dates.

Key observations

Our work identified no misstatements or inappropriate application of judgement or estimation. Based on our procedures we noted no exceptions and found management's key assumptions to be within a reasonable range and the effect of the changes related to the SHPS liability to be appropriately disclosed.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We determined materiality for the financial statements as a whole to be £77,520,000, which represents 1.5% of total assets.

We also apply a specific materiality level for all items comprising operating profit (including related disclosures) as that term is defined for the purposes of the entities' lending covenants. This therefore involves adjusting operating profit for depreciation, amortisation and impairment. The specific materiality level that we applied was £11,070,000, which is 7.5% of adjusted operating profit.

We used gross assets and adjusted operating profit as our chosen benchmarks to determine materiality and for specific materiality as these are considered to be the areas of the financial statements of greatest interest to the principal users of the financial statements and the areas which will have greatest impact on investor and lender decisions.

Materiality for the parent company was set at £5,000,000 (with a specific materiality set at £1,020,000).

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality or specific materiality depending on the financial statement area being audited. In setting the level of performance materiality we considered a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.

We agreed with the Audit Committee that misstatements in excess of £3,101,000 for areas considered using financial statement materiality and £443,000 for areas considered using specific materiality which were identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

As a result of the business combination a new group has been formed and therefore comparative figures cannot be provided.

An overview of the scope of our audit

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

In establishing the overall approach to the Group audit, we assessed the audit significance of each reporting component in the Group by reference to both its financial significance and other indicators of audit risk, such as the complexity of operations and the degree of estimation and judgement in the financial results.

The extent to which the audit is capable of detecting irregularities is affected by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud usually are inherently more difficult to detect than irregularities that result from error.

As part of the audit we gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group that were contrary to applicable laws and regulations, including fraud. We considered the Association's compliance with laws and regulations that have a direct impact on the financial statements such as the Co-operative and Community Benefit Societies Act 2014 (and related Directions and regulations), the Housing and Regeneration Act 2008 and other laws and regulations applicable to a registered social housing provider in England. We also considered the risks of non-compliance with the other requirements imposed by the Regulator of Social Housing, and we considered the extent to which non-compliance might have a material effect on the Group financial statements.

We designed audit procedures at Group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our tests included agreeing the financial statement disclosures to underlying supporting documentation, enquiries of the board and of management and enquiries of third parties, where information from that third party has been used by the Association in the preparation of the financial statements.

There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. As in all of our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Board that represented a risk of material misstatement due to fraud.

Classification of components

A full scope statutory audit was carried out for each subsidiary that we considered to be a significant component of the Group.

Audit work on all components was performed by BDO UK both for the purposes of reporting on the individual financial statements and for group/consolidation purposes. The only significant component for group purposes was the parent entity.

Other information

The Board is responsible for the other information. Other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception we have nothing to report in respect of the following matters where we are required by the Co-operative or Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the parent Association; or
- a satisfactory system of control has not been maintained over transactions; or
- the parent Association financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the board

As explained more fully in the Board members responsibilities statement set out on page 59, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Other matters

Following the recommendation of the Audit Committee, we were appointed by the board on 14 June 2018 to audit the financial statements for the year ending 31 March 2019 and subsequent financial periods. The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting our audit. Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

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

Elizabeth Kulczycki,
Senior Statutory Auditor
For and on behalf of BDO LLP,
Statutory Auditor
Gatwick, United Kingdom

18 July 2019

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

Consolidated and Association statements of comprehensive income and expenditure

	Note	Group 2019 £'000	Group 2018 £'000	Association 2019 £'000	Association 2018 £'000
Turnover	2	410,837	414,252	59,414	84,558
Cost of sales	2	(71,753)	(72,750)	(37,482)	(44,353)
Operating costs	2	(226,305)	(212,213)	(13,994)	(24,970)
Surplus on disposal of fixed assets	2/6	31,240	29,166	775	346
Share of operating surplus in joint ventures and associates	32	9,872	3,081	-	-
Adjusted Operating Surplus		153,891	161,536	8,713	15,581
Non-recurring costs	2/38	(5,297)	-	(2,797)	-
Operating surplus		**148,594**	**161,536**	**5,916**	**15,581**
Revaluation of investments	35	1,113	133	-	-
Charitable donation		-	-	(8,396)	(15,802)
Interest receivable	7	5,202	3,919	2,342	2,414
Interest and finance costs	8	(77,399)	(70,067)	(4,065)	(3,911)
Non-recurring merger financing costs	8	(77,800)	-	(312)	-
Movement in fair value of financial instruments	7	826	2,712	-	-
Movement in fair value of investment property	12	1,047	946	-	(15)
Movement in fair value of financial assets		3,970	-	-	-
Negative goodwill		982	-	-	-
Surplus before tax		**6,535**	**99,179**	**(4,515)**	**(1,733)**
Taxation	11	(668)	608	(852)	75
Surplus for the year		**5,867**	**99,787**	**(5,367)**	**(1,658)**
Initial recognition of multi-employer defined benefit scheme liability	24	(17,230)	-	(4,078)	-
Actuarial gain/(loss) on defined benefit pension scheme liability	24	(30,258)	369	(6,075)	-
Change in fair value of hedged financial instruments	8	(5,003)	2,250	-	-
Total comprehensive income and expenditure for the year		**(46,624)**	**102,406**	**(15,520)**	**(1,658)**

All amounts relate to continuing activities.

The notes on pages 71-124 form part of these financial statements.

Consolidated and Association statements of financial position as at 31 March 2019

Fixed Assets	Note	Group 2019 £'000	Group 2018 £'000	Association 2019 £'000	Association 2018 £'000
Tangible fixed assets					
Housing properties	12	4,290,716	4,105,961	106,395	110,030
Investment properties	12	70,584	67,722	3,941	2,954
Other tangible fixed assets	13	20,679	20,543	8,079	8,696
Total tangible fixed assets		**4,381,979**	**4,194,226**	**118,415**	**121,680**
Investments					
HomeBuy loans	14	158,617	173,041	–	–
Other investments	15	26,633	28,445	7,959	7,959
Investments in joint ventures	32	77,307	86,200	2,875	17,623
Total fixed assets and investments		**4,644,536**	**4,481,912**	**129,249**	**147,262**
Current assets					
Stock	16	205,309	183,585	150,040	161,863
Debtors	17				
receivable within one year		35,791	33,075	36,810	34,667
receivable after one year		59,431	3,993	121	126
Cash at bank and in hand		222,975	158,508	16,990	54,951
		523,506	**379,161**	**203,961**	**251,607**
Amounts falling due within one year	**18**	**(422,438)**	**(255,176)**	**(167,891)**	**(227,201)**
Net current assets		**101,068**	**123,985**	**36,070**	**24,406**
Total assets less current liabilities		**4,745,604**	**4,605,897**	**165,319**	**171,668**
Amounts falling due after more than one year	19	2,350,968	2,208,451	72,694	73,016
Provision for liabilities	25	1,083	907	–	–
Pension liability	24	79,242	35,604	15,270	5,777
Capital and reserves					
Income and expenditure reserve					
General reserve		1,274,526	1,311,274	75,596	91,121
Restricted reserve		15,422	14,190	–	–
Revaluation reserve		1,054,198	1,060,303	1,759	1,754
		2,344,146	**2,385,767**	**77,355**	**92,875**
Cashflow hedge reserve		(29,835)	(24,832)	–	–
Total reserve		**2,314,311**	**2,360,935**	**77,355**	**92,875**
Total funding		**4,745,604**	**4,605,897**	**165,319**	**171,668**

The financial statements were approved and authorised for issue by the Board on 18 July 2019 and were signed on its behalf by:

Paula Kahn
Chair

Ian Johnson
Executive Director, Finance

Patricia Etter
Company Secretary

The notes on pages 71 to 124 form part of these financial statements.

Consolidated statement of cash flows for year ended 31 March 2019

	2019 £'000	2018 £'000
Cash flows from operating activities		
Surplus for the year	5,867	99,787
Adjustment for:		
Surplus on disposal of fixed assets	(31,240)	(29,166)
Surplus on disposal of fixed asset investments	(4,952)	(7,268)
Share of operating surplus in joint ventures	(9,872)	(3,081)
Interest receivable	(5,202)	(3,919)
Interest and financing costs	77,399	70,067
Non-recurring merger financing costs	77,800	-
Movement in fair value of financial instruments	(826)	(2,712)
Movement in fair value of investment property	(1,047)	(946)
Revaluation of investments	(1,113)	(133)
Tax charged / (received)	668	(6)
Depreciation	36,584	33,326
Amortised grant	(10,443)	(5,080)
Impairment	(2,206)	(1,401)
(Increase) in stock	(21,724)	(57,327)
(Increase) / decrease in trade and other receivables	(58,154)	7,153
Increase / (decrease) in trade payables and other creditors	107,501	(2,658)
Contributions (from) provisions	176	(8,894)
(Decrease) / increase in pension liability	43,638	(4,585)
Adjustment for non-cash items	(46,624)	1,038
Proceeds from sale of properties as operating activities	57,650	53,226
Proceeds from sale of fixed asset investments as operating activities	23,029	30,785
Cash generated from operations	**236,909**	**168,206**
Tax paid	–	(2)
Net cash from operating activities	**236,909**	**168,204**
Cash flows from investing activities		
Purchase of property, plant and equipment	(257,131)	(238,098)
Purchase of other investments	(2,036)	(6,908)
Proceeds from the sale of other investments	42,113	8,457
Interest received	4,662	3,384
Dividend received	540	535
Net capital grants repaid	(28,269)	(420)
Net cash from investing activities	**(240,121)**	**(233,050)**
Cash flows from financing activities		
Proceeds from borrowings	247,350	98,196
Repayment of borrowings	(58,832)	(13,011)
Capital element of finance lease payments	(388)	(25)
Interest paid	(81,456)	(78,687)
Finance costs (including one-off merger costs)	(37,479)	–
Interest element of finance lease payments	(1,516)	(45)
Net cash used in financing activities	**67,679**	**6,428**
Net movement in cash and cash equivalents	**64,467**	**(43,882)**
Cash and cash equivalents bought forward	158,508	202,390
Cash and cash equivalents carried forward	**222,975**	**158,508**

The notes on pages 71 to 124 form part of these financial statements.

Statement of changes in equity for the year ended 31 March 2019

Group	Income and expenditure reserve £'000	Cashflow hedge reserve £'000	Restricted reserve £'000	Revaluation reserve £'000	Total reserves £'000
Balance at 1 April 2017	**1,209,154**	**(27,082)**	**13,994**	**1,063,611**	**2,259,677**
Surplus for the year	99,591	–	196	–	99,787
Movement in reserves	64	–	–	(1,212)	(1,148)
Actuarial gain on pension scheme	369	–	–	–	369
Change in fair value of hedged Financial instruments	–	2,250	–	–	2,250
Reserves transfers:					
Revaluation of gains on disposals	1,946	–	–	(1,946)	–
Depreciation on disposal	150	–	–	(150)	–
Balance at 31 March 2018	**1,311,274**	**(24,832)**	**14,190**	**1,060,303**	**2,360,935**
Surplus for the year	4,635		1,232		5,867
Initial recognition of multi-employer defined benefit scheme liability	(17,230)	–	–	–	(17,230)
Actuarial gain/(loss) on defined benefit pension scheme liability	(30,258)	–	–	–	(30,258)
Change in fair value of hedged financial instruments	–	(5,003)	–	–	(5,003)
Reserves transfers:					
Revaluation of gains on disposals	6,105	–	–	(6,105)	–
Balance at 31 March 2019	**1,274,526**	**(29,835)**	**15,422**	**1,054,198**	**2,314,311**

Association	Accumulated surpluses £'000	Revaluation reserve £'000	Total reserves £'000
Balance at 1 April 2017	**92,779**	**1,754**	**94,533**
Surplus for the year	(1,658)	-	(1,658)
Balance at 1 April 2018	**91,121**	**1,754**	**92,875**
Surplus for the year	(5,367)	-	(5,367)
Initial recognition of multi-employer defined benefit scheme liability	(4,078)	-	(4,078)
Actuarial loss on defined benefit pension scheme liability	(6,075)	-	(6,075)
Reserves transfers:			
Revaluation of gains on disposals	(5)	5	-
Balance at 31 March 2019	**75,596**	**1,759**	**77,355**

Notes forming part of the financial statements for the year ended 31 March 2019

1a. Accounting policies

Legal status

Thames Valley Housing Association ('the Association') is registered under the Co-operative and Community Benefit Societies Act 2014 (Registered Number 17375R) and is a registered provider of social housing with the Regulator of Social Housing (Registered Number L0514). The Association is the parent entity of the MTVH Group which was created from a merger between Thames Valley Housing Association and Metropolitan Housing Trust. The Association and MTVH Group are public benefit entities.

Basis of preparation

These financial statements are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including the Financial Standard applicable in the UK and Republic of Ireland (FRS 102), the Statement of Recommended Practice Accounting by registered social housing providers Housing SORP: 2018 Update and the Accounting Direction for private registered providers of social housing from April 2015.

The preparation of the financial statements requires the Group management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies. The impact that potential variations in these judgements may have on the financial statements are explained in the accounting policies below.

Areas where a degree of significant judgement has been applied are shown in boxes in the accounts.

Segment Reporting

Operating segments: there are publicly traded securities within the group and therefore a requirement to disclose information about Group operating segments under IFRS 8. Segmental information is disclosed in note 2(b) and as part of the analysis in note 12. Information about income, expenditure and assets attributable to material operating segments are based on the nature and function of assets held rather than geography. This is appropriate based on the similarity of the services, nature of risks, type of customer and nature of regulatory environment across all geographical locations in which the Group operates. Operating segments are analysed along the lines of information presented to the Chief Operating Decision Maker who for the purpose of these accounts is determined to be the Board.

Going concern

After making enquiries, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the Board continues to adopt the going concern basis in preparing the Group financial statements.

Basis of consolidation

The Consolidated Financial Statements include TVHA and its subsidiaries (together 'the Group'). MTVH, the Group was created in October 2018 from a merger between TVHA and MHT. The merger created one new reporting entity. The accounts of MTVH have been prepared using merger accounting which assumes the newly merged entity had always existed. The comparatives have been prepared on a similar basis.

Non-exchange transactions where there is a clear gift of control are accounted for as business combinations. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of the subsidiaries are included in the consolidated Statement of Comprehensive Income from the date of their formation or gift in to the Group. All intra-Group transactions, balances, surpluses and deficits are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements. The Association participates in a number of regeneration partnerships with other Registered Providers. These arrangements involve jointly controlled assets and the Association's share of those jointly controlled assets, any related liabilities and any income or expenditure in relation to those jointly controlled assets are included in the results of the Group, in proportion to its share in those assets.

The Group has entered into a number of contractual arrangements that are classified as jointly controlled entities. Jointly controlled entities are accounted for using the equity method, which reflects the Group's share of the profit or loss, other comprehensive income and equity of the jointly controlled entity.

Notes forming part of the financial statements for the year ended 31 March 2019

Disclosure exemptions

The individual accounts of the Association have adopted the following disclosure exemptions as these are reported as part of the consolidated accounts:

- The exemption from the requirement to present a statement of cash flows and related notes.
- The exemption under FRS 102 33.1(A) to disclosing transactions entered into between the Association and its wholly-owned subsidiaries unless if those entities are unregulated.
- The exemptions relating to financial instruments disclosures including of items of income, expenses, gains or losses relating to financial instruments and exposure to and management of financial risks.

Joint ventures, Associated and Jointly controlled entities

In the Group accounts, interests in joint ventures and associates are accounted for using the gross equity method. The Consolidated Statement of Comprehensive Income includes the Group's share of the joint ventures' and associates' profit after tax for the year, whether or not the associate or joint venture has distributed profits as dividends and the Group's share of movement in fair value. In the Consolidated Balance Sheet, the investment is initially shown at cost, adjusted each year by the share of retained profits and share of movement in fair value. In the individual association accounts, the Group's loans to joint ventures are disclosed as debtors on the Balance Sheet and interest receivable and dividends received are disclosed as interest receivable and turnover respectively in the Statement of Comprehensive Income.

The Group has also entered into a number of contractual arrangements that are classified as jointly controlled entities. Jointly controlled entities are accounted for using the equity method, which reflects the Group's share of the profit or loss, other comprehensive income and equity of the jointly controlled entity

Investments in subsidiaries, joint ventures and associates

In the individual accounts of Thames Valley Housing Association Limited and Metropolitan Housing Trust, investments in subsidiaries, joint ventures and associates are shown at cost (less accumulated impairment).

VAT

The Group charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT on expenditure to the extent that it is incurred by the Group and not recoverable from HM Revenue and Customs. Recoverable VAT on overheads arises from partially exempt activities and is credited to the Statement of Comprehensive Income.

Revaluation reserves

On transition to FRS 102 MTVH elected to adopt deemed costs as a proxy for historical costs. As a result the group revalued the social housing assets portfolio to EUV-SH (Existing Use Value – Social Housing). As a result a revaluation reserve was created to account for the difference between the historical costs and deemed costs.

On disposal of properties carried at deemed costs the Group releases these reserves from the revaluation reserves to the income and expenditure account. Both the revaluation reserve and the income and expenditure are part of general reserves.

Negative goodwill

Negative goodwill arises when there is a difference between the fair value and the historical costs when acquiring a subsidiary. Where this arises the Group writes off any difference arising as negative goodwill on initial recognition of the subsidiary.

Valuation of investment properties

Investment properties are valued on an annual basis. Commercial properties are revalued internally based on the leases agreements and market rental properties are revalued using the Office of National Statistics market rent index. A 1% movement in valuation would result in a £678k movement in the comprehensive income statement.

1b. Key judgements and estimates in the preparation of these accounts

Preparation of the financial statements requires management to make significant judgements about complex transactions or those involving uncertainty about future events. The items in the financial statements where these judgements and estimates and the effect of those judgements might have on the financial statements are discussed opposite.

Notes forming part of the financial statements for the year ended 31 March 2019

i. Significant management judgements

The Group makes certain key judgements about complex transactions or those involving uncertainty about future events while preparing these financial statements.

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

Merger accounting

The MTVH Group was formed in October 2018 from a partnership between Metropolitan Housing Trust Limited (MHT) and Thames Valley Housing Association Limited (TVH). The agreement to merge was mutual and based on application of equal partnership principles between both entities. Before the consummation of the merger in October 2018 there was a shadow board which was responsible for leading in the finalisation of the merger.

The merging of MHT and TVH resulted in the creation of a new reporting entity, in which both parties came together in a partnership for the mutual sharing of risks and benefits of the newly formed entity and in which no party to the merger in substance obtained control over the other, or is otherwise seen to be dominant.

The merger between MHT and TVH is not in substance a gift to either entity involved. In concluding that this was a merger the following was considered by the Group:

- no party in the combined MTVH is either an acquirer or acquiree and this is in substance not a gift to both TVH and MHT
- the merger did not result in significant change to the classes of beneficiaries of the combining entities or the purpose of the benefits provided as a result of the creation of MTVH
- both TVH and MHT were represented by the members of the Board through the shadow board in establishing the management structure of MTVH, selecting the new Executive and leadership team and such decisions were on the basis of a consensus and partnership between TVH and MHT.

As a result of the management's judgement it is appropriate to apply merger accounting instead of acquisition accounting when preparing the financial statements of MTVH Group. The comparatives have been prepared on a similar basis. The results presented in these accounts and comparatives would have been materially different if the MTVH Group had elected and applied acquisition accounting.

As part of creating a new reporting entity and applying merger accounting; an accounting policy review was undertaken with view to ensuring uniformity of accounting policies and transactions classification across the newly merged entity.

The nature and amount of any significant adjustments required to align accounting policies and an explanation of adjustments made to net assets as a result of the merger are outlined in note 38.

Note 38 also outlines the following:

- an analysis of the prior year's comprehensive income between each party to the merger
- the aggregate carrying value of the net assets of each party to the merger at the date of the merger
- an analysis of the components of the current year's total comprehensive income of each merged entity.

Determining whether an impairment review is required

Tangible fixed assets (mainly housing properties) are assessed for indicators of impairment at each reporting date in accordance with FRS 102 27.7. Indicators include: changes in government policy, a reduction in the market value of properties where the occupant has the right to acquire, a reduction in the demand for a property, losses from operating that property, obsolescence of a property or contamination of a site. Impairment is tested at income generating unit level which is at scheme level. Indicators for properties under construction include any unforeseen additional costs that do not add value.

Where no such indicators of impairment are identified to have occurred at the reporting date, it is assumed that there is no impairment.

Capitalisation of property development costs

Distinguishing the point at which a development scheme is more likely than not to continue, allowing capitalisation of associated development costs requires judgement. After capitalisation management monitors the developed asset and considers whether any changes indicate existence of impairment and if an impairment charge is required.

Allocation of costs for mixed tenure and shared ownership developments

Costs are allocated to the appropriate tenure where it is possible to specify which tenure the expense relates to. For mixed tenure schemes costs to a specific tenure are allocated on a floor area or unit basis depending on the appropriateness to each development scheme.

Notes forming part of the financial statements for the year ended 31 March 2019

Capitalised overhead on developments
Overheads are capitalised up to a maximum of 3.5% of works and acquisitions costs or 100% of development salaries and related overheads.

The Group has adopted a policy of capitalising overheads into the development costs of properties. The management is satisfied that this capitalisation is appropriate as these costs are avoidable costs of bringing these assets into existence and habitable use. The management has made the judgement that overheads are capitalised up to a maximum of 3.5% of works and acquisitions costs or 100% of development salaries and related overheads. The management is satisfied that the capitalisation of overheads does not lead to carrying these development in the statement of financial position at above their net realisable values as impairment reviews are undertaken annually to safeguard against overstatement of carrying costs.

ii. Estimation uncertainties
The Group make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below.

Useful economic life of fixed assets
The useful economic life of housing structure is estimated to be 125 years and therefore depreciated over that period. A 10% decrease in the life would result in an increased charge of £679k to the comprehensive income statement.

Useful economic life of other fixed assets
The useful economic lives of other fixed assets are estimated to be as follows:

Furniture and equipment	5 years
IT equipment (from 1/1/18)	5 years
IT equipment (until 31/12/17)	3 years

Stock
Net realisable value is based on the estimated selling price less selling costs. Estimated selling prices were provided by external valuers and by reference to actual selling prices for completed developments. For schemes under construction the estimated costs to completion are based on approved budgets and forecasts.

Recoverability of trade debtors
The Group makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

Valuation of investment properties
Investment properties are valued on an annual basis. Commercial properties are revalued internally based on the leases agreements and market rental properties are revalued using the Office of National Statistics market rent index. A 1% movement in valuation would result in a £679k movement in the comprehensive income statement.

Government grant
Government grant is amortised over the useful economic life (UEL) of the asset apart from grant on shared ownership properties which is amortised over 20 years. A 10% decrease in the life would result in increased income in the comprehensive income statement of £374k.

Assumptions made when considering impairment
Assumptions made when considering impairment are disclosed in note 12.

Cost allocation on mixed tenure schemes and shared ownership developments
Costs are allocated to the appropriate tenure where it is possible to specify to which tenure the expense relates. Where it is not possible to relate costs to a specific tenure, costs are allocated on a floor area or unit basis depending on the appropriateness for each scheme.

Assumptions in respect of SHPS and Notts LGPS
Assumptions in respect of the Pensions Trust Social Housing Pension Scheme (SHPS) are disclosed in note 24(a). Assumptions in respect of the Nottinghamshire County Council Pension Scheme (Notts LGPS) are disclosed in note 24(b).

Pension figures in these accounts are prepared by independent actuaries. In preparing the figures the actuaries use a number of judgements based on information provided to them by the Institute and Faculty of Actuaries.

Notes forming part of the financial statements for the year ended 31 March 2019

2a. Particulars of turnover, cost of sales, operating costs and operating surplus

Turnover comprises rental and service charges income receivable (net of any voids), income from first tranche sales, sales of properties built for sale and other services at the invoiced value (net of VAT where recoverable), income from HomeBuy activities, income from non-social activities from joint ventures and associates, amortisation of deferred capital grants, and other grants receivable.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale. Care and support income is recognised when the contract condition is fulfilled.

Group	Turnover 2019 £'000	Cost of sales 2019 £'000	Operating costs 2019 £'000	Other Operating costs 2019 £'000	Operating Results 2019 £'000	Operating Results 2018 £'000
Social housing activities						
Social housing lettings (Note 3)	288,173	–	(189,495)	–	98,678	101,968
Other social housing activities						
First tranche sales	59,718	(51,418)	(2,109)	–	6,191	20,455
Mortgage rescue	306	–	(57)	–	249	266
Supporting people	12,361	–	(10,380)	–	1,981	1,356
Community investment	531	–	(2,354)	–	(1,823)	(2,097)
Registered care homes	4,535	–	(4,315)	–	220	(46)
Other	2,856	–	(734)	–	2,122	1,170
Total other social housing activities	**80,307**	**(51,418)**	**(19,949)**	**–**	**8,940**	**21,104**
Non-social housing activities						
Development of properties for sale	23,872	(20,335)	-	-	3,537	1,721
Market renting	3,278	-	(859)	-	2,419	3,857
Non recurring one-off operating costs (Note 38)	-	-	-	(5,297)	(5,297)	-
Other	15,207	-	(16,002)	-	(795)	639
Total non-social housing activities	**42,357**	**(20,335)**	**(16,861)**	**(5,297)**	**(136)**	**6,217**
Total	**410,837**	**(71,753)**	**(226,305)**	**(5,297)**	**107,482**	**129,289**
Surplus on RTB/ RTA					1,289	1,428
Surplus on staircasing					15,618	19,055
Surplus on redemptions					8,667	7,268
Surplus on other fixed assets					5,666	1,415
Share of operating surplus in joint ventures and associates					9,872	3,081
Operating surplus					**148,594**	**161,536**

Notes forming part of the financial statements for the year ended 31 March 2019

2a. Particulars of turnover, cost of sales, operating costs and operating surplus (continued)

Association	Turnover 2019 £'000	Cost of sales 2019 £'000	Operating costs 2019 £'000	Other Operating costs 2019 £'000	Operating Results 2019 £'000	Operating Results 2018 £'000
Social housing activities						
Social housing lettings (Note 3)	12,245	–	(10,748)	–	**1,497**	**4,888**
Other social housing activities						
First tranche sales	24,565	(20,053)	–	–	**4,512**	**10,586**
Sales to Other RPs	20,491	(17,145)	–	–	**3,346**	**1,470**
Total other social housing activities	**45,056**	**(37,198)**	**–**	**–**	**7,858**	**12,056**
Non-social housing activities						
Development of properties for sale	300	(284)	–	–	**16**	**646**
Non-recurring one-off operating costs	–	–	–	(2,797)	**(2,797)**	**–**
Other (Note 38)	1,813	–	(3,246)	–	**(1,433)**	**(2,355)**
Total non-social housing activities	**2,113**	**(284)**	**(3,246)**	**2,797**	**(4,214)**	**(1,709)**
Total	**59,414**	**(37,482)**	**(13,994)**	**(2,797)**	**5,141**	**15,235**
Surplus on staircasing					**775**	**346**
Operating surplus					**5,916**	**15,581**

Turnover is measured at the fair value of consideration received or receivable.

The apportioned costs associated with first tranche sales are shown as cost of sales within the operating results.

2b. Group management segmental analysis

	Asset management and Metworks £'000	Development £'000	Customer services £'000	Central services £'000	Consolidation adjustments £'000	2019 Total £'000	2018 Total £'000
Turnover	35,201	91,050	320,330	13,676	(49,420)	**410,837**	**414,252**
Cost of sales	(22,986)	(79,103)	–	–	30,336	**(71,753)**	**(72,750)**
Operating costs	(33,605)	(3,050)	(160,798)	(40,517)	11,665	**(226,305)**	**(212,213)**
Surplus on disposal of fixed assets	–	17,160	15,739	(1,551)	(108)	**31,240**	**29,166**
Surplus on joint ventures	–	–	–	6,455	3,417	**9,872**	**3,081**
Adjusted operating surplus	**(21,390)**	**26,057**	**175,271**	**(21,937)**	**(4,110)**	**153,891**	**161,536**
Non-recurring one-off costs	–	–	(13)	(5,284)	–	(5,297)	–
Operating surplus (deficit)	**(21,390)**	**26,057**	**175,258**	**(27,221)**	**(4,110)**	**148,594**	**161,536**

3. Particulars of income and expenditure from lettings

Group	General needs 2019 £'000	Supported housing 2019 £'000	Other housing 2019 £'000	LCHO 2019 £'000	Total 2019 £'000	Total 2018 £'000
Income from letting						
Rent receivable net of identifiable service charges	158,190	26,560	14,309	47,553	**246,612**	**242,551**
Service charges receivable	11,989	9,428	586	8,633	**30,636**	**30,668**
Net rental income	**170,179**	**35,988**	**14,895**	**56,186**	**277,248**	**273,219**
Amortised grant	815	–	11	9,553	**10,379**	**4,967**
Management fees	1	35	–	510	**546**	**1,339**
Total income from lettings	**170,995**	**36,023**	**14,906**	**66,249**	**288,173**	**279,525**
Expenditure on letting activities						
Service charge costs	26,228	7,541	2,917	10,926	**47,612**	**45,625**
Management	37,307	3,546	2,040	8,031	**50,924**	**51,475**
Routine maintenance	26,112	5,383	1,062	1,899	**34,456**	**32,659**
Planned maintenance	10,115	1,646	481	1,432	**13,674**	**9,651**
Major repairs	2,806	439	1,360	950	**5,555**	**3,724**
Bad debts	939	383	68	146	**1,536**	**1,053**
Lease charges	2,007	669	–	69	**2,745**	**3,087**
Depreciation	26,836	2,991	3,353	963	**34,143**	**30,513**
Accelerated depreciation	659	221	3	–	**883**	**941**
Impairment	(2,206)	–	–	–	**(2,206)**	**(1,401)**
Other costs	166	–	5	2	**173**	**230**
Total expenditure	**130,969**	**22,819**	**11,289**	**24,418**	**189,495**	**177,557**
Surplus on social housing	**40,026**	**13,204**	**3,617**	**41,831**	**98,678**	**101,968**
Rent loss through voids	(1,421)	(1,578)	(342)	(144)	**(3,485)**	**(2,137)**

Notes forming part of the financial statements for the year ended 31 March 2019

3. Particulars of income and expenditure from lettings (continued)

Association	General needs 2019 £'000	Other housing 2019 £'000	LCHO 2019 £'000	Total 2019 £'000	Total 2018 £'000
Income from letting					
Rent receivable net of identifiable service charges	2,290	6,571	2,453	**11,314**	**9,843**
Service charges receivable	237	3	624	**864**	**772**
Net rental income	**2,527**	**6,574**	**3,077**	**12,178**	**10,615**
Amortised grant	67	–	–	**67**	**–**
Total income from lettings	**2,594**	**6,574**	**3,077**	**12,245**	**10,615**
Expenditure on letting activities					
Service charge costs	289	1,261	781	**2,331**	**1,822**
Management	221	217	159	**597**	**512**
Routine maintenance	220	219	18	**457**	**719**
Planned maintenance	21	222	83	**326**	**-**
Major repairs	35	1,038	61	**1,134**	**245**
Bad debts	13	6	–	**19**	**19**
Depreciation	634	1,900	–	**2,534**	**(2)**
Other costs	709	1,799	842	**3,350**	**2,412**
Total expenditure	**2,142**	**6,662**	**1,944**	**10,748**	**5,727**
Surplus on social housing	**452**	**(88)**	**1,133**	**1,497**	**4,888**
Rent loss through voids	(3)	(73)	(18)	**(94)**	**(26)**

Notes forming part of the financial statements for the year ended 31 March 2019

4. Housing units - Group

	Owned and Managed 2019	Owned but Managed by others 2019	Not Owned but Managed 2019	Administered 2019	Total 2019	Total 2018
General needs - Social	26,869	447	337	–	**27,653**	**27,517**
General needs - affordable	1,660	–	2	–	**1,662**	**1,527**
Housing for Older People rented	3,179	36	–	–	**3,215**	**3,209**
Low cost home ownership	8,310	70	60	–	**8,440**	**8,141**
Supported	1,410	873	212	–	**2,495**	**2,483**
Supported rented - Affordable	22	–	–	–	**22**	**22**
	41,450	**1,426**	**611**	**–**	**43,487**	**42,899**
Intermediate rent	192	–	–	–	**192**	**191**
Keyworker accommodation	1,744	–	28	–	**1,772**	**1,808**
Total social housing units	**43,386**	**1,426**	**639**	**–**	**45,451**	**44,898**
Market Rent	476	44	3	682	**1,205**	**1,129**
Student Accommodation	499	–	–	–	**499**	**463**
Other - Rent to HomeBuy /mortgage rescue	36	13	–	4	**53**	**116**
Residential Care Home bed spaces	–	–	–	–	**–**	**114**
Leaseholders	6,048	82	196	–	**6,326**	**6,130**
HomeBuy/MyChoice-HomeBuy	–	–	–	3,509	**3,509**	**3,773**
Total other	**7,059**	**139**	**199**	**4,195**	**11,592**	**11,725**
Total	**50,445**	**1,565**	**838**	**4,195**	**57,043**	**56,623**
Units under construction					**1,716**	**2,610**

Housing units - Association

	Owned and Managed 2019	Administered 2019	Total 2019	Total 2018
General Needs rented - Social	306	–	306	306
Low Cost Home Ownership	528	–	528	422
Total Social Housing Units	**834**	**–**	**834**	**728**
Intermediate rent	13	–	13	17
Keyworker accommodation	852	–	852	852
Total social housing units	**1,699**	**–**	**1,699**	**1,597**
Market Rent	–	682	682	590
Leaseholders	53	–	53	51
Total Non-Social Housing	**53**	**682**	**735**	**641**
Totals	**1,752**	**682**	**2,434**	**2,238**
Units under construction			**459**	**436**

5. Operating surplus is stated after charging / (crediting)

	Group 2019 £'000	Group 2018 £'000	Association 2019 £'000	Association 2018 £'000
Depreciation:				
Tangible fixed assets - housing properties	31,901	27,031	2,531	2,527
Other fixed assets	4,683	3,303	3,141	1,857
Accelerated depreciation on component - tangible fixed assets	904	1,035	3	–
Impairment	(2,206)	(1,401)	–	–
Operating leases charges				
Offices	9,514	8,787	8,069	8,176
Other buildings non-office	577	1,543	–	–
Leases non-buildings	3,713	1,142	1,867	462
Auditor's remuneration (excluding VAT):				
Audit of financial statements	265	241	–	–
In respect of other services	122	132	14	88

6. Surpluses on disposal of fixed assets and fixed asset investments

	Group 2019 £'000	Group 2018 £'000	Association 2019 £'000	Association 2018 £'000
RTB/ RTA				
Disposal proceeds	3,223	5,147	–	–
Cost of sales	(1,763)	(3,029)	–	–
Recycled capital grant fund	(171)	(690)	–	–
	1,289	**1,428**	**–**	**–**
Staircasing				
Disposal proceeds	43,517	56,102	2,119	1,373
Cost of sales	(26,021)	(34,646)	(1,344)	(1,027)
Recycled capital grant fund	(1,821)	(2,268)	–	–
Grant abatement	(57)	(133)	–	–
	15,618	**19,055**	**775**	**346**
Redemptions				
HomeBuy redemption income	23,029	19,077	–	–
HomeBuy redemption expense	(14,362)	(11,809)	–	–
	8,667	**7,268**	**–**	**–**
Surplus on other asset disposals				
Disposal proceeds	10,910	10,819	–	–
Cost of sales	(3,330)	(8,024)	–	–
Recycled capital grant fund	(1,914)	(1,380)	–	–
	5,666	**1,415**	**–**	**-**
Total surplus on disposal of fixed assets	**31,240**	**29,166**	**775**	**346**

In line with the Housing SORP 2018 Update all fixed assets sales such as RTB/ RTA, staircasing, redemption sales and other sales of operational assets are reported within operating surplus under surplus on disposal of fixed assets section as they are part of our regular business sales activity.

Notes forming part of the financial statements for the year ended 31 March 2019

7. Interest receivable and related income

	Group 2019 £'000	Group 2018 £'000	Association 2019 £'000	Association 2018 £'000
Interest received	3,315	986	604	90
Subsidiary companies	–	–	–	1,305
Interest receivable from Joint Ventures	799	1,349	1,738	1,019
Interest receivable from Associates	317	829	–	–
Regeneration partners	231	220	–	–
Dividend income	540	535	–	-
	5,202	**3,919**	**2,342**	**2,414**
Gain on hedged derivative instruments	**826**	**2,712**	**–**	**–**

Regeneration partners relates to interest receivable from Canalside Housing Partnership: a partnership between MHT and One Housing Group.

8. Interest and financing costs

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

Where a development project is financed by the borrowings of the Group, finance costs are capitalised during the period of construction (see Note 12). Interest is capitalised to developments costs using the weighted average cost of capital of 4.65% (2018: 4.58%).Capitalisation ceases on practical completion.

	Group 2019 £'000	Group 2018 £'000	Association 2019 £'000	Association 2018 £'000
Interest on loans repayable	81,456	78,667	2,242	3,718
Net interest on pension fund	1,070	(43)	–	83
Interest on finance leases	1,516	45	1,472	–
Interest on recycled capital grant fund and disposal proceeds fund (Notes 21 and 22)	1,032	685	72	41
Less: interest capitalised	(11,577)	(9,836)	–	–
	73,497	**69,518**	**3,786**	**3,842**
Amortised loan fees and commitment fees	3,902	549	279	69
Total Interest and financing costs	**77,399**	**70,067**	**4,065**	**3,911**
Non-recurring merger financing costs	**77,800**	**–**	**312**	**–**
Total Interest and financing costs	**155,199**	**70,067**	**4,377**	**3,911**
Change in fair value of hedged financial instruments	**5,003**	**(2,250)**	**–**	**–**

Non-recurring financing costs are associated with the lender re-negotiations (transaction and advice fees), break costs (associated with the term reduction on some loans), as well as early repayment of our syndicated private placement debt.

9. Employees

Short-term employee benefits are recognised as an expense in the period in which they are incurred. The Group allows a maximum of 5 days annual leave / holiday entitlement to be carried over into the next reporting period and an accrual is only raised if it is material to do so. The charge in the year is £557k (2018: £597k) and was accrued for.

• Average monthly full-time equivalent number of employees.

	Group 2019 Number	Group 2018 Number	Association 2019 Number	Association 2018 Number
Senior Managers and Executives	28	10	22	23
Office staff	1,102	919	240	232
Scheme staff	422	642	–	–
In house contractors	317	233	61	54
	1,869	**1,804**	**323**	**309**

	Group 2019 £'000	Group 2018 £'000	Association 2019 £'000	Association 2018 £'000
• Staff costs (for employees above):				
Wages and salaries	67,905	65,631	11,965	11,183
Social security costs	6,299	6,068	1,354	1,217
Pension costs	3,596	3,194	1,398	1,563
	77,800	**74,893**	**14,717**	**13,963**
Capitalised salaries	(3,910)	(3,946)	(28)	(64)
Staff costs	**73,890**	**70,947**	**14,689**	**13,899**

• Number of staff paid over £60,000 in the year (including pension contributions)

	2019 Number	2018 Number
£60,000 - £70,000	46	41
£70,001 - £80,000	35	34
£80,001 - £90,000	19	15
£90,001 - £100,000	8	7
£100,001 - £110,000	7	13
£110,001 - £120,000	4	6
£120,001 - £130,000	6	5
£130,001 - £140,000	2	5
£140,001 - £150,000	2	4
£150,001 - £160,000	3	–
£160,001 - £170,000	1	1
£170,001 - £180,000	–	3
£180,001 - £190,000	1	2
£190,001 - £200,000	1	–
£200,001 - £210,000	3	2
£210,001 - £220,000	1	1
£230,001 - £240,000	1	1
£240,001 - £250,000	-	1
£250,001 - £260,000	–	1
£260,001 - £270,000	1	-
	141	**142**

10. Executive directors and board members

Executive directors

The executive directors comprised eight posts as outlined on page 3 of the report and Financial Statements. MTVH does not make any further contribution to an individual pension arrangement for the Chief Executive.

	Gross pay 2019 £	Pension 2019 £	Total 2019 £	Total 2018 £
The aggregate emoluments payable to directors	1,730,018	74,855	**1,804,872**	**1,420,636**
Highest paid executive director*	269,853	–	**269,853**	**247,032**

*The highest paid director in the current year is the Chief Executive. In the prior year the highest paid executive member was the finance director. The current Chief Executive joined the group in October 2017; therefore, the comparative for Chief Executive is for part of the financial year.

The Chief Executive is not a member of any of the Group's pension schemes and there are no special arrangements in place relating to pensions in respect of the Chief Executive.

Board members and other committees

The table below shows salaries paid to non-executive board members, expenses incurred during the discharge of their duties and their attendance during the year:

	2019 Attendance MTVH Board	2019 Attendance of other committees	2019 Salary £	2019 Expenses £	2018 Salary £	2018 Expenses £
Jerry Piper	5 (100%)	4 (100%)	11,891	801	12,167	576
Michael Dunn	5 (100%)	4 (100%)	12,703	3,124	11,500	3,621
Paula Kahn	5 (100%)	3 (100%)	26,109	206	22,500	471
Stuart Beevor	5 (100%)	5 (83%)	13,870	508	13,750	779
Lesley-Anne Alexander	5 (100%)	2 (100%)	12,184	–	10,500	–
Grainia Long	4 (80%)	2 (50%)	18,250	2,597	16,000	1,710
Paul Bridge	4 (80%)	3 (100%)	11,500	–	10,500	–
Kathryn Davis	5 (100%)	2 (100%)	12,186	286	10,500	319
Brian Hendon	4 (80%)	4 (75%)	11,500	951	10,500	–
Ingrid Reynolds (Appointed - 09/08/2018)	5 (100%)	3 (100%)	6,250	–	–	–
			136,443	**8,473**	**117,917**	**7,476**

The Board members' remuneration disclosed above is for the full financial year. The Board meetings attendance details for both the main Board and committees are from October 2018 after the consummation of the merger between Thames Valley Housing and Metropolitan Housing Group as that is the point when the MTVH Group came into formal existence. Prior to the finalisation of the merger there were six shadow board meetings and these shadow board meetings were attended by both Thames Valley Housing and Metropolitan Housing Group's board members.

Both TVH and MHT also held separate committee meetings before the merger was finalised. Only the committee attendance details post the merger are disclosed above.

11. Tax on surplus on ordinary activities

The charge for taxation is based on the surplus for the year and takes into account taxation deferred. Deferred tax is provided for on differences between the treatment of certain items for accounting and taxation purposes. It is accounted for to the extent that a liability or asset is expected to be payable or recoverable in the foreseeable future.

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

Deferred tax is not recognised on timing differences arising on revalued properties unless the Group has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and

The recognition of deferred tax assets is limited to the extent that the Group anticipates making sufficient taxable surpluses in the future to absorb the reversal of the underlying timing differences.

	Group 2019 £'000	Group 2018 £'000	Association 2019 £'000	Association 2018 £'000
UK corporation tax	668	(608)	852	(75)
Tax on surplus on ordinary activities	**668**	**(608)**	**852**	**(75)**

	Group 2019 £'000	Group 2018 £'000	Association 2019 £'000	Association 2018 £'000
Reconciliation of current tax				
Surplus (loss) before tax	6,535	99,179	(4,515)	(1,733)
Surplus on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	1,242	18,844	(858)	(329)
Surplus covered by charitable exemption	(574)	(19,452)	1,710	254
Current tax (receivable)/ payable for the year	**668**	**(608)**	**852**	**(75)**

Notes forming part of the financial statements for the year ended 31 March 2019

12. Fixed assets – housing properties

Housing properties

Social housing properties are properties held for social benefits purposes in line with the requirements of FRS 102 section 17. These properties include general needs properties, affordable homes and shared ownership properties. Properties not held for social benefit purposes are accounted for in line with FRS 102 section 16 and these include market rented properties.

Housing properties constructed or acquired (including land) on the open market since the date of transition to FRS 102 are stated at cost less depreciation and impairment (where applicable). Housing properties constructed or acquired (including land) on the open market before the date of transition are stated at either historical cost or deemed cost net of depreciation and impairment.

The cost of housing land and property represents their purchase price and any directly attributable costs of acquisition which may include an appropriate amount for staff costs and other costs of managing development.

Directly attributable costs of acquisition includes capitalised interest calculated, on a proportional basis, using the interest on borrowing which has been drawn in order to finance the relevant construction or acquisition. Where housing properties are in the course of construction, interest cost is only capitalised where construction is ongoing and has not been interrupted or terminated.

If housing properties are being developed on behalf of other associations outside the Group under agency arrangements, the costs concerned are dealt with under current assets as properties held for resale.

Separate disclosure of a valuation of the housing properties based on Existing Use Value for Social Housing (EUV-SH) and Market Value (MV) is also provided.

Depreciation of housing property

Housing land and property is split between land, structure and other major components that are expected to require replacement over time. Freehold land is not depreciated as it is considered to have an indefinite useful economic life.

No depreciation is charged in the period of acquisition and depreciation is charged in the period of disposal.

The portion of shared ownership property retained or expected to be retained is not depreciated on account of the high residual value. Neither the depreciable amount nor the expected annual depreciation charge for such assets is considered material, individually or in aggregate.

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

Housing properties are split between the structure and the major components which require periodic replacement.

Notes forming part of the financial statements for the year ended 31 March 2019

12. Fixed assets – housing properties (continued)

The costs of replacement or restoration of these components are capitalised and depreciated over the determined average useful economic life as follows:

Component	Economic useful life in years
Structure	125
Kitchen	20
Bathroom	30
Roofs (pitched)	70
Roofs (flat)	20
External doors/Doors	30
Boiler	15
Electrics	40
External windows	40
Mechanical systems	20
Communal	20
Lifts	20
Outside Space	10
Aids and Adaptions	5
Energy Efficiency	50

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

It is the Group's policy to maintain shared ownership accommodation, and it is responsible for keeping its part of the shared ownership in a continuous state of sound repair. The Group considers that the lives of properties are so long and residual values based on current open market value are so high that any depreciation would be insignificant. Any impairment in the value of such properties is charged to the Statement of Comprehensive Income.

Any difference between the historical annual depreciation charge on revalued assets and the annual depreciation charge on a historical cost basis is transferred from the revaluation reserve for the asset concerned until that reserve is depleted.

Allocation of costs for mixed tenure and shared ownership developments

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

Infrastructure assets

Infrastructure assets are infrastructure for public services, such as roads and bridges. Such expenditure is capitalised within property, plant and equipment (PPE) and is depreciated over 30 years.

Donated land and other assets

Land and other assets donated by local authorities and other government sources are added to cost at the fair value of the land at the time of the donation. Where the land is not related to a specific development and is donated by a public body an amount equivalent to the increase in value between fair value and consideration paid is treated as a non-monetary grant and recognised in the Statement of Financial Position as a liability. Where the donation is from a non-public source the value of the donation is included as income.

Notes forming part of the financial statements for the year ended 31 March 2019

12. Fixed assets – housing properties (continued)

Investment properties
Investment properties consist of commercial properties and other properties not held for social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently at fair value at the balance sheet date, with changes in fair value recognised in income and expenditure. On recognition of a new investment property, a professional valuation is obtained by appropriately qualified external valuers. The valuation is derived from current market rents and investment property yields for comparable properties, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided on investment properties. Fair value is determined annually through a desk top valuation.

The Group carried out an internal desktop valuation using Office of National Statistics data to determine the fair value of its investment properties at 31 March 2019. An indexation of 2.4% was applied to the prior year's fair value to determine the fair value for investment property at market rents and a review of rental income also took place. The indexation rate is based on statistical data from the Office for National Statistics (ONS).

Market rented properties
Market rented properties held as investments are revalued annually. Any excess deficit over cost is realised through the Statement of Comprehensive Income to the extent that this represents a permanent diminution in value of the property. No depreciation is provided in respect of market rented properties.

Pre-contract costs
Pre-contract costs are recognised as an asset only if they are directly attributable to specific contracts, can be separately identified, measured reliably and when there is virtual certainty that a contract will be obtained and is expected to result in future net cash inflows.

Land
Where land has been acquired it is accounted for either as a fixed asset under property, land and equipment (where land is acquired for social housing purpose) or as an investment property (where land is acquired for other purposes) and measured initially at the cost of the land and subsequently at fair value with surpluses or deficits recognised in the Statement of Comprehensive Income.

RTB/RTA
Under Right to Buy (RTB) and Right to Acquire (RTA) arrangements the Group sells properties to qualifying tenants. Surpluses and deficits arising are included in the surplus on sale of fixed assets in the Statement of Comprehensive Income.

Government grant
Grants received in relation to assets that were recorded at deemed cost at the date of transition to FRS 102 have been accounted for using the performance model as required by Housing SORP: 2018 UPDATE. In applying this model, such grant has been presented as if it were originally recognised as income within the Statement of Comprehensive Income and expenditure in the year it was receivable and is therefore included within brought forward reserves.

Grant received since the transition date in relation to newly acquired or existing housing properties is accounted for using the accrual model set out in FRS 102 and the Housing SORP: 2018 UPDATE. As required by Housing SORP: 2018 UPDATE, grant is carried as deferred income in the balance sheet and released to the income and expenditure account on a systematic basis over the useful economic lives of the asset for which it was received. In accordance with Housing SORP: 2018 UPDATE the useful economic life of the housing property structure has been selected.

12. Fixed assets – housing properties (continued)

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

Grants relating to revenue are recognised in income and expenditure once performance related conditions have been met.

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

Impairment

The housing property portfolio for the Group is assessed for indicators of impairment at each reporting date. Where indicators are identified then a detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which impairment is indicated to their recoverable amounts. An option appraisal is carried out to determine the option which produces the highest net realisable value. Valuations on rental return or potential sale proceeds are obtained and used to inform the options. The Group looks at the net realisable value, under the options available, when considering the recoverable amount for the purposes of impairment assessment. The recoverable amount is taken to be the higher of the fair value less costs to sell or value in use of an asset or cash generating unit. The assessment of value in use may involve considerations of the service potential of the assets or cash generating units concerned or the present value of future cash flows to be derived from them appropriately adjusted to account for any restrictions on their use.
No properties have been valued at VIU (Value in Use).

The Group defines cash generating units as schemes except where its schemes are not sufficiently large or where it is geographically sensible to group schemes into larger cash generating units. Where the recoverable amount of an asset or cash generating unit is lower than its carrying value an impairment is recorded through a charge to the Statement of Comprehensive Income and Expenditure.

Impairment brought forward at 1 April 2018 totalled £13,246k. Impairment charged in the year ended 31 March 2019 totalled £33k following an impairment review of all Property, Plant and Equipment (PPE) stock. A review of all PPE with impairment was completed during the year and resulted in £1,847k being reversed. A review of all Land bank with impairment resulted in £1,090k being reversed and £2,080k being moved to stock. £8k of impairment was written back on disposal bringing the balance at 31 March 2019 to £8,253k.

Capitalised interest

Additions to housing properties in the course of construction during the year included capitalised interest of £4,832k (2018: £6,769k). The weighted average cost of capital was 4.58% (2018: 5.09%). The aggregate amount capitalised is £100.4m. (2018: £95.5m).

Properties held for security

The Group had property with a net book value of £1,809m pledged as security at 31 March 2019 (2018: £2,035m).

12. Fixed assets – housing properties (continued)

Freehold / leasehold
The Group held long leasehold and freehold housing properties at the following net book value.

	Group 2019 £'000	Group 2018 £'000	Association 2019 £'000	Association 2018 £'000
Long leasehold	1,051,473	609,694	6,376	72,815
Finance leases	75,798	24,643	75,798	24,643
Freehold	3,105,521	3,522,701	24,204	12,576
	4,232,792	**4,157,038**	**106,378**	**110,034**

The group does not have any short leasehold Property, Plant and Equipment at the balance sheet date.

Finance leases
The net carrying amount of assets held under finance leases included in plant and machinery is £613k (2018: £613k).

There is one significant finance lease which is related to an agreement with EnviroEnergy to supply and install heating and heating equipment as part of the Nottingham district heating scheme. At the end of the lease term the risk and responsibility of the heating equipment will be transferred to the Group. The remaining lease term is 14 years as at 31 March 2018.

12. Fixed assets – housing properties (continued)

Group housing properties

	Housing properties under construction		Completed housing properties				
	Rented properties £'000	Low cost home ownership £'000	Rented properties £'000	Key worker accommodation £'000	Low cost home ownership £'000	Community properties £'000	Total £'000
Cost/value							
At 1 April 2018	**140,783**	**139,471**	**3,115,995**	**117,792**	**709,846**	**1,773**	**4,225,660**
Change of Tenure	–	–	(1,004)	–	519	–	**(485)**
Schemes completed in year	(69,452)	(137,555)	69,452	–	137,555	–	**–**
New Developments	78,229	133,511	–	–	–	–	**211,740**
Component replacement	–	–	35,408	421	(788)	32	**35,073**
Property Disposals	–	–	(7,518)		(25,462)	(1)	**(32,981)**
Component replacement	–	–	(6)	(263)	–	–	**(269)**
At 31 March 2019	**149,560**	**135,427**	**3,212,327**	**117,950**	**821,670**	**1,804**	**4,438,738**
Depreciation							
At 1 April 2018	**–**	**–**	**101,146**	**10,242**	**–**	**61**	**111,449**
Charge For Year	–	–	29,035	2,849	–	17	**31,901**
Change of Tenure	–	–	(106)	–	–	–	**(106)**
Eliminated On Disposal	–	–	(1,682)	(45)	–	–	**(1,727)**
At 31 March 2019	**–**	**–**	**128,393**	**13,046**	**–**	**78**	**141,517**
Impairment							
At 1 April 2018	**4,038**	**1,932**	**2,147**	**–**	**133**	**–**	**8,250**
Reclassification	(199)	(1,932)	2,131	–	–	–	**–**
Charge for the year	1,500	1,149	–	–	–	–	**2,649**
Impairment reversal to income & expenditure	(897)	–	(3,491)	–	–	–	**(4,388)**
Released on disposal	–	–	–	–	(6)	–	**(6)**
At 31 March 2019	**4,442**	**1,149**	**787**	**–**	**127**	**–**	**6,505**
Net book value							
At 31 March 2019	**145,118**	**134,278**	**3,083,147**	**104,904**	**821,543**	**1,726**	**4,290,716**
At 31 March 2018	**136,745**	**137,539**	**3,012,702**	**107,550**	**709,713**	**1,712**	**4,105,961**

12. Fixed assets – housing properties (continued)

Association housing properties

	Completed housing properties			
	Rented properties £'000	Key worker accommodation £'000	Low cost home ownership £'000	Total £'000
Cost/value				
At 1 April 2018	**40,657**	**64,766**	**13,413**	**118,836**
Change of Tenure	(778)	–	–	**(778)**
– Component replacement	38	20	–	**58**
Disposals	–	–	–	**–**
– Property	–	–	(473)	**(473)**
– Component replacement	(6)	–	–	**(6)**
Transfers	–	–	–	**-**
At 31 March 2019	**39,911**	**64,786**	**12,940**	**117,637**
Depreciation				
At 1 April 2018	**1,777**	**7,029**	**–**	**8,806**
Charge For Year	1,801	730	–	**2,531**
Change of Tenure	(106)	–	–	**(106)**
Eliminated On Disposal	(3)	–	14	**11**
At 31 March 2019	**3,469**	**7,759**	**14**	**11,242**
Net book value				
At 31 March 2019	**36,442**	**57,027**	**12,926**	**106,395**
At 31 March 2018	**38,880**	**57,737**	**13,413**	**110,030**

12. Fixed assets – housing properties (continued)

Investment properties

	Group Completed (Valuation) £'000	Group Under Construction £'000	Group Total £'000	Association Completed (Valuation) £'000	Association Under Construction £'000	Association Total £'000
At 1 April 2018	64,758	2,964	**67,722**	–	2,954	**2,954**
Additions	1,171	642	**1,813**	343	642	**985**
Change of Tenure	2	–	**2**	2	–	**2**
Revaluations	1,047	–	**1,047**	–	–	**–**
At 31 March 2019	**66,978**	**3,606**	**70,584**	**345**	**3,596**	**3,941**

13. Other fixed assets

Depreciation is charged on a straight-line basis over the expected useful economic lives of the other fixed assets at the following annual rates:

Furniture and equipment	5 years
IT equipment (from 1/1/18)	5 years
IT equipment (until 31/12/17)	3 years

No depreciation is charged in the period of acquisition and depreciation is charged in the period of disposal.

Group	Offices	Furniture and equipment	Computer	Total
	£'000	**£'000**	**£'000**	**£'000**
Cost				
At 1 April 2018	**12,618**	**5,503**	**35,365**	**53,486**
Additions	308	335	4,692	**5,335**
Disposals	(301)	(18)	(1,651)	**(1,970)**
At 31 March 2019	**12,625**	**5,820**	**38,406**	**56,851**
Accumulated depreciation				
At 1 April 2018	**5,371**	**4,712**	**22,860**	**32,943**
Depreciation charge	467	232	3,984	**4,683**
Disposals	(215)	(15)	(1,224)	**(1,454)**
At 31 March 2019	**5,623**	**4,929**	**25,620**	**36,172**
Net book value				
At 31 March 2019	**7,002**	**891**	**12,786**	**20,679**
At 31 March 2018	**7,247**	**791**	**12,505**	**20,543**

Association	Offices	Furniture and equipment	Computer	Total
	£'000	**£'000**	**£'000**	**£'000**
Cost				
At 1 April 2018	**4,165**	**1,182**	**20,662**	**26,009**
Additions	173	30	2,321	**2,524**
At 31 March 2019	**4,338**	**1,212**	**22,984**	**28,533**
Accumulated depreciation				
At 1 April 2018	**2,764**	**1,128**	**13,421**	**17,313**
Depreciation charge	274	19	2,848	**3,141**
At 31 March 2019	**3,038**	**1,147**	**22,983**	**20,454**
Net book value				
At 31 March 2019	**1,300**	**65**	**6,714**	**8,079**
At 31 March 2018	**1,401**	**54**	**7,241**	**8,696**

14. HomeBuy loans

HomeBuy
Under the HomeBuy scheme and the Key Worker Living Initiative, the Group received social housing grant (SHG) representing a percentage of the open market purchase price of a property in order to advance interest-free loans to a homebuyer. When loans are redeemed the carrying value of the loan is charged to cost of sales and the grant is recycled through the recycled capital grant fund.

MyChoice HomeBuy
Under the MyChoice HomeBuy scheme, the Group has issued interest-bearing loans representing a percentage of the open market purchase price of the properties. Half of these loans are funded from the Group's own resources and the other half funded by SHG. When loans are redeemed the carrying value of the loan and the carrying value of our investment is charged to cost of sales and the grant is recycled through the recycled capital grant fund.

	Group £'000 2019	Group £'000 2018
At 1 April	**173,041**	**189,496**
Redeemed during the year	(14,424)	(16,429)
Reclassification	–	(26)
At 31 March	**158,617**	**173,041**

The Association does not have HomeBuy loans.

HomeBuy loans have been classified as concessionary loans in line with FRS 102 section 34 as MTVH is a PBE. HomeBuy loans are receivables to the Group and Association.

15. Other investments

	Group 2019 £'000	Group 2018 £'000	Association 2019 £'000	Association 2018 £'000
Bond securities	2,302	2,291	–	–
Other investments	10,961	10,634	7,959	7,959
Bank deposits	13,370	15,520	–	–
	26,633	**28,445**	**7,959**	**7,959**

16. Stock

Stock represents materials held for use for repairs and maintenance work, construction work in progress and completed properties held for sale, including housing properties developed for transfer to other registered providers; properties developed for outright sale; and shared ownership properties. For shared ownership properties the value held as stock is the estimated cost to be sold as a first tranche.

Stock is stated at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales proceeds after allowing for all further costs to completion and selling costs.

Assessments are made of recoverability using the same criteria described in the housing properties impairment policy above.

The stock figure below includes capitalised interest of £6,016k (2018: £2,496k).

	Group 2019 £'000	Group 2018 £'000	Association 2019 £'000	Association 2018 £'000
Materials	59	–	–	–
Properties Developed for sale				
Work in progress, low cost home ownership	60,400	68,909	14,120	39,213
Completed properties, low cost home ownership	27,651	18,401	9,107	530
Work in progress, outright sales developments	82,422	53,731	–	–
Completed properties – outright sale	32,777	40,139	–	282
Land held for sale	2,000	2,405	–	–
Work in progress for other Associations	–	–	41,522	81,939
Completed properties other Associations	–	–	85,291	39,899
	205,250	**183,585**	**150,040**	**161,863**
	205,309	**183,585**	**150,040**	**161,863**

None of the stock has been pledged as collateral against borrowing by either the Group or the Association (2018: £Nil).

An impairment charge of £Nil (2018: £Nil) for the Group and £Nil (2018: £Nil) for the Association is included in stock in the period under review.

Stock recognised in cost of sales as an expense was £71.8m (2018: £72.8m) and £20.3m (2018: £31.3m) for the Group and the Association respectively.

17. Debtors

	Group 2019 £'000	Group 2018 £'000	Association 2019 £'000	Association 2018 £'000
Due within one year:				
Rental debtors	23,614	26,514	539	505
Less: bad debt impairment	(8,810)	(11,251)	(69)	(45)
Net rental debtors	**14,804**	**15,263**	**470**	**460**
Amounts owed by subsidiary undertakings	–	-	31,965	31,772
Prepayment in respect of major repairs to housing properties	–	496	–	496
SHG receivable	74	175	–	–
Prepayments and accrued income	9,274	3,903	1,093	–
VAT debtor	585	511	179	239
Other debtors	11,054	12,727	3,103	1,700
	35,791	**33,075**	**36,810**	**34,667**
Due after more than one year				
Finance debtor (Financial asset)	52,674	–	–	–
Staff loans	49	67	–	–
Other debtors	4,600	3,800	–	–
Deferred Tax	1,987	–	–	–
Property mortgages	121	126	121	126
	59,431	**3,993**	**121**	**126**

The financial asset relates to the acquisition of Evolution (Woking) Ltd by the Group. In the prior year Evolution (Woking) Ltd was a jointly owned entity; therefore, it was equity accounted as a joint venture. The financial asset was initially recognised at its fair value on acquisition and at the reporting date it was accounted at amortised cost.

18. Creditors: amounts falling due within one year

	Group 2019 £'000	Group 2018 £'000	Association 2019 £'000	Association 2018 £'000
Debt (Note 23)	137,782	24,628	–	–
Trade creditors	10,647	11,406	1,806	1,222
Due to subsidiary undertakings	–	–	143,081	205,276
Owed in respect of housing properties	19,280	22,198	3,341	4,396
Owed to partners in regeneration schemes	–	384	–	–
Other taxation and social security	2,558	1,791	1,218	455
Other creditors	34,360	25,131	3,601	4,361
Obligations under finance leases (Note 29)	505	503	477	477
Accruals and deferred income	130,137	51,729	3,559	95
Recycled Capital Grant Fund (Note 21)	60,737	94,828	10,649	10,514
Disposals Proceeds Fund (Note 22)	932	1,927	–	–
Rent and service charge paid in advance	15,243	15,420	159	141
Deferred government grant (Note 20)	10,257	4,967	–	–
Grant received in advance	–	264	–	264
	422,438	**255,176**	**167,891**	**227,201**

19. Creditors: amounts falling due after one year

	Group 2019 £'000	Group 2018 £'000	Association 2019 £'000	Association 2018 £'000
Debt (Note 24a)	1,592,008	1,583,543	39,161	39,152
Corporate bond (Note 23)	256,336	146,923	–	–
Derivative financial instruments	59,372	43,999	–	–
Obligations under finance leases (Note 29)	24,863	25,251	24,304	24,664
Amounts owed in respect of housing properties under development	4,850	6,174	–	–
Recycled capital grant fund (Note 21)	45,238	59,930	263	938
Disposal proceeds fund (Note 22)	11	1,701	–	–
Deferred government grant (Note 20)	368,290	340,930	8,966	8,262
	2,350,968	**2,208,451**	**72,694**	**73,016**

20. Deferred government grant (DGG)

	Group 2019 £'000	Group 2018 £'000	Association 2019 £'000	Association 2018 £'000
At 1 April	**345,897**	**343,033**	**8,262**	**11,534**
Movement in RCGF	7,274	(337)	1,932	523
Movement in DPF	1,291	–	–	–
Net SHG	42,160	17,117	336	83
Amortised in current year	(10,443)	(5,172)	(67)	(83)
Transfer from subsidiary undertakings	–	–	(1,497)	(3,795)
HomeBuy utilised	(7,632)	(8,744)	–	–
At 31 March	**378,547**	**345,897**	**8,966**	**8,262**
Due in one year	10,257	4,967	–	–
Due after one year	368,290	340,930	8,966	8,262
	378,547	**345,897**	**8,966**	**8,262**

21. Recycled capital grant fund (RCGF)

We recognise and recycle the use of the Recycled Capital Grant in accordance with guidance from Homes England and Greater London Authority. As at 31 March 2019, £25m is over three years old and we are in discussion with the GLA about recycling this expired element.

	Group 2019 £'000	Group 2018 £'000	Association 2019 £'000	Association 2018 £'000
At 1 April	**154,758**	**145,301**	**11,452**	**11,722**
Utilised on new build	(13,000)	(15,460)	(1,932)	(523)
Grants recycled upon relevant events:				
HomeBuy	7,571	16,690	150	212
Recycled from DCG	9,246	3,221	–	–
Recycled from reserves	3,909	4,338	–	–
Repaid to GLA	(57,534)	–	–	–
Interest accrued	1,025	668	72	41
Transfer within Group	–	–	1,170	–
At 31 March	**105,975**	**154,758**	**10,912**	**11,452**
RCGF creditor falling due in one year	60,737	94,828	10,649	10,514
RCGF creditor falling due after one year	45,238	59,930	263	938
	105,975	**154,758**	**10,912**	**11,452**

22. Disposal proceeds fund (DPF)

	Group 2019 £'000	Group 2018 £'000
At 1 April	**3,628**	**4,172**
Utilised on new build	(1,485)	–
Repayment	(1,207)	(561)
Interest accrued	7	17
At 31 March	**943**	**3,628**
DPF falling due in one year	932	1,927
DPF falling due after one year	11	1,701
	943	**3,628**

The Association does not have DPF.

We recognise and recycle the use of Disposal Proceeds Fund in accordance with guidance from Homes England and Greater London Authority.

23. Debt analysis

Loans	Group 2019 £'000	Group 2018 £'000	Association 2019 £'000	Association 2018 £'000
Within one year	137,782	24,628	–	–
Between one and two years	94,614	28,247	–	–
Between two and five years	301,011	105,960	–	–
In more than five years	1,452,719	1,596,259	39,161	39,152
	1,986,126	**1,755,094**	**39,161**	**39,152**

Security

Loans are predominantly secured by fixed charges on individual properties.

Terms of repayment and interest rates

The debt is repayable in accordance with lender agreed profiles at fixed rates of interest ranging from 1.2% - 20% (2018: 2% to 12%).

The Group had undrawn loan facilities of £312m (2018: £326m).

Obligations under finance leases are disclosed in Note 29.

Notes forming part of the financial statements for the year ended 31 March 2019

24. Pensions

The Group participates in three funded schemes: two with the Social Housing Pension Scheme (SHPS) and one with the Nottinghamshire County Council Local Government Pension Scheme (Notts LGPS). The Group also participates in two defined contribution schemes. The Group also participates in a Growth Plan. This is a defined benefit scheme, but is accounted for in the financial statements as a defined contribution scheme.

Under Defined Benefits Accounting, the current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period. Interest is calculated on the net defined benefit liability. Re-measurements are reported in other comprehensive income.

Management's estimates relating to the defined benefit schemes are based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salaries. Variation in these assumptions may significantly impact the defined benefit obligation and annual expense as shown in this note. These assumptions and calculations are prepared by an independent actuary.

With defined contribution pensions schemes the Group does not have further future obligations other than those disclosed in the statement of financial position within Creditors falling due within one year which are paid a month following deductions on each payroll processing.

The Pensions Trust Social Housing Pension Scheme (SHPS)

For SHPS, the Group and Association closed the multi-employer defined benefit pension scheme and only operates a multi-employer defined contribution scheme. In the past scheme actuary had advised it was not possible to identify the share of underlying assets and liabilities belonging to the Group therefore the Group and Association used to apply defined contribution accounting for the SHPS pension scheme by means of the multi-employer exemption. It has subsequently been confirmed that it is possible to disaggregate the share of the Group's asset and liabilities therefore in 2018/2019 accounts the Group commenced accounting the closed SHPS scheme as a defined benefit scheme.

The accounting information is based on the present value as at 31 March 2019 provided by the Pension Trust and reviewed independently on behalf of the group by KPMG.

The Nottinghamshire County Council Pension Fund (Notts LGPS)

The Notts LGPS is also a multi-employer defined benefit pension scheme, and is accounted for using Defined Benefits Accounting. Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the Statement of Financial Position.

Under Defined Benefits Accounting, the current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period. Interest is calculated on the net defined benefit liability. Re-measurements are reported in other comprehensive income for the year.

Management's estimates relating to the defined benefit schemes are based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salaries. Variation in these assumptions may significantly impact the defined benefit obligation and annual expense as shown in this note. These assumptions and calculations are prepared by an independent actuary.

Notes forming part of the financial statements for the year ended 31 March 2019

24a. The Pensions Trust Social Housing Pension Scheme (SHPS)

The Group and Association participate in the multi-employer defined benefit Social Housing Pension Scheme (SHPS). For financial years ending on or after 31 March 2019, the way in which the defined benefit pension obligation in SHPS is stated in the financial statements has changed. Previously there has been insufficient information available to account for these obligations on a defined benefit basis (i.e. stating assets and obligations). As a result, and as required by FRS 102, the obligation has been accounted for by stating the present value of agreed future deficit repayment contributions. For financial years ending on or after 31 March 2019 sufficient information is available to account for the obligations on a defined benefit basis.

The information provided during the year gives the liability at 31 March 2018; however, as this information only became available in the current year and after the financial statements for the prior year had been authorised for issue, the change in accounting has been recorded on the first day of the current year, with no restatement of comparatives, in accordance with the requirements set out in: "Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland: Multi-employer defined benefit plans". Whilst comparative figures have not been restated the information provided about the liability at 1 April 2018 has been included in the pension note as it provides useful information to a reader of the accounts. The true comparative information is represented by the SHPS deficit reduction creditor as set out in the comparatives to the creditors' notes.

The liability recognised for the present value of the deficit agreement (Group: £31,804, Association: £5,699k) has been derecognised and the net pension deficit at 31 March 2018 (Group: £17,320k, Association: £4,078k) has been recognised through other comprehensive income in the year.

Under defined benefit accounting the Scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the Statement of Financial Position. The current service cost and costs from settlements and curtailments are charged to operating surplus. Past service costs are recognised in the current reporting period. Interest is calculated on the net defined benefit liability. Re-measurements are reported in other comprehensive income.

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

The section below outlines the key assumptions underpinning the actuarial valuations, the analysis of the scheme deficit, analysis of the pension obligation and scheme's asset and the subsequent impact to the statement of comprehensive income (SOCI) and the other comprehensive income statement (OCI).

• Assumptions	MHT 2019	MHT 2018	TVH 2019	TVH 2018
Discount Rate	2.25%	2.58%	2.25%	2.60%
RPI assumption	3.58%	3.18%	3.55%	3.15%
CPI assumption	2.58%	2.18%	2.55%	2.15%
Salary Growth	4.00%	3.18%	4.00%	3.15%

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2019	21.8
Female retiring in 2019	23.5
Male retiring in 2039	23.2
Female retiring in 2039	24.7

24a. The Pensions Trust Social Housing Pension Scheme (SHPS) (continued)

- Net present value of pension liability

	MHT 2019 (£'000s)	MHT 2018 (£'000s)	TVH 2019 (£'000s)	TVH 2018 (£'000s)	Group 2019 (£'000s)	Group 2018 (£'000s)
Fair value of plan assets	134,128	128,798	32,049	30,127	166,177	158,925
Present value of defined benefit obligation	(195,023)	(168,839)	(47,257)	(39,912)	(242,280)	(208,751)
Surplus (deficit) in plan	**(60,895)**	**(40,041)**	**(15,208)**	**(9,785)**	**(76,103)**	**(49,826)**

- Reconciliation of opening and closing pension liability

	MHT 2019 (£'000s)	TVH 2019 (£'000s)	Group 2019 (£'000s)
At 1 April	**168,839**	**39,912**	**208,751**
Expenses	112	22	134
Interest expense	4,305	1,022	5,327
Actuarial losses due to scheme experience	609	462	1,071
Actuarial losses due to changes in demographic assumptions	545	131	676
Actuarial losses due to changes in financial assumptions	24,499	6,905	31,404
Benefits paid and expenses	(3,886)	(1,197)	(5,083)
At 31 March	**195,023**	**47,257**	**242,280**

- Reconciliation of opening and closing pension assets

	MHT 2019 (£'000s)	TVH 2019 (£'000s)	Group 2019 (£'000s)
At 1 April	**128,798**	**30,127**	**158,925**
Interest income	3,328	779	4,107
Experience on plan assets (excluding interest income) - gain	1,470	1,423	2,893
Contributions by the employer	4,418	917	5,335
Benefits paid and expenses	(3,886)	(1,197)	(5,083)
At 31 March	**134,128**	**32,049**	**166,177**

- Statement of Comprehensive Income impact

	MHT 2019 (£'000s)	TVH 2019 (£'000s)	Group 2019 (£'000s)
Expenses	112	22	134
Net interest expense	977	243	1,220
	1,089	**265**	**1,354**

24a. The Pensions Trust Social Housing Pension Scheme (SHPS) (continued)

- Other Comprehensive Income impact

	MHT 2019 (£'000s)	TVH 2019 (£'000s)	Group 2019 (£'000s)
Experience on plan assets (excluding in net interest cost) - gain	1,470	1,423	2,893
Experience gains and losses arising on the plan liabilities - loss	(609)	(462)	(1,071)
Effects of changes in demographic assumptions on obligation	(545)	(131)	(676)
Effects of changes in financial assumptions on obligation	(24,499)	(6,905)	(31,404)
	(24,183)	**(6,075)**	**(30,258)**

- Assets Analysis

	MHT 2019 (£'000s)	MHT 2018 (£'000s)	TVH 2019 (£'000s)	TVH 2018 (£'000s)	Group 2019 (£'000s)	Group 2018 (£'000s)
Global Equity	22,569	25,440	5,393	5,951	27,962	31,391
Absolute Return	11,605	15,734	2,773	3,680	14,378	19,414
Distressed Opportunities	2,438	1,244	583	291	3,021	1,535
Credit Relative Value	2,455	-	587	–	3,042	–
Alternative Risk Premia	7,736	4,885	1,848	1,143	9,584	6,028
Fund of Hedge Funds	604	4,242	144	992	748	5,234
Emerging Markets Debt	4,628	5,194	1,106	1,215	5,734	6,409
Risk Sharing	4,051	1,192	968	279	5,019	1,471
Insurance-Linked Securities	3,847	3,384	919	791	4,766	4,175
Property	3,019	5,928	721	1,387	3,740	7,315
Infrastructure	7,034	3,302	1,681	772	8,715	4,074
Private Debt	1,800	1,147	430	268	2,230	1,415
Corporate Bond Fund	6,258	5,289	1,495	1,237	7,753	6,526
Long Lease Property	1,973	–	471	–	2,444	–
Secured Income	4,802	4,774	1,147	1,117	5,949	5,891
Liability Driven Investment	49,052	46,922	11,721	10,976	60,773	57,898
Net Current Assets	257	121	62	28	319	149
Total assets	**134,128**	**128,798**	**32,049**	**30,127**	**166,177**	**158,925**

The Nottinghamshire County Council Pension Fund (Notts LGPS)

The Nottinghamshire County Council Pension Fund, which is administered by Nottinghamshire County Council, is a defined benefits scheme based on final pensionable salary, contributions being charged to the income and expenditure account over employees' working lives with the Group. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

Notes forming part of the financial statements for the year ended 31 March 2019

24b. The Nottinghamshire County Council Pension Fund (Notts LGPS)

The most recent valuation of the whole fund was at 31 March 2019.
The key assumptions and the results of the actuarial valuation are outlined below:

- Assumptions

	2019	2018	2017
Discount rate	2.55%	2.70%	3.60%
Pension increases	2.35%	2.70%	2.30%
Salary increases	2.35%	4.20%	4.10%
Inflation assumption (CPI)	–	–	2.30%
Inflation assumption (RPI)	–	–	3.20%

- Net pension liability

	31 March 2019 £'000	31 March 2018 £'000
Present value of defined benefit obligation	10,827	10,915
Fair value of fund assets (bid value)	(7,749)	(7,222)
Net liability in balance sheet	**3,078**	**3,693**

- Impact on income and expenditure

	2019 £'000	2018 £'000
Service cost	136	157
Net interest on the defined liability	93	103
Administration expenses	3	3
Total	**232**	**263**

- Remeasurement in other comprehensive income

	2019 £'000	2018 £'000
Return on fund assets in excess of interest	534	(1)
Other actuarial losses on assets	–	–
Change in financial assumptions	(359)	370
Change in demographic assumptions	580	–
Experience loss on defined benefits obligation	–	–
Remeasurement of net assets / (defined liability)	**755**	**369**

24b. The Nottinghamshire County Council Pension Fund (Notts LGPS) (continued)

- Reconciliation of opening and closing assets

	2019 £'000	2018 £'000
Opening fair value of scheme assets	7,222	7,301
Interest on assets	182	194
Return on assets less interest	534	(1)
Administration expenses	(3)	(3)
Actuarial loss	–	–
Contribution by employer including unfunded benefits	92	95
Contributions by scheme participants	21	23
Estimated total benefits paid (net of transfer in)	(299)	(387)
Fair value of scheme assets at end of period	**7,749**	**7,222**

- Reconciliation of opening and closing obligations

	2019 £'000	2018 £'000
Opening defined benefit obligation	10,915	11,195
Service cost	136	157
Interest cost	275	297
Change in financial assumptions	359	(370)
Estimated funded benefits paid (net of transfers in)	(299)	(387)
Contributions by scheme participants	21	23
Closing defined benefit obligation	**11,407**	**10,915**

- Projected pension expenses for year to 31 March 2020

	2019 £'000	2018 £'000
Service cost	139	131
Net interest on the defined liability (asset)	73	93
Administration expense	3	3
Total loss	**215**	**227**
Employer contributions	95	90

24b. The Nottinghamshire County Council Pension Fund (Notts LGPS) (continued)

- Sensitivity analysis

	2019	2019	2019	2018	2018	2017	2018	2018
Adjustment to discount rate	+0.1%	0.00%	-0.1%	0.00%	-0.1%	+0.1%	0.00%	-0.1%
Present value of defined benefit obligation £'000	10,726	10,915	11,107	11,195	11,392	8,500	11,195	11,392
Projected service cost £'000	128	131	134	115	118	90	115	118
Adjustment to long-term salary increase	+0.1%	0.00%	-0.1%	0.00%	-0.1%	+0.1%	0.00%	-0.1%
Present value of defined benefit obligation	10,924	10,915	10,906	11,195	11,180	8,665	11,195	11,180
Projected service cost	131	131	131	115	115	92	115	115
Adjustment to pension increases and deferred revaluation	+0.1%	0.00%	-0.1%	0.00%	-0.1%	+0.1%	0.00%	-0.1%
Present value of defined benefit obligation	11,099	10,915	10,734	11,195	11,016	8,793	11,195	11,016
Projected service cost	134	131	128	115	112	94	115	112
	+1 Year	**None**	**-1 Year**	**None**	**-1 Year**	**+1 Year**	**None**	**-1 Year**
Adjustment to mortality age rating assumption	11,348	10,915	10,499	11,195	10,778	8,925	11,195	10,778
Present value of defined benefit obligation £'000	135	131	127	115	111	94	115	111

National Health Service (NHS) Pension
As at 28 March 2019, there were no active members in the NHS pension scheme as the last two staff members in this scheme were transferred during the year to the SHPS defined contribution pension scheme.

The NHS Pension Scheme is an unfunded defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. It is not possible for MHT to identify its share of the underlying scheme assets and liabilities.

Membership into this scheme was restricted to staff who were members and new staff who were already members by reason of their previous NHS employment. The NHS scheme is funded centrally by the Treasury on a current cost basis.

Notes forming part of the financial statements for the year ended 31 March 2019

24b. The Nottinghamshire County Council Pension Fund (Notts LGPS) (continued)

The Growth Plan

The company participates in the scheme, a multi-employer scheme which provides benefits to some 950 non-associated participating 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 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 Apr 2019 to 31 Jan 2025:	£11,300k pa (increasing annually by 3% on 1 April)

Unless a concession has been agreed with the Trustee the term to 31 January 2025 applies.
Note that the scheme's previous valuation was carried out with an effective date of 30 September 2014. This valuation showed assets of £793.4m, liabilities of £969.9m and a deficit of £176.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 Apr 2016 to 30 Sep 2025:	£13K pa (increasing annually by 3% on 1 Apr)
From 1 Apr 2016 to 30 Sep 2028:	£55k pa (increasing annually by 3% on 1 Apr)

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

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

25. Provision for liabilities

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

The Group has recognised provisions for liabilities of uncertain timing or amounts including those for major repairs on stock transfers and leaseholders, overage for gap funding, and restructuring. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the balance sheet date.

The overage provision relates to the potential clawback of gap funding in the Lymington Fields scheme. This funding was provided by Homes England as part of the London Wide Initiative, and the clawback provision within the funding agreement runs for 10 years until December 2019. The provision is held within the accounts of Metropolitan Living Limited.

The Allpay provision relates to a HMRC ruling that Allpay should have charged VAT on their income collection services.

Group	Re-structure provisions **£'000**	Allpay provision **£'000**	Overage provision **£'000**	Total **£'000**
Opening balance at 1 April 2018	**569**	**225**	**113**	**907**
Additions	802	–	2	**804**
Amounts used	(569)	(59)	–	**(628)**
Balance at 31 March 2019	**802**	**166**	**115**	**1,083**

The Association does not have provisions.

26. Share capital

	2019 Number £	**2018 Number £**
At 1 April	5	7
Shares issued during year	24	–
Shares cancelled during year	(1)	(2)
At 31 March	**28**	**5**

The issued shares are £1 each and are fully paid. The nominal values of each share is £1.

27. Capital commitments

Group	2019 £'000	2018 £'000
Capital expenditure that has been contracted for	272,057	531,995
Capital expenditure that has been authorised by the Board but has not yet been contracted for	262,047	336,495
	534,104	**868,490**

The Group expects to finance the above commitments by:	£'000	£'000
Social Housing Grant receivable	53,480	86,963
Loan facilities	186,937	303,972
Operating cash flows	293,687	477,555
	534,104	**868,490**

Association	2019 £'000	2018 £'000
Capital expenditure that has been contracted for	64,397	81,258
Capital expenditure that has been authorised by the Board but has not yet been contracted for	-	36,616
	64,397	**117,874**

The Association expects to finance the above commitments by:	£'000	£'000
Social Housing Grant receivable	10,248	11,803
Operating cash flows	54,149	106,071
	64,397	**117,874**

The amount contracted for at 31 March 2019 will be funded from cash reserves, borrowing, Social Housing Grant and the proceeds of sales. The Board expects the expenditure it has authorised to be fully financed in this way. Under regulations approved by the Board, appropriate officers and employees may authorise expenditure to certain levels, and such authorised expenditure is included above.

The Group has a number of financing options available including undrawn loan facilities, a future bond issue, private placements and bank loan financing. At 31 March 2019 the Group had £326m in undrawn facilities therefore has sufficient headroom to fund its capital commitments.

28. Contingent assets / liabilities

The Group receives grant from Homes England and from the Greater London Authority, which is used to fund the acquisition and development of housing properties and their components. The Group has a future obligation to recycle such grant once the properties are disposed of. At 31 March 2019, the value of grant received in respect of these properties that had not been disposed of was £1,258m (2018: £1,244m).

As the timing of any future disposal is uncertain, no provision has been recognised in the financial statements.

29. Leasing commitments

The future minimum lease payments are set out below.

The Group's future minimum finance lease payments are as follows:

	Group 2019 £'000	Group 2018 £'000	Association 2019 £'000	Association 2018 £'000
Within one year	192	503	164	477
Between one to five years	1,065	2,481	929	2,354
In more than five years	24,111	22,770	23,688	22,310
	25,368	**25,754**	**24,781**	**25,141**

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

Rentals paid under operating leases are charged to the Statement of Comprehensive Income and Expenditure on the accruals basis.

Where assets are financed by leasing agreements that give rights approximating to ownership they are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments (or if lower the fair value of the leased asset) and is depreciated in accordance with the Group's normal policy for that class of asset. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability.

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

	2019 Land and buildings £'000	2019 Other £'000	2018 Land and buildings £'000	2018 Other £'000
Less than one year	2,022	1,263	1,596	936
Between one to five years	7,223	2,318	5,943	1,919
More than five years	7,233	1,024	4,745	7
	16,478	**4,605**	**12,284**	**2,862**

The Groups future minimum operating lease receivables are as follows:

	2019 LCHO £'000	2019 Commercial £'000	2018 LCHO £'000	2018 Commercial £'000
Less than one year	20,185	690	21,195	749
Between one to five years	71,576	2,304	75,155	2,472
More than five years	194,123	3,359	210,730	3,881
	285,884	**6,353**	**307,080**	**7,102**

30. Related parties

The declaration of interest of board members and key management personnel identified a number of related parties. During the year Thames Valley Housing Association Limited (TVHA) conducted no transactions with such related parties.

None of the Board members are either tenants or leaseholders therefore rent received from tenant and leaseholder board members across the Group during the year are £nil (2018: £nil). Rent arrears of the Group's tenant and leaseholder board members as at 31 March 2019 was £nil (2018: £nil). The rent arrear balance is subject to the same bad debt provision and debt recovery process as all the other rent arrears.

TVHA provide provides central management services to its subsidiaries including MHT. In addition MHT also provides services to its own subsidiaries - since the merger a vertical group was created where MHT's subsidiaries are sub-subsidiaries of TVH. Charges are allocated as follows.

MHT provides central management services to its subsidiaries. Charges are allocated as follows:

Department	Allocation basis
Facilities	Headcount
Health and safety	Headcount/Turnover
Finance	Turnover
Information technology	Number of computers
Human resources	Headcount
Procurement	Headcount/Turnover
Communications	Headcount/Turnover
Board	Headcount/Turnover
Executive Team	Headcount/Turnover

The quantum of the 2019 charges applied for these services to private subsidiaries is as follows:

	2019 £'000	2018 £'000
EM Property Service Limited (Metworks)	466	–

MHT waived the management charge to EMPS in 2018 on the basis that EMPS only provided services for MHT. In 2019 MHT started recharging management fees again to EMPS.

MHT has joint regeneration partnerships with the following partners, and the relevant share of ownership is included in the statements:

Joint Regeneration Partnership	Partners	MHP share %
Canalside	One Housing Group	50.00%

MHT provides central management service to its regeneration partnerships, on the same allocation basis as it provides to subsidiaries. The amount of charges to each partnership is as follows:

	2019 £'000	2018 £'000
Canalside	256	256

30. Related parties (continued)

TVH has provided on-lending to intra group entities. These receivables are repayable on demand and no guarantees are in place on either loan. Interest is payable on the loan balances. Below is an analysis of the on lending to intra Group counterparties.

Entity Granting Loan	Entity Receiving Loan	01-Apr-18 £'000	Movement £'000	31-Mar-19 £'000
TVH	TVH Fizzy Holdings Ltd	28,483	(404)	28,079
TVH	Fizzy Services Management LLP	3,189	281	3,470
TVH	Fizzy Holdings Ltd	100	316	416
		31,772	**193**	**31,965**

TVH has also received a loan from MHT to fund the development of both properties for sale and properties for renting.

		01-Apr-18 £'000	Movement £'000	31-Mar-19 £'000
MHT	TVH	205,276	(62,710)	142,566
MF Plc	MHT	148,200	(21,327)	126,873

During the year ended 31 March 2019, BMM LLP made profit distribution to Metropolitan Living Limited (MLL) in cash totalling £nil (2018: £3,250k). BMM LLP is a Joint Venture between Metropolitan and Barratt Homes. Metropolitan has a 25% share of the Joint Venture.

MHT was charged £6.5m interest by Metropolitan Funding Plc (MF Plc) for the intercompany loan (2017/18: £6.3m). As at 31 March 2019, the loan was £257.8m (2016/17: £148.1m).

TVHA paid gift aid of £8.4m (2017/18: £15.8m) to MHT.

MLL has a Limited Liability Partnership with house builder Westleigh Development Ltd in Westleigh Cherry Bank LLP (WCB) to develop the Monks Road scheme near Lincoln. There have been low levels of activities in recent years. In December 2016, it was approved and agreed between partners to dissolve the partnership by disposing of assets.

During 2018/19 all remaining properties were sold and Westleigh Cherry Bank distributed funds on a share basis with both partners.

Rent received from tenant and leaseholder board members across the Group during the year are £nil (2018: £nil). Rent arrears of the Group's tenant and leaseholder board members as at 31 March 2019 was £nil (2018: £nil). The rent arrear balance is subject to the same bad debt provision and debt recovery process as all the other rent arrears.

Aggregate emoluments paid to key management personnel of the Group are disclosed in Note 10.

31. Financial instruments

Under FRS 102 there are three options for accounting for financial instruments and they are: applying the recognition, de-recognition and measurement requirements of IFRS 9 or IAS 39 or FRS 102 sections 11 and 12. The group elected to apply FRS 102 sections 11 and 12. On intercompany loans and staff loans the group has applied FRS 102 section 34 as it is a public benefit entity.

Debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses. Trade debtors are recognised with the revenue, other debtors are recognised when they become receivable. Creditors are recognised when payment becomes probable.

Loans, investments and short-term deposits

Loans, investments and short-term deposits held by the Group, with the exception of the cancellable embedded option arrangements detailed below, meet the criteria for basic financial instruments as set out in FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the Group has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instrument are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Cancellable embedded options (CEO)

Embedded derivative optionality makes these instruments more complex and they cannot be defined as “basic” under FRS 102. As a result their measurement is determined by Section 12 of FRS 102. In determining the appropriate accounting treatment for these instruments we have assumed that the Regulations referred to in 12.8c, which are the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008, are applicable to MTVH. Reference to these Regulations determines that the instruments should be measured at amortised cost. As stated previously the Group’s accounting policy for financial instruments measured at amortised cost is that they are stated on the balance sheet at historical cost because the difference between historical cost and amortised cost is deemed to be immaterial.

An embedded interest rate derivative is considered clearly and closely related to the host contract (and does not need to be accounted for separately) unless certain conditions are present. The Group has analysed the terms of all its CEO arrangements and has determined that these conditions are not present. As a result of this analysis these derivatives are not measured separately but as part of the host loans at historical cost.

Cash and cash equivalents

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

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

Derivative instruments and hedge accounting

The Group holds floating rate loans which expose the Group to interest rate risk: to mitigate against this risk the Group uses interest rate swaps. These instruments are measured at fair value at each reporting date. They are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group has designated each of the swaps against either existing drawn floating rate debt or against highly probable future floating rate debt. To the extent the hedge is effective, movements in fair value adjustments, other than adjustments for own or counterparty credit risk, are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any movements in fair value relating to ineffectiveness and adjustments for our own or counterparty credit risk are recognised in income and expenditure. The effectiveness relationships between a loan and a swap are subject to qualitative tests at designation and should not require any further tests thereafter.

31. Financial instruments (continued)

Concessionary loans

Concessionary loans are those loans made or received by the Group that are made:

- to further its public benefit objectives
- at a rate of interest which is below the prevailing market rate of interest
- not to be repayable on demand.

Loans made under HomeBuy are concessionary loans. These loans are measured at the amount advanced at the inception of the loan less amounts received and any provisions for impairment. Any associated grant is recognised as deferred income until the loan is redeemed.

Cash flow hedge (derivative financial instruments)

MTVH uses interest rate swaps to reduce exposure to interest rate risk on its debt portfolio. These hedges consist of swaps with a notional value of £189m at 31 March 2019 (2018: £189m) with interest rates ranging between 2.04% and 5.7% (2018: 2.16% and 5.7%) and maturities between 1 and 30 years (2018: 2 and 31 years).

The swaps represent a liability owing to the counterparty if they were to be closed out at their fair value. The fair value of this liability as at 31 March 2019 was £59.4m (2018: £44.0m). This liability is secured with property charged to the counterparty or with cash deposits. As at 31 March 2019 the Group had £12.7m (2018: £12.3m) in cash lodged to cover this liability with the remaining balance being covered by credit limits or property pledged.

Any future change in the LIBOR and/or RPI forward swap curves will result in a change to the fair value of our derivative financial instruments. An adverse movement in the forward swap curves will result in an increase to the current level of liability. An adverse move would also lead to further cash or property being required to be pledged with the derivative counterparties.

The fair values of all of MTVH's standalone swaps are shown on the balance sheet at their mid-market Mark to Market (MTM) value (the "mid-market" value is considered to be a close proxy for the "bid" or "offer" value, as appropriate, which are necessarily more subjective). All curves and market data used in the valuations are sourced from Thomson Reuters and applied in determining the fair value for each class of derivative instrument as follows:

- Interest rate swaps have been valued using the 3-Month LIBOR or 6-Month LIBOR swap curve, adjusted for LIBOR basis spreads where appropriate. Discounting is on a 6-month LIBOR swap curve basis
- Basis swaps have been valued using the appropriate basis swap spread curve. Discounting is on a 6-month LIBOR swap curve basis
- LPI Swaps have been valued using the RPI swap curve and LPI option prices, and the 3-Month LIBOR swap curve. Discounting is on a 6-month LIBOR swap curve basis

Restricted cash and cash equivalents

As at 31 March 2019, £26.2m (2018: £24.9m) of cash is classified as restricted cash and cash equivalents due to legal restrictions. Restricted cash is where we hold cash on behalf of a third party or where there are restrictions on how we spend this cash.

31. Financial instruments (continued)

Financial assets	Group 2019 £'000	Group 2018 £'000	Association 2019 £'000	Association 2018 £'000
Financial assets measured at amortised cost	52,674	–	–	–
Trade receivable	14,804	15,263	470	460
Other receivables	27,744	21,805	36,461	34,333
Investments	26,633	28,445	7,959	7,959
Cash and cash equivalents	222,975	158,508	16,990	54,951
	344,830	**224,021**	**61,880**	**97,703**
Concessionary loans receivable	158,617	173,041	143,081	205,276
	503,447	**397,062**	**204,961**	**302,979**
Financial liabilities measured at fair value				
Derivative financial instruments	59,372	43,999	–	–
Financial liabilities measured at amortised cost				
Loans	2,045,498	1,799,093	39,161	39,152
Trade creditors	10,647	11,406	1,806	1,222
Other creditors	243,967	191,474	19,186	15,830
Financial leases	25,368	25,754	24,781	25,141
Total Financial Liabilities	**2,384,852**	**2,071,726**	**84,934**	**81,345**

Notes forming part of the financial statements for the year ended 31 March 2019

32. Joint ventures, associates and subsidiaries

MTVH was formed from a merger or partnership between Thames Valley Housing Group and Metropolitan Housing Group.

The merger consummated in October 2019. At the finalisation of the merger or partnership Thames Valley Housing Association became the parent entity of the merged group and therefore became the parent of all subsidiaries, associates and joint ventures.

The ultimate parent undertaking within the Group is Thames Valley Housing Association Limited (TVHA), a registered social housing provider. The following managed undertakings are subsidiaries by virtue of either ownership of their share capital or the ability of the Association to control the composition of their Board or the strategic direction of these entities. The TVH Group is a vertical Group as MHT, the subsidiary of TVH has its own subsidiaries. MHT's subsidiaries are also disclosed in this section and they form part of the consolidated accounts of the TVHA Group

TVHA Subsidiaries

Name of undertaking	Share held	Registered in	Principal activity
Metropolitan Housing Trust Limited (MHT)	100%	England	Registered Provider
TVH Fizzy Holdings Ltd	100%	England	Private Letting
Evolution (Woking) Holdings Ltd*	100%	England	Investment Holding Company

Evolution (Woking) Holdings Ltd has its own subsidiary Evolution (Working) Limited (EVO). EVO was a joint venture (JV) for part of the year before it became a subsidiary. The results of EVO before it became a subsidiary have been accounted for using equity accounting and the results since it became a subsidiary have been accounted for on a line by line consolation.

MHT Subsidiaries

Name of undertaking	Share held	Registered in	Principal activity
Metropolitan Living Limited (MLL)	100%	England	Property development
Metropolitan Funding Plc (MF Plc)	100%	England	Financing vehicle
Clapham Park Development Limited	100%	England	Dormant
Metropolitan Home Ownership Limited	100%	England	Dormant
EM Property Service Limited	100%	England	Property maintenance
Longsdale Limited	Limited by guarantee	England	Property holding
Spiritagen Limited	100%	England	Dormant

32. Joint ventures, associates and subsidiaries (continued)

The MTVH Group participates in the following active joint ventures to carry out development projects.

Entity	Partner	Interest	Voting rights
Barratt Metropolitan LLP (BMM)	Barratt	25%	50%
West Bridgford LLP (WBF)	Galliford Try	50%	50%
Westleigh Cherry Bank LLP (WCB) (dormant)	Westleigh	50%	50%
Opal St Bernards LLP	Galliford Try	50%	50%
Opal Land LLP	Galliford Try	50%	50%
Opal Earlsfield LLP	Galliford Try	50%	50%
Opal Silvertown LLP	Galliford Try	50%	50%
Linden Enfield LLP	Galliford Try	50%	50%
Grange Walk LLP	Galliford Try	50%	50%

Wilford Lane, Nottingham is a site that is being delivered via the West Bridgford LLP, a new joint venture from December 2018 in partnership with Galliford Try.

	BMM **2019** **£'000**	WCB **2019** **£'000**	WBF **2019** **£'000**	EVO **2019**	Opal **2019**	Total Joint Ventures **2019** **£'000**	Associates **2019** **£'000**	Total **2019** **£'000**
Investment at 1 April	13,638	–	5,320	1,815	30,276	**51,049**	35,151	**86,200**
Additions/(disposals)	190	–	894	(1,910)	(17,935)	**(18,761)**	(4)	**(18,765)**
Share of profits	2,924	–	–	95	6,284	**9,303**	569	**9,872**
As at 31 March	**16,752**	**–**	**6,214**	**–**	**18,625**	**41,591**	**35,716**	**77,307**

	BMM **2018** **£'000**	WCB **2018** **£'000**	WBF **2018** **£'000**	EVO **2018**	Opal **2018**	Total Joint Ventures **2018** **£'000**	Associates **2018** **£'000**	Total **2018** **£'000**
Investment at 1 April	7,710	279	–	2,039	26,726	**36,754**	35,057	**71,811**
Additions/(disposals)	4,678	–	5,380	57	–	**10,115**	1,193	**11,308**
Share of profits	1,250	(279)	(60)	(281)	3,550	**4,180**	(1,099)	**3,081**
As at 31 March	**13,638**	**–**	**5,320**	**1,815**	**30,276**	**51,049**	**35,151**	**86,200**

33. Prior year adjustments

The merger between Thames Valley Housing Limited and Metropolitan Housing Trust has been accounted under merger accounting; therefore, the financial statements for the Group have been consolidated on the basis that the merged entity always existed. As a result there are no prior year adjustments.

34. Post balance sheet events

There are no post balance sheet events to note.

35. Capital and reserves

The revaluation reserve has been reduced by £6.1m (2018: £2.1m) during the year due to property disposals.

Movements in Cash Flow Hedge Reserve and Pension Reserve are explained in Note 31 and Note 24.

The restricted reserve is created for the donated fund of the Migration Foundation. The donor specified the use of the fund. The surplus fund is currently invested, and fair value of the investment is accounted for in the restricted reserve.

There has been an upward revaluation of the Migration Foundation and other shares held in this of £1,113k (2018: £133k).

36. Government grants

Government grants included in the Statement of Financial Position:

		Group 2019 £'000	Group 2018 £'000	Association 2019 £'000	Association 2018 £'000
Creditors due within one year:					
	Recycled Capital Grant Fund	(60,737)	(94,828)	(10,649)	(10,514)
	Disposal Proceeds Fund	(932)	(1,927)	–	–
	Deferred government grant	(10,257)	(4,967)	–	–
Creditors due after one year:					
	Recycled Capital Grant Fund	(45,238)	(59,930)	(263)	(938)
	Disposal Proceeds Fund	(11)	(1,701)	–	–
	Deferred government grant	(368,290)	(340,930)	(8,966)	(8,262)
Reserves:	Income and expenditure reserve	(1,274,526)	(1,311,274)	(75,780)	(91,121)
		(1,759,991)	**(1,815,557)**	**(95,658)**	**(110,835)**

37. Reconciliation of net cash flow to movements in debt

	Group 2019 £'000	Group 2018 £'000
Change in cash	**64,467**	**(43,882)**
Cash flow from debt	(231,034)	(63,375)
Cash flow from finance leases	388	25
Changes in net debt	**(230,646)**	**(63,350)**
Net debt at 1 April	(1,622,340)	(1,515,108)
Net debt at 31 March	**(1,788,519)**	**(1,622,340)**

Analysis of net debt

	31 March 2018 £'000	Group Cashflow £'000	31 March 2019 £'000
Cash in hand and bank	**158,508**	**64,467**	**222,975**
Cash flow from debt	(1,755,094)	(231,032)	(1,986,126)
Cash flow from finance leases	(25,754)	386	(25,368)
	(1,780,848)	**(230,646)**	**(2,011,494)**
	(1,622,340)	**(166,179)**	**(1,788,519)**

Notes forming part of the financial statements for the year ended 31 March 2019

38. Merger/Partnership between MHT and TVH

In October 2018 the merger between MHT and TVH was formally agreed. The merger was at subsidiary level (MHT and TVH level) and the Association is purely TVH. The merger resulted in the creation of a new reporting entity MTVH. These financial statements have been prepared under merger accounting.

The sections below outline the following results before the merger of the individual entities:

- The statement of financial position for MHT and TVH at the merger date and at 31 March 2018
- The year to date summary financial results to the September 2018 and prior year ending 31 March 2018.

Statement of financial position for MHT and TVH at merger date and at 31 March 2018

Fixed Assets	MHT 2019** £'000	TVH 2019** £'000	MHT 2019 £'000	TVH 2018 £'000
Tangible fixed assets				
Housing properties (social and non-social)	3,031,696	1,240,433	2,978,109	1,178,929
Other tangible fixed assets	11,807	26,171	11,539	25,650
Total tangible fixed assets	**3,043,503**	**1,266,604**	**2,989,648**	**1,204,579**
Investments				
HomeBuy loans	120,397	44,283	126,873	46,168
Other investments	16,581	–	18,572	–
Investments in joint ventures and associates	20,391	63,579	18,958	67,243
Total fixed assets and investments	**3,200,872**	**1,374,466**	**3,154,051**	**1,317,990**
Net current assets				
Stock	159,930	39,952	143,560	40,025
Debtors	21,876	19,501	27,239	19,702
Cash at bank and in hand	102,733	114,833	88,601	69,907
Creditors falling due within one year	(186,981)	(72,233)	(186,400)	(68,778)
	97,558	**102,053**	**73,000**	**60,856**
Total assets less current liabilities	**3,298,430**	**1,476,519**	**3,227,051**	**1,378,846**
less: Creditors falling due after more than one year	1,526,927	819,921	1,486,136	728,092
Provision for liabilities	494	–	907	–
Pension liability	27,901	–	29,827	–
	1,555,322	**819,921**	**1,516,870**	**728,092**
Net Assets	**1,743,108**	**656,598**	**1,710,181**	**650,754**
Capital and reserves				
Income and expenditure reserve	900,390	448,220	872,896	438,378
Cashflow hedge reserve	(20,331)	–	(24,832)	–
Restricted reserve	15,618	–	14,190	–
Revaluation reserve	847,431	208,378	847,927	212,376
Total funding	**1,743,108**	**656,598**	**1,710,181**	**650,754**

*** - shows the financial performance up to the point when the merger between TVH and MHT was formally agreed*

38. Merger/Partnership between MHT and TVH (continued)

Financial results to the September 2018 and prior year ended 31 March 2018

	MHT 2019** £'000	TVH 2019** £'000	MHT 2018 £'000	TVH 2018 £'000
Turnover	142,945	57,779	288,131	126,121
Cost of sales	(20,417)	(7,407)	(46,450)	(26,300)
Operating costs	(82,335)	(30,467)	(157,357)	(54,856)
Surplus on disposal of fixed assets	9,761	4,980	19,940	9,226
Share of operating surplus in joint ventures and associates	38	1,355	1,144	1,937
Total operating surplus	**49,992**	**26,241**	**105,408**	**56,128**
Net finance costs	(23,336)	(11,131)	(43,569)	(22,579)
Movements in fair values	1,772		3,523	268
Surplus before tax	**28,428**	**15,110**	**65,362**	**33,817**
Taxation	-	(14)	6	602
Surplus for the year	**28,428**	**15,096**	**65,368**	**34,419**

*** - shows the financial position up to the point when the merger between TVH and MHT was formally agreed*

Alignment of accounting policies
Due to the nature of TVH and MHT's business and the uniformity mainly due to the harmonisation of the social housing sector's accounting due to reporting to the Regulator the pre-merger accounting policies and estimation methodologies were well aligned; therefore, there was not a great deal of harmonisation required for the new merged entity.

The areas that required alignment of accounting policies or estimation methodologies are as follows:

Fixed Asset Component Types and Useful Lives
The alignment revolved around the harmonisation of component categories and alignment of useful economic life (UEL) for components. The impact of the alignment to the reported operating results and housing asset carrying values is circa £0.6m. The reported surplus would have been higher by £0.6m and the carrying value of housing assets would have been higher by £0.6m.

Government Grants Useful Lives
The alignment was on UEL for shared ownership grants – both TVH and MHT now amortise these over 20 years. The impact of the alignment to the reported operating results and deferred grants' carrying values is £0.4m. The reported surplus would have been lower by £0.4m and the carrying value of deferred grant liabilities would have been higher by £0.4m.

Other
The other areas aligned to ensure uniformity are follows:
- alignment of UEL for other fixed assets – the impact of alignment was £1.3m. The reported surplus would have been higher by £1.3m and the carrying value of other fixed assets would have been higher by £1.3m.
- alignment of capitalisation policy – the impact of alignment was immaterial as both MHT and TVH had adopted the option to capitalise directly attributable overheads
- bad debt provision policy – the impact of alignment was immaterial

Both MHT and TVH accounted for financial instruments in line with the requirements of FRS 102 sections 11 and 12 instead of IFRS 9 or IAS 39 so there were negligible changes to the accounting policy, accounting judgement relating to these and accounting estimation methodology.

38. Merger/Partnership between MHT and TVH (continued)

Non-recurring costs (Note 2)

MTVH and the Association incurred one-off costs associated with the merger between MHT and TVH groups. This included the costs of undertaking due diligence exercise and ensuring that there was a smooth transition once the newly formed entity came into existence.

These one-off merger costs are exceptional and will not recur going forward as they were incurred to ensure the consummation of the merger. The one-off merger costs are all made up of avoidable costs which the Group and Association would not have incurred had the partnership or merger between MHT and TVH not been pursued.

Below is an analysis of the one-off merger costs:

	Group **2019** **£'000**	Group **2018** **£'000**
Legal and Due Diligence	2,090	1,528
Staff Costs	1,489	662
Corporate Communications	415	152
Office costs and Other Overheads	1,303	455
	5,297	**2,797**

Metropolitan
Thames Valley