Registered Number 16337R
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Metropolitan Housing Trust Limited

Report and Financial Statements

For the year ended

31 March 2019

CONTENTS

MEMBERS, EXECUTIVES AND ADVISORS

Chair
Paula Kahn (resigned as Chair on 8 October - remained on Board)
Grainia Long (appointed on 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 20 April 2019)
Executive Director, Development
Kerry Kyriacou (interim - resigned 20 April 2018)
Guy Burnett (seconded from TVHA as interim 13 March 2018)
Executive Director, Integration
Daniel Jones
Executive Director, Property
Mark Everard
Executive Director, Business Transformation
John Baldwin (appointed on 8 October 2018)

Secretary
Tish Etter (appointed 8 October 2018)

Deputy Company Secretary
Donald McKenzie

Registered office
The Grange, 100 High Street, Southgate, London N14 6PW

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

Bankers
Lloyds Banking Group
Barclays Plc

RESULTS AT A GLANCE

	2019***	2018
Turnover	£317m	£273m
(Deficit)/Surplus after tax*	(£14m)	£65m
Underlying Operating surplus**	£121m	£105m
Operating surplus	£118m	£105m
Operating Margin	38%	38%
Letting Margin	34%	34%
Gearing	42%	36%

** Surplus after tax is after one-off operating costs of £2.5m to facilitate the transfer of engagement from Thames Valley Charitable Housing Association Limited to the Trust and one-off non-recurring finance costs of £77.5m.*
***Operating surplus before one-off operating costs of the merger of £2.5m to facilitate the transfer of engagement from Thames Valley Charitable Housing Association Limited to the Trust.*
**** These are the first financial statements since the transfer of engagement from Thames Valley Charitable Housing Association Limited in October 2018 (see Note 1a to the financial statements).*

PERFORMANCE AT A GLANCE

HIGHLIGHTS OF 2019

- **New homes delivered:** 567
- **Investment in existing stock:** £123m
- **Homes development pipeline:** 2,919
- **New annual business income in care and support:** £1.2m
- **Invested in acquiring land and building new homes:** £137m
- **Governance rating:** G1**: financial viability rating:** V2
- **Number of customers supported into employment**: more than 1,800
- **Top 200 Stonewall employees rating:** 154
- **Proportion of Repairs fixed first time:** 83.3%
- **Credit rating from Standard & Poor:** A- (stable outlook)

CHAIR'S AND CHIEF EXECUTIVE'S INTRODUCTION

This has been a watershed year for us. In October 2018 Metropolitan Housing Trust Limited ("the Trust") and Thames Valley Housing Limited 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.

Coming together to form Metropolitan Thames Valley Housing group ("the Group") 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 life line vulnerable people have.

Like our peers in the industry, we face considerable challenges in the coming years as we deal with funding cuts and the impact of Universal Credit. We will have to 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, do it smarter, play to our strengths and be part of the solution. 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 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.

Our vision is that everyone should have access to a home and the opportunity to live well. With an ambitious development strategy to build 1,800-2000 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 where people want to live and we are developing good services which our customers trust. Looking ahead, we want to ensure that our customers receive consistent and easy to use services and feel safe in their homes.

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.

CHAIR'S AND CHIEF EXECUTIVE'S INTRODUCTION

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-orientated 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 are a stronger and more resilient organisation and we are ready to do more.

Trust turnover was £317m, up 16% on the previous year and we made a net deficit of £14m before tax. The net deficit is largely because the Trust incurred one-off costs of £77.5m to re-negotiate with lenders and to establish a new loan covenant suite. 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 the Trust delivered 567 new homes. Of these, 335 were for rent (with the majority let at a social rent) and 232 were for shared ownership.

We have also invested in improvements to residents' homes. This year the Trust invested £109m in property maintenance of which £36m 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.

With an excellent track record of investing in communities, 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.

Chair	**Chief Executive**
Grainia Long	Geeta Nanda

CHIEF EXECUTIVE'S STRATEGIC OPERATIONAL REVIEW

Who we are

The Trust is one of the UK's leading providers of affordable housing and care and support services. We are a charitable organisation that exists to support our customers reach their maximum level of personal independence through the services we provide.

The Trust became a subsidiary of Thames Valley Housing Association Limited on 8th October 2018 and forms part of the Metropolitan Thames Valley Housing group (MTVH). A transfer of engagement was also completed on 8th October that saw assets and liabilities transferred from Thames Valley Charitable Housing Association Limited to the Trust.

The Trust owns, manages or administers more than 54,000 properties and serves more than 120,000 customers across London, the East Midlands and the East of England.

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

Where we operate

The Trust owns, manages and administers over 54,000 homes. Below is an analysis by region of the percentage of housing stock that the Trust owns, manages and administers.

Region	% Region
London	52.0%
East Midlands	22.2%
South East	16.7%
East of England	8.4%
South West	0.2%
Yorkshire and The Humber	0.2%
West Midlands	0.1%
Other	0.2%
Grand Total	**100.0%**

CHIEF EXECUTIVE'S STRATEGIC OPERATIONAL REVIEW

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 567 new homes (2018: 520) across London, the Midlands and the South East. Of the total homes delivered, 335 were for rent (with the majority let at a social rent), 232 were for shared ownership.

All the affordable homes we have delivered contribute to the Affordable Homes Programme and this would not have been possible without the £51m of grant received from the Greater London Authority (GLA) and Homes England.

Over the next five years the Trust has an ambitious delivery pipeline of 2,919 units, with 607 of these on track to be delivered in 2019/20.

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 some of the finest regeneration schemes which will bring new Social and affordable homes to London: West Hendon, Westhorpe Gardens and our flagship regeneration project at Clapham Park.

Within the year, we secured planning consent for the next phase at Clapham Park equating to some 1,171 new rented and Shared Ownership homes, 1,364 homes for sale, a community centre and shops.

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's new guidelines, we secured the over whelming 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 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 269 new build shared ownership sales were made over the budget period with a further 70 sales in the pipeline.

CHIEF EXECUTIVE'S STRATEGIC OPERATIONAL REVIEW

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 in to improve our repairs performance to create an efficient, flexible and customer-focussed service. In the 2018/19 financial year some 4,529 surveys were returned and the Trust 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.

In total the Trust invested £118m in property maintenance during 2018/19, of which £36m 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

We have invested heavily in fire risk assessments throughout our estates. This year more than 3,000 fire risk assessments have been done, followed up with 21,000 remedial actions. We have also invested in other areas of compliance. For 2018/19, there was no capital spend on water and electricity, however we spent £6.6m and replaced 2,328 boilers.

We have achieved a 99.9% compliance in landlord's gas safety responsibility over the year.

Other data 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
- a full asset appraisal of our entire portfolio using methods like Net Present Value (NPV) and strategic measures.

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, disrepair and regulatory scrutiny (along with the considerable costs associated with these) and we expect this to continue.

New Property Contact Centre

Over the year we established a restructured Property Desk which provides a bespoke property contact centre for customers. The Property team has focussed on reducing void turnaround time using a new voids management process. This means improved performance and efficiency, delivering re-lets in 37 days against a target of 25 days. Processes were also introduced to enable the proactive management of properties which could potentially lead to disrepair cases.

CHIEF EXECUTIVE'S STRATEGIC OPERATIONAL REVIEW

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.

CUSTOMER SERVICE

As a people-focussed 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 into three geographical regions - covering housing, care and support and business development - 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 £1.93m 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 customers before they transitioned to UC to offer practical help before they get into arrears.

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 helped to support 245 customers swap where they were living through the national home swapping service.

CHIEF EXECUTIVE'S STRATEGIC OPERATIONAL REVIEW

Arrears for social rents (general needs/housing for older people/affordable) ended the year at 4.60%. 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 1,563 new UC claims last year in the Trust, taking our total number of cases up to 2,747.

We take tenancy fraud seriously, so using Housing Partners, we continue to identify potential tenancy fraud cases for investigation. In the last financial year (2018/2019) 54 properties were recovered and returned to house those in desperate need of housing.

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 800 people into employment and provided over 1,000 opportunities for people to increase their skills, 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.

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.

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

Trust turnover was £317m (2018: 273m), up by 16% on the prior year. Turnover from the core rental business increased from £202m to £241m. Turnover from first tranche sales was £35m (2018: £42m). We sold the first tranche of 431 (2018: 321) shared ownership units.

First tranche sales surplus was £4.5m at a 13% margin (2018: £9.6m at 23% margin). This reflects a challenging year for the sales market, 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.

Underlying operating surplus (which excludes non-recurring costs associated with the merger and the abortive sale of an associate) was £121m (2018: £105m) due to lower surplus from sales as well as higher property costs. Building on the merger rationale - to do more for our customers and drive customer satisfaction - we continue to drive up the standards of safety and quality in our homes.

Reported operating surplus was £118m (2018: £105m) which reflects the impact of £2.5m (2018: £nil) of non-recurring operating expenses relating to the merger transaction, subsequent restructuring and abortive fees associated with the sale of 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'). The Trust 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 £10m of operating surplus at a 35% margin (2018: £10m at 41% from 570 completions). In addition, we completed 331 Homebuy loan redemption transactions, achieving £7.1m of operating surplus at 38% margin (2018: £7.2m at 38% margin from 379 completions).

EXECUTIVE DIRECTOR OF FINANCE'S REVIEW

The Trust recorded a deficit after tax of £14m (2018: a surplus after tax of £65m), which reflects the costs associated with re-negotiating the new covenant suite and restructuring some of the loans.

Capital expenditure on development projects was £215m (2018: £169m).

Gearing ended the year at 42% on an historic cost of property basis (2018: 36%) and EBITDA interest cover was 2.4 times (2018: 2.9 times).

Finance costs

External interest receivable and interest from subsidiaries amounted to £6m (2018: £4m) and total interest payable was £64m (2018: £47m). 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 £77m. 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.

Other Comprehensive Income

Three items are included in the other comprehensive income. Firstly, 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 £13m initial actuarial deficit (2018: £Nil). Secondly, the actuarial re-measurement of both the SHPS and the local government pension scheme of £24m 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. Thirdly 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 Trust continues to deliver a strong operating cash performance. Net cash flow from operating activities (including sales and disposal proceeds) was £362m (2018: £108m). We spent £179m (2018: £140m) on new developments and £36m (2018: £29m) on improvements to our existing estate. Net inflows from drawdowns of new facilities less debt repayments totalled £72m (2018: net inflows of £92m).

EXECUTIVE DIRECTOR OF FINANCE'S REVIEW

Balance sheet

The net book value of housing assets was £4.1bn (2018: £2.9bn), with £25m (2018: £18m) of depreciation charged in the year. This figure includes assets under construction at 31 March 2019 of £242m (2018: £173m). Short and long term creditors are £2.7bn (2018: £1.7bn), including £1.9bn of borrowings (2018: £1.1bn) and £95m (2018: £104m) of housing grant repayable. Total provisions amounted to £1m (2018: £0.8m).

Funding and treasury

As at 31 March 2019, Trust had net debt of £1,719bn (2018: £1,053bn). We define net debt as debt less funds available to repay lenders. 77% (2018: 83%) 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 4.7% per annum (2018: 4.6%).

During the year the credit rating for the Trust 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 2015 bond in the capital market. 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 Trust had committed undrawn facilities of £326m (2018: £222m) – which are fully secured and available at 48 hours' notice, in addition to cash and short-term investment balances, totalling £192m (2018: £84m). 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

Trust 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 Trust's risk register.

Loans and credit structure: maturity risk

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

The funding sources are split as follows:

% of total	2018/19	2017/18
Banks and building societies	76%	75%
Capital Markets	22%	25%
Local Authorities/Other	2%	0%

As detailed in note 31 to the accounts, the borrowings and related interest rate hedges are structured with staged maturities to ensure that no more than 10% of the total loan book matures in any one year to mitigate the related refinancing risk. The Trust has £529m (2018: £108m) of loans maturing in the next five years which represents 28% (2018: 9%) of our total drawn loans.

Interest rate risk

The Trust 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 77% (2018: 83%) of the Trust'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, the Trust has £139m (2018: £189m) nominal value of ISDA swaps which hedge interest costs at rates between 4% 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

Trust'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 Regulatory News Service ("RNS") announcements to the market. 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 residents 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 residents and our reward and recognition policies seek to ensure we drive the right delivery.

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

Transfer of engagement: The Trust became a subsidiary of Thames Valley Housing Association Limited on 8th October 2018 and forms part of the Metropolitan Thames Valley Housing group (MTVH). A transfer of engagement was also completed on 8th October that saw assets and liabilities transferred from Thames Valley Charitable Housing Association Limited to the Trust.

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 in order to set a baseline, against which improvements brought about by integrating the businesses can be measured going forward, 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 follow:

	2018/19 Performance	2018/19 Target	2017/18 Performance
Operating Margin*	38.0%	40.3%	38.4%
New Homes*	567	707	520
Customer Satisfaction	64.3% rolling average (legacy MHT)	67% (legacy MHT)	n/a – new mechanism introduced

*2019 results include Thames Valley Charitable Housing Association Limited (TVCHA) from October 2018 when the transfer of engagement was completed. 2017/18 results do not include TVCHA.

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.

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 at 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.
- 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 ten years. The frameworks will start to come on line from April 2020.

VALUE FOR MONEY

Arrears

- The target for arrears this year was to hold the level steady despite the impact of Universal Credit.

- Although the Trust's final levels were just above target (4.05% vs 3.95%), 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.

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 %	5.8%	6.4%	5.8%	5.1%
2a. New supply delivered % (Social housing units)	2.1%	1.6%	1.4%	1.3%
2b. New supply delivered % (Non-social housing units)	1.1%	0.3%	0.5%	0.0%
3. Gearing	33.7%	35.9%	44.7%	41.8%
4. EBITDA MRI	185.9%	129.6%	147.6%	122.4%
5. Headline social housing cost per unit	4,416	4,923	4,870	4,261
6a. Operating margin (SHL only)	40.2%	33.2%	34.2%	33.7%
6b. Operating margin (overall)	36.2%	29.3%	28.4%	31.4%
7. ROCE	4.0%	3.3%	3.5%	2.7%

*2019 results include Thames Valley Charitable Housing Association Limited (TVCHA) from October 2018 when the transfer of engagement was completed. 2017/18 results do not include TVCHA.

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 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 £212m into housing properties within the year; this represents 5.14% 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 180% of our operating income into our housing asset base.

- New supply delivered % (social): These metrics set out the number of new units (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 that have been acquired or developed in the year was 567.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 (36%) and remains slightly lower than the 2018 G15 average. One of the Trust's strategic aims is to increase the size of the 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 122%, EBITDA has decreased compared to the 2018 result of 130%, and is now lower than the 2018 G15 average. This metric continues to be affected by the 1% rent reduction required by the government. Additionally, the decrease 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 Trust 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 £4,261, this is below the G15 average performance for 2018.

- 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 33.7% is similar to the prior year result of 33.2% 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. Our operating margin slightly increased in 2019 to 31.4% (2018: 29.3%).

- 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 2.7% has been affected by our reduced operating surplus and is lower than the G15 average of 3.5%.

STATEMENT OF CORPORATE GOVERNANCE

The Trust 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 the MHT's 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) and Spiritagen Limited (dormant).

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 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.

STATEMENT OF CORPORATE GOVERNANCE

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 the Trust 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 the Trust 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 the Trust 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 OF 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 the Trust to disclose information relating to the steps we have taken to ensure there is no slavery or human trafficking in its 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 the Trust 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 on-going 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.

The Trust 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 the Trust'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 below. 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 risk that may impact on our ability to achieve our strategic goals, as well as those that may have a significant impact on our operations.

Key corporate risks – Glossary on Page 27

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 delay 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**

Risk Type	Risk Causes	Risk Consequences	Summary of controls
			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 achieve planning consent and or vacant possession of the 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 resulting in legal action; 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 &	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

BOARD STATEMENT ON INTERNAL CONTROL AND RISK ASSURANCE

Risk Type	Risk Causes	Risk Consequences	Summary of controls
	electrical safety, asbestos, legionella, site safety) or failure to maintain properties in a safe way.		Auditors CDM site audit.
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

BOARD STATEMENT ON INTERNAL CONTROL AND RISK ASSURANCE

Risk Type	Risk Causes	Risk Consequences	Summary of controls
			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.
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.

*** Glossary**

BCP – Business Continuity Plan
CQC – Care Quality Commission
DR – Disaster Recovery
FCA – Financial Conduct Authority
GDPR –General Data Protection Regulation
HSE – Health & Safety Executive
IDA – In Depth Assessment
ICO – Information Commissioners Office
JV - Joint Venture
RSH - Regulator of Social Housing
RQA – Risk Quality Association
STEPT – Social, Technological, Economic and Political
SWOT – Strengths, Weaknesses, Opportunities and Threats
SLA – Service Level Agreement
SQ – Safeguarding & Quality Panel

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. The Trust 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.

The Trust 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 the Trust'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.

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 auditor provides further independent assurance on the control environment as described in their audit report. The Trust receives a letter from the external auditor 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 auditor takes place annually.

Going concern

After making enquiries, the Board has a reasonable expectation that the Trust 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.

STATEMENT OF RESPONSIBILITIES OF THE BOARD

The Board members are responsible for preparing the report of the Board, which for Metropolitan comprises Chair'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 2018.

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.

Signed on behalf of the Board
Grainia Long, Chair
2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

Opinion

We have audited the financial statements of Metropolitan Housing Trust Limited ("the Trust") for the year ended 31 March 2019 which comprise the Trust statement of comprehensive income and expenditure, the Trust statement of financial position, the Trust statement of cash flows, the Trust statement of changes in equity 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 Trust's affairs as at 31 March 2019 and of the Trust's deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The board are responsible for the other information. Other information comprises the information included in the Annual Report 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 we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information including the Results and performance at a glance, Chair's and Chief Executive's introduction, Chief Executive's strategic operational review, Executive Director of Finance's review, Value for money, Statement of Corporate Governance and Board statement on internal controls and risk assurance 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; or
- adequate accounting records have not been kept by the Trust; or
- a satisfactory system of control has not been maintained over transactions; or
- the Trust 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 29 the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board are responsible for assessing the Trust'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 Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

This report is made solely to the members of the Trust, as a body, in accordance with in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Trust'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 Trust and the members as a body, for our audit work, for this report, or for the opinions we have formed.

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

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

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

Use of our report

This report is made solely to the members of the Trust, as a body, in accordance with in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Trust'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 Trust and the members as a body, for our audit work, for this report, or for the opinions we have formed.

Elizabeth Kulczycki

For and on behalf of BDO LLP, Statutory Auditor

Gatwick

United Kingdom

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

Statement of comprehensive income and expenditure

	Note	2019 £'000	2018 £'000
Turnover	2	316,925	272,804
Cost of sales	2	(29,861)	(32,048)
Operating costs	2	(187,477)	(156,143)
Surplus on disposal of fixed assets	2/6	20,930	20,203
Adjusted operating surplus		**120,517**	**104,816**
Non-recurring costs	2	(2,500)	-
Operating surplus		**118,017**	**104,816**
Revaluation of investments	36	1,113	133
Interest receivable	7	6,423	3,916
Interest and finance costs	8	(64,097)	(47,463)
Non-recurring merger financing costs	8	(77,488)	-
Movement in fair value of financial instruments	7	826	2,712
Movement in fair value of investment property	12	1,047	678
(Deficit)/surplus before tax		**(14,159)**	**64,792**
Taxation	11	-	-
(Deficit)/surplus for the year		**(14,159)**	**64,792**
Initial recognition of multi-employer defined benefit scheme liability	24	(13,151)	-
Actuarial (loss)/gain on defined benefit pension scheme	24	(24,183)	369
Change in fair value of hedged financial instruments	8	(5,003)	2,250
Total comprehensive (expenditure)/income for the year		**(56,496)**	**67,411**

All amounts relate to continuing activities.
The notes on pages 37 to 78 form part of these financial statements.

Statement of financial position as at 31 March 2019

	Note	2019 £'000	2018 £'000
Fixed Assets			
Tangible fixed assets			
Housing properties	12	4,060,098	2,927,032
Investment properties	12	66,316	50,924
Other tangible fixed assets	13	12,303	11,309
Total tangible fixed assets		**4,138,717**	**2,989,265**
Investments			
HomeBuy loans	14	158,617	126,873
Other investments	15	18,674	18,572
Investments in subsidiaries	32	50	50
Total fixed assets and investments		**4,316,058**	**3,134,760**
Current assets			
Stock	16	66,824	49,972
Debtors	17		
- receivable within one year		182,343	22,892
- receivable after one year		159,436	133,267
Cash at bank and in hand		191,873	84,335
		600,476	**290,466**
Creditors: amounts falling due within one year	18	**(393,739)**	**(183,039)**
Net current assets		**206,737**	**107,427**
Total assets less current liabilities		**4,522,795**	**3,242,187**
Creditors: amounts falling due after more than one year	19	2,223,723	1,485,399
Provision for liabilities	25	968	794
Pension liability	24	63,973	29,827
Capital and reserves			
Income and expenditure reserve		1,225,238	888,882
Restricted reserve		15,422	14,190
Revaluation reserve		1,023,306	847,927
		2,263,966	**1,750,999**
Cashflow hedge reserve		(29,835)	(24,832)
Total reserves		**2,234,131**	**1,726,167**
Total (funding)		**4,522,795**	**3,242,187**

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

Grainia Long **Chair**	Ian Johnson **Executive Director, Finance**	Tish Etter **Company Secretary**

The notes on pages 37 to 78 form part of these financial statements.

Statement of cash flows for year ended 31 March 2019

	31 March 2019 £'000	31 March 2018 £'000
Cash flows from operating activities		
Surplus for the year	(14,159)	64,792
Adjustment for:		
Surplus on disposal of fixed assets	(20,930)	(20,203)
Interest receivable	(6,423)	(3,916)
Interest and financing costs	64,097	47,463
Non-recurring merger financing costs	77,488	-
Movement in fair value of financial instruments	(826)	(2,712)
Movement in fair value of investment property	(1,047)	(678)
Revaluation of investments	(1,113)	(133)
Tax charged/ received	-	-
Depreciation	26,269	18,891
Amortised grant	(10,262)	(4,967)
Impairment	(1,742)	(2,905)
Decrease in stock	(8,557)	(16,375)
Decrease/(Increase) in trade and other receivables	24,403	(32,411)
Increase in trade payables	118,309	5,387
Contributions to/(from) provisions	174	(8,869)
Increase/(decrease) in pension liability	34,145	(4,585)
Adjustment for non-cash items	(41,675)	154
Proceeds from sale of properties as operating activities	33,127	29,205
Transfer of engagement from subsidiaries	55,028	-
Proceeds from sale of fixed asset investments as operating activities	18,631	19,000
Cash generated from operations	**344,937**	**87,138**
Tax paid	-	-
Net cash from operating activities	**344,937**	**87,138**
Cash flows from investing activities		
Purchase of property, plant and equipment	(214,990)	(168,649)
Proceeds from sale of property, plant and equipment	-	-
Purchase of other investments	(932)	(585)
Proceeds from the sale of other investments	16,825	20,564
Interest received	591	295
Dividend received	540	535
Net capital grants repaid	(8,922)	8,979
Net cash from investing activities	**(206,888)**	**(138,861)**
Cash flows from financing activities		
Proceeds from borrowings	130,377	98,196
Repayment of borrowings	(58,832)	(6,603)
Capital element of finance lease payments	(26)	(26)
Interest paid	(68,722)	(58,563)
Finance costs (including one off merger costs)	(33,265)	-
Interest element of finance lease payments	(43)	(45)
Net cash used in financing activities	**(30,511)**	**32,959**
Net movement in cash and cash equivalents	**107,538**	**(18,764)**
Cash and cash equivalents bought forward	84,335	103,099
Cash and cash equivalents carried forward	**191,873**	**84,335**

The notes on pages 37 to 78 form part of these financial statements.

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

	Income and expenditure reserve	Financial instruments reserve	Restricted reserve	Revaluation reserve	Total reserves
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 April 2018	**888,882**	**(24,832)**	**14,190**	**847,927**	**1,726,167**
Surplus for the year	(14,159)	-	-	-	**(14,159)**
Initial recognition of multi-employer defined benefit scheme liability	(13,151)	-	-	-	**(13,151)**
Actuarial loss on defined benefit pension scheme	(24,183)	-	-	-	**(24,183)**
Change in fair value of hedged financial instruments	-	(5,003)	-	-	**(5,003)**
Other comprehensive expense for the year	(37,334)	(5,003)	-	-	**(42,337)**
Reserves transfers:					
Revaluation of gains on disposal	2,618	-	-	(2,618)	**-**
Depreciation on disposal	150	-	-	(150)	**-**
Transfer of restricted income to restricted reserve	(1,232)	-	1,232	-	**-**
Transfer of engagement from fellow subsidiary	386,313	-	-	178,147	**564,460**
Balance at 31 March 2019	**1,225,238**	**(29,835)**	**15,422**	**1,023,306**	**2,234,131**

	Income and expenditure reserve	Financial instruments reserve	Restricted reserve	Revaluation reserve	Total reserves
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 April 2017	**821,821**	**(27,082)**	**13,994**	**850,023**	**1,658,756**
Surplus for the year	64,792	-	-	-	**64,792**
Actuarial gain on pension scheme	369	-	-	-	**369**
Change in fair value of hedged financial instruments	-	2,250	-	-	**2,250**
Other comprehensive income for the year	369	2,250	-	-	**2,619**
Reserves transfers:					
Revaluation of gains on disposal	1,946	-	-	(1,946)	**-**
Depreciation on disposal	150	-	-	(150)	**-**
Transfer of restricted income to restricted reserve	(196)	-	196	-	**-**
Balance at 31 March 2018	**888,882**	**(24,832)**	**14,190**	**847,927**	**1,726,167**

1a. Accounting policies

Legal Status

Metropolitan Housing Trust Limited ('the Trust') is registered under the Co-operative and Community Benefit Societies Act 2014 (Registered Number 16337R) and is a registered provider of social housing with the Regulator of Social Housing (Registered Number L0726). It is a public benefit entity and its registered address is the Grange, 100 High Street, Southgate, London N14 6PW.

Basis of preparation

These financial statements are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Statement of Recommended Practice Accounting by registered social housing providers Housing SORP 2014 Update and the Accounting Direction for private registered providers of social housing from April 2015.

The preparation of the financial statements requires the Trust 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 Trust management to exercise judgement in applying the Trust'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.

Transfer of engagement from fellow subsidiary

The merger between Thames Valley Housing Group and Metropolitan Housing Group finalised on the 8th of October 2018. At the finalisation of the merger Thames Valley Housing Association Limited became the parent entity of the merged group and therefore became the parent of all subsidiaries including the Trust, associates and joint ventures.

A transfer of engagement was also completed on 8th October after the merger was finalised. The assets and liabilities of Thames Valley Charitable Housing Association Limited ("TVCHA") were transferred to the Trust at their book (carrying) value. There were no judgements and estimates specific to the transfer of engagement. Alignment of accounting policies of TVCHA and the Trust upon the transfer of engagement was not required as they were aligned prior to the transfer. Prior to the transfer of engagement TVCHA was a 100% subsidiary of Thames Valley Housing Association Limited.

At the date of the transfer TVCHA had total fixed assets and investments of £1,028m, total current assets of £273m, creditors falling due within one year of £45m, creditors falling due after more than one year of £692m, income and expenditure reserve of £386m and revaluation reserve of £178m.

TVCHA is in the process of being dissolved as a legal entity after the transfer of engagement. TVCHA is registered with the Financial Conduct Authority, under the Co-operative and Community Benefits Societies Act 2014 and is a registered social housing provider, with the Homes and Community Agency. It is domiciled in the United Kingdom.

1a. Accounting policies (continued)

Going concern

After making enquiries, the Board has a reasonable expectation that the Trust 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 Trust financial statements.

Disclosure exemptions
The financial statements of the Trust have adopted the following disclosure exemptions as these are reported as part of the consolidated accounts of Metropolitan Thames Valley Housing group (MTVH group):

- The exemption under FRS 102 33.1(A) in relation to the disclosure of transactions with other companies in the MTVH group unless 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.

Investments in subsidiaries
Investments in subsidiaries are accounted for at cost less impairment.

VAT

The Trust 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 Trust 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 the Trust 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.

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

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made are discussed below.

i. Significant management judgements
The Trust 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 of the Trust that have the most significant effect on the financial statements.

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

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.

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 Trust 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 to 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 Trust 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.

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

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 Trust 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 reflecting our judgement of the average staircasing period. 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.

2. 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, amortisation of deferred capital grants, and other grants receivable.

	Turnover	Cost of sales	Operating Costs	Other operating costs	Operating Surplus/ (deficit)	Operating Surplus/ (deficit)
	2019	2019	2019	2019	2019	2018
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Social housing activities						
Income and expenditure from lettings - note 3	241,408	-	(159,944)	-	**81,464**	**68,043**
Other social housing activities						
First tranche sales	34,873	(29,861)	(539)	-	**4,473**	**9,565**
Mortgage rescue	306	-	(57)	-	**249**	**266**
Qualifying charges donations	8,676	-	-	-	**8,676**	**1,197**
Supporting People	12,361	-	(10,380)	-	**1,981**	**1,357**
Community investment	531	-	(2,354)	-	**(1,823)**	**(2,097)**
Registered care homes	4,535	-	(4,315)	-	**220**	**(46)**
Other	1,905	-	(589)	-	**1,316**	**988**
Total other social housing activities	**63,187**	**(29,861)**	**(18,234)**	**-**	**15,092**	**11,230**
Non-social housing activities						
Market renting	3,278	-	(859)	-	**2,419**	**3,857**
Non-recurring one-off merger costs	-	-	-	(2,500)	**(2,500)**	**-**
Other	9,052	-	(8,440)	-	**612**	**1,483**
Total non-social housing activities	**12,330**	**-**	**(9,299)**	**(2,500)**	**531**	**5,340**
Total	**316,925**	**(29,861)**	**(187,477)**	**(2,500)**	**97,087**	**84,613**
Surplus on RTB/ RTA					**1,222**	**1,428**
Surplus on staircasing					**10,482**	**9,829**
Surplus on Homebuy redemptions					**7,144**	**7,191**
Surplus on Other Fixed Assets					**2,082**	**1,755**
Surplus on disposal of fixed assets					**20,930**	**20,203**
Operating surplus					**118,017**	**104,816**

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

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

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.

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

Non-recurring one-off merger costs are 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 group came into existence. The one-off merger costs are all made up of avoidable costs which the Trust would not have incurred if the merger between MHT and TVH had not been pursued. Below is the analysis of these one-off costs:

	2019
	£'000
Legal and Due Diligence	562
Staff Costs	827
Corporate Communications	263
Office costs and Other Overheads	848
	2,500

3. Particulars of income and expenditure from lettings

	General needs housing	Supported housing	Other housing provision	LCHO	Total	Total
	2019	2019	2019	2019	2019	2018
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Income from letting						
Rent receivable net of identifiable service charges	137,933	26,510	4,975	35,236	**204,654**	**173,145**
Service charge income	10,355	9,427	486	5,679	**25,947**	**22,798**
Net rental income	**148,288**	**35,937**	**5,461**	**40,915**	**230,601**	**195,943**
Amortised grant	748	-	(39)	9,553	**10,262**	**4,967**
Management fees	1	35	-	509	**545**	**1,339**
Total income from lettings	**149,037**	**35,972**	**5,422**	**50,977**	**241,408**	**202,249**
Expenditure on letting activities						
Service charge costs	22,551	7,536	977	7,735	**38,799**	**33,001**
Management	32,334	3,544	1,437	6,894	**44,209**	**46,790**
Routine maintenance	24,163	5,371	626	1,624	**31,784**	**23,504**
Planned maintenance	9,457	1,646	246	1,146	**12,495**	**9,697**
Major repairs	2,458	439	293	710	**3,900**	**1,608**
Bad debts	810	384	35	36	**1,265**	**689**
Lease charges	927	669	-	69	**1,665**	**1,990**
Depreciation	22,321	2,958	918	489	**26,686**	**18,891**
Accelerated depreciation	659	221	3	-	**883**	**941**
Impairment	(1,742)	-	-	-	**(1,742)**	**(2,905)**
Total expenditure	**113,938**	**22,768**	**4,535**	**18,703**	**159,944**	**134,206**
Surplus on social housing	**35,099**	**13,204**	**887**	**32,274**	**81,464**	**68,043**
Rent loss through voids	(1,221)	(1,578)	(21)	(89)	**(2,909)**	**(1,791)**

4. Housing units

	Owned and Managed	Owned but Managed by others	Not Owned but Managed	Administered	Total	Total
	2019	2019	2019	2019	2019	2018
General needs rented housing - Social	26,563	447	337	-	27,347	21,662
General needs rented housing - affordable	1,660	-	2	-	1,662	1,043
Housing for older people	3,179	36	-	-	3,215	3,209
Low cost home ownership	7,782	70	60	-	7,912	4,120
Supported	1,432	873	212	-	2,517	2,486
	40,616	**1,426**	**611**	**-**	**42,653**	**32,520**
Intermediate rent	179	-	-	-	179	133
Keyworker accommodation	892	-	28	-	920	166
Total social housing units	**41,687**	**1,426**	**639**	**-**	**43,752**	**32,819**
Student accommodation	499	-	-	-	499	-
Residential care home bed spaces	-	-	-	-	-	114
Market rent	476	44	3	-	523	511
Other – rent to HomeBuy	36	13	-	4	53	49
Leaseholders	5,995	82	196	-	6,273	4,553
Homebuy/MyChoice-Homebuy	-	-	-	3,509	3,509	-
Total other	**7,006**	**139**	**199**	**3,513**	**10,857**	**5,227**
Total	**48,693**	**1,565**	**838**	**3,513**	**54,609**	**38,046**
Units under construction					**1,257**	**1,947**

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

Operating surplus is stated after charging / (crediting):	2019 £'000	2018 £'000
Depreciation:		
Tangible fixed assets - housing properties (Note 12)	24,633	17,892
Other fixed assets (Note 13)	1,636	999
Accelerated depreciation on component - tangible fixed assets	890	941
Impairment (Note 12)	(1,742)	(2,905)
Operating leases charges		
Offices	1,445	999
Other buildings non-office	577	1,090
Leases non-buildings	70	29

Auditor's remuneration in respect of these financial statements was borne by the parent undertaking and controlling party Thames Valley Housing Association Limited. In the prior year the auditor's remuneration of £155k and £11k in respect of the financial statements and other services respectively was borne by MHT.

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

	2019 £'000	2018 £'000
RTB/ RTA		
Disposal proceeds	2,988	5,147
Cost of sales	(1,595)	(3,029)
Recycled capital grant fund	(171)	(690)
	1,222	**1,428**
Staircasing		
Disposal proceeds	30,139	24,058
Cost of sales	(17,811)	(11,961)
Recycled capital grant fund	(1,821)	(2,268)
Grant abatement	(25)	-
	10,482	**9,829**
Redemptions		
HomeBuy redemption income	18,631	19,000
HomeBuy redemption expense	(11,487)	(11,809)
	7,144	**7,191**
Surplus on other asset disposals		
Disposal proceeds	10,204	23,967
Cost of sales	(6,208)	(20,833)
Recycled capital grant fund	(1,914)	(1,379)
	2,082	**1,755**
Total surplus on disposal of fixed assets	**20,930**	**20,203**

In line with the Housing SORP 2014 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.

7. Interest receivable and related income

	2019	2018
	£'000	**£'000**
Interest received	591	295
Subsidiary companies	5,061	2,866
Regeneration partners	231	220
Dividend income*	540	535
	6,423	**3,916**

Movement in fair value of financial instruments

	2019	2018
Gain on fair value of hedged derivative instruments	826	2,712
	826	**2,712**

*Dividend income is from CCLA COIF Charities Investment Fund.

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 Trust, finance costs are capitalised during the period of construction (see Note 12).

	2019	2018
	£'000	**£'000**
Interest on loans repayable	66,771	52,368
Net interest on pension fund	1,070	(126)
Interest on finance leases	43	45
Interest on recycled capital grant fund and disposal proceeds fund (Note 21 and 22)	838	514
Less: interest capitalised	(6,967)	(6,195)
	61,755	**46,606**
Amortised loan fees and commitment fees	2,342	857
	64,097	**47,463**
Non-recurring merger financing costs	**77,488**	**-**
Total interest and financing costs	**141,585**	**47,463**
Change in fair value of hedged financial instruments	**5,003**	**(2,250)**

Non-recurring merger 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 Trust 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 £392k (2018: £517k) and was accrued for.

Average monthly full-time equivalent number of employees

	2019	2018
	Number	**Number**
Senior Managers and Executives	6	7
Office staff	861	845
Scheme staff	422	460
	1,289	**1,312**

Staff costs (for employees above):

	2019	2018
	£'000	**£'000**
Wages and salaries	42,466	50,502
Social security costs	3,963	4,851
Pension costs	1,830	1,631
Staff costs	**48,259**	**56,984**

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

	2019	2018
	Number	**Number**
£60,000 - £70,000	27	32
£70,001 - £80,000	25	21
£80,001 - £90,000	12	12
£90,001 - £100,000	4	4
£100,001 - £110,000	6	11
£110,001 - £120,000	3	3
£120,001 - £130,000	5	4
£130,001 - £140,000	1	3
£140,001 - £150,000	-	2
£160,001 - £170,000	1	-
£170,001 - £180,000	-	-
£180,001 - £190,000	1	2
£200,001 - £210,000	1	2
£210,001 - £219,000	-	-
£230,001 - £239,000	1	-
£240,001 - £250,000	-	1
£250,001 - £260,000	-	1
£260,001 - £270,000	1	-
	88	**98**

10. Executive directors and board members

Executive directors

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

	2019 Gross pay £000	2019 Pension £000	2019 Total £000	2018 Total £000
The aggregate emoluments payable to directors	1,711	75	**1,786**	**1,649**
Chief Executive who was also the highest paid director	270	-	**270**	**249**

Board members and other committees

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

		2019 Attendance MHT Board	2019 Attendance of other committees and Board	2019 Salary £	2019 Expenses £	2018 Salary £	2018 Expenses £
Clive Deadman	Resigned Oct. 18	5 (100%)	2 (100%)	5,781	2,303	11,500	3,393
Janet Dean	Resigned Oct. 18	4 (80%)	2 (100%)	5,781	850	11,500	2,787
Jerry Piper		11 (100%)	4 (100%)	11,891	801	12,167	576
Michael Dunn		10 (91%)	4 (100%)	12,703	3,124	11,500	3,621
Michael Green	Retired Oct. 17	0 (0%)	0 (0%)	-	-	4,792	743
Paula Kahn		11 (100%)	3 (100%)	26,109	206	22,500	471
Stuart Beevor		10 (91%)	5 (83%)	13,870	508	13,750	779
Natalie Burrows	Resigned Feb. 18	0 (0%)	0 (0%)	-	-	8,539	289
Lesley-Anne Alexander		9 (82%)	2 (50%)	12,184	-	10,500	-
Grainia Long	Appointed Oct. 18	9 (82%)	2 (50%)	18,250	2,597	-	-
Paul Bridge	Appointed Oct. 18	8 (73%)	3 (100%)	11,500	-	-	-
Kathryn Davis	Appointed Oct. 18	11 (100%)	2 (100%)	12,186	286	-	-
Brian Hendon	Appointed Oct. 18	9 (82%)	4 (75%)	11,500	951	-	-
Ingrid Reynolds	Appointed Aug. 18	7 (100%)	3 (100%)	6,250	-	-	-
				148,005	**11,626**	**106,748**	**12,659**

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 Trust 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 Trust anticipates making sufficient taxable surpluses in the future to absorb the reversal of the underlying timing differences.

	2019	2018
	£'000	**£'000**
UK corporation tax	-	-
Tax on surplus on ordinary activities	**-**	**-**

	2019	2018
Reconciliation of current tax	**£'000**	**£'000**
Surplus on ordinary activities before tax	(14,159)	64,792
Surplus on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	(2,690)	12,310
Surplus covered by charitable exemption	2,690	(12,310)
Current tax payable/(receivable) for the year	**-**	**-**

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.

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

12. Fixed assets – housing properties (continued)

Component	Economic useful life in years
Structure	125
Roofs (pitched)	70
Energy efficiency works	50
Electrics	40
External windows	40
Bathroom	30
External doors	30
Kitchen	20
Roof (flat)	20
Mechanical systems	20
Communal	20
Lifts	20
Outside space	20
Boiler	15
Aids and adaptations	5

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 Trust'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 Trust 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.

12. Fixed assets – housing properties (continued)

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.

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 Trust 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. Indexation was applied to determine the fair value for investment property at market rents and a review of rental income also took place.

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.

12. Fixed assets – housing properties (continued)

RTB/RTA

Under Right to Buy and Right to Acquire arrangements the Trust 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 2014. 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 2014. As required by Housing SORP 2014, grant is carried as deferred income in the balance sheet and released to the income and expenditure account on a systematic basis over the useful economic lives of the asset for which it was received. In accordance with Housing SORP 2014 the useful economic life of the housing property structure has been selected.

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 Trust 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 Trust 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).

12. Fixed assets – housing properties (continued)

The Trust 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 £8,253k. Impairment charged in the year ended 31 March 2019 totalled £2,649k following an impairment review of all PPE stock. A review of all PPE with impairment was completed during the year and resulted in £3,491k being reversed. A review of all land banks with impairment resulted in £900k being reversed. £6k of impairment was written back on disposal bringing the balance at 31 March 2019 to £6,505k.

Capitalised interest

Additions to housing properties in the course of construction during the year included capitalised interest of £6,070k (2018: £4,832k). The weighted average cost of capital was 4.65% (2018: 4.58%). The aggregate amount capitalised is £105.6m (2018: £100.4m).

Properties held for security

The Trust had property with a net book value of £2,514m pledged as security at 31 March 2019 (2018: £1,809m).

Freehold / leasehold

The Trust held long leasehold and freehold housing properties at the following net book value.

	2019	2018
	£'000	**£'000**
Long leasehold	405,184	236,037
Freehold	3,721,230	2,741,919
	4,126,414	**2,977,956**

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

12. Fixed assets – housing properties (continued)

Finance leases

The net carrying amount of assets held under finance leases included in plant and machinery is £587k (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 Trust. The remaining lease term is 13 years as at 31 March 2019. The future minimum finance lease payments are disclosed in note 29.

12. Fixed assets – housing properties (continued)

Trust housing properties	Housing properties under construction		Completed housing properties					
	Letting	Low cost home ownership	Letting	Low cost home ownership	Community	**Housing properties**	Investment properties	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost/ Value								
At 1 April 2018	**119,300**	**59,400**	**2,444,706**	**368,817**	**1,733**	**2,993,956**	**50,924**	**3,044,880**
*Reclassification	-	-	(225)	-	-	(225)	225	-
Schemes completed in year	(57,444)	(72,687)	57,444	72,687	-	-	-	-
Additions								
Properties under construction	9,633	37,578	-	-	-	47,211	-	47,211
Replacement of components	-	-	35,039	151	32	35,222	676	35,898
Buyback	-	-	-	93	-	93	-	93
Other additions	62,625	65,122	-	-	-	127,747	-	127,747
Revaluation	-	-	-	-	-	-	1,047	1,047
Disposals	(73)	(15)	(7,428)	(18,792)	(1)	(26,309)	(190)	(26,499)
Transfers from parent	-	2,590	-	10,400	-	12,990	-	12,990
Transfers to current assets	-	(9,283)	-	(469)	-	(9,752)	-	(9,752)
At 31 March 2019	**134,041**	**82,705**	**2,529,536**	**432,887**	**1,764**	**3,180,933**	**52,682**	**3,233,615**
Depreciation								
At 1 April 2018	**-**	**-**	**58,650**	**-**	**21**	**58,671**	**-**	**58,671**
Charge for year	-	-	24,616	-	17	24,633	-	24,633
Eliminated in respect of disposals	-	-	(1,575)	-	-	(1,575)	-	(1,575)
At 31 March 2019	**-**	**-**	**81,691**	**-**	**38**	**81,729**	**-**	**81,729**
Impairment								
At 1 April 2018	**4,041**	**1,932**	**2,147**	**133**	**-**	**8,253**	**-**	**8,253**
Reclassification to correct opening balances	(199)	(1,932)	2,131	-	-	-	-	-
Adjusted balance at 1 April 2018	**3,842**	**-**	**4,278**	**133**	**-**	**8,253**	**-**	**8,253**
Impairment charged to income & expenditure	1,500	1,149	-	-	-	2,649	-	2,649
Impairment reversal to income & expenditure	(900)	-	(3,491)	-	-	(4,391)	-	(4,391)
Released on disposals	-	-	-	(6)	-	(6)	-	(6)
At 31 March 2019	**4,442**	**1,149**	**787**	**127**	**-**	**6,505**	**-**	**6,505**
Net book value								
Transfer of engagement from fellow subsidiary	16,836	13,534	644,735	292,294	-	967,399	13,634	981,033
Net book value								
At 31 March 2019	**146,435**	**95,090**	**3,091,793**	**725,054**	**1,726**	**4,060,098**	**66,316**	**4,126,414**
At 31 March 2018	**115,259**	**57,468**	**2,383,909**	**368,684**	**1,712**	**2,927,032**	**50,924**	**2,977,956**

*Reclassification is the result of a review of Garages, Community Centres and Allenby Close.

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.

	Offices £'000	Furniture and equipment £'000	Computer £'000	Total £'000
Cost				
At 1 April 2018	**8,454**	**3,498**	**13,745**	**25,697**
Adjustments	-	(8)	-	**(8)**
Additions	462	313	2,369	**3,144**
Disposals	(365)	(18)	(1,650)	**(2,033)**
Transfer of engagement from fellow subsidiary	64	-	-	**64**
At 31 March 2019	**8,615**	**3,785**	**14,464**	**26,864**
Accumulated depreciation				
At 1 April 2018	**2,608**	**2,842**	**8,938**	**14,388**
Adjustments	-	(8)	-	**(8)**
Depreciation charge	193	221	1,222	**1,636**
Disposals	(215)	(15)	(1,225)	**(1,455)**
At 31 March 2019	**2,586**	**3,040**	**8,935**	**14,561**
Net book value				
At 31 March 2019	**6,029**	**745**	**5,529**	**12,303**
At 31 March 2018	**5,846**	**656**	**4,807**	**11,309**

14. HomeBuy loans

HomeBuy
Under the HomeBuy scheme and the Key Worker Living Initiative, the Trust 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 Trust 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 Trust'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.

	£'000
Opening balance at 1 April 2018	**126,873**
Redemption	(13,528)
Transfer of engagement	45,272
Balance at 31 March 2019	**158,617**

15. Other investments

	2019	2018
	£'000	**£'000**
Bond securities	2,302	2,291
Other investments	3,002	1,524
Bank deposits	13,370	14,757
	18,674	**18,572**

16. Stock

Stock represents work in progress and completed properties, 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 above includes capitalised interest of £12,058k (2018: £6,016k).

	2019	2018
	£'000	**£'000**
Work in progress, low cost home ownership	39,136	29,696
Completed properties, low cost home ownership	25,688	17,871
Land held for sale	2,000	2,405
	66,824	**49,972**

None of the stock has been pledged as collateral against borrowing by the Trust (2018: £Nil).
An impairment charge of £Nil (2018: £Nil) for the Trust is included in stock in the period under review.
Stock recognised in cost of sales as an expense was £29.9m (2018: £29.9m).

17. Debtors

	2019	2018
	£'000	**£'000**
Due within one year:		
Rental debtors	23,075	21,572
Less: bad debt impairment	(8,741)	(10,313)
Net rental debtors	**14,334**	**11,259**
Amounts due from parent	153,428	-
SHG receivable	74	64
Prepayments and accrued income	7,229	3,641
VAT debtor	554	272
Other debtors	6,724	7,656
	182,343	**22,892**
Due after more than one year		
Intercompany loan due from subsidiary undertaking	146,599	129,400
Staff loans	-	67
Other debtors	12,837	3,800
	159,436	**133,267**

18. Creditors: amounts falling due within one year

	2019	2018
	£'000	**£'000**
Debt (Note 23)	136,977	19,847
Trade creditors	7,874	6,444
Amounts due to parent	6,099	-
Amounts due to subsidiary undertakings	2,204	4,158
Amounts owed in respect of housing properties	15,859	9,181
Amounts owed to partners in regeneration schemes	-	384
Other taxation and social security	1,287	1,284
Other creditors	26,038	13,694
Obligations under finance leases (Note 29)	28	26
Accruals and deferred income	121,400	47,633
Recycled Capital Grant Fund (Note 21)	50,087	61,678
Disposals Proceeds Fund (Note 22)	932	1,084
Rent and service charge paid in advance	15,050	12,659
Deferred government grant (Note 20)	9,904	4,967
	393,739	**183,039**

19. Creditors: amounts falling due after one year

	2019	2018
	£'000	**£'000**
Debt (Note 23)	1,518,249	970,734
Corporate bond (Note 23)	256,336	146,923
Derivative financial instruments	48,177	43,999
Obligations under finance leases	559	587
Amounts owed in respect of housing properties under development	3,080	5,400
Recycled Capital Grant Fund (Note 21)	44,975	42,504
Disposal Proceeds Fund (Note 22)	11	1,415
Deferred government grant (Note 20)	352,298	273,799
Intercompany payable	38	38
	2,223,723	**1,485,399**

20. Deferred government grant (DGG)

	2019	2018
	£'000	**£'000**
At 1 April	**278,766**	**272,288**
Grants received during the year	51,101	23,188
Grants recycled from the recycled capital grant fund	(8,652)	(11,743)
Grant amortisation	(10,262)	(4,967)
Released to income during the year	(64)	-
Transfer of engagement from subsidiaries	51,313	-
At 31 March	**362,202**	**278,766**
Released to income during the year	9,904	4,967
Transfer of engagement from subsidiaries	352,298	273,799
	362,202	**278,766**

21. Recycled capital grant fund (RCGF)

	2019	2018
	£'000	**£'000**
At 1 April	**104,182**	**102,316**
Utilised on new build	(11,069)	(14,937)
Grants recycled upon relevant events:		
HomeBuy	8,775	8,744
Recycled from DCG	2,168	3,221
Recycled from reserves	5,267	4,338
Repaid to GLA	(57,535)	-
Interest accrued	834	500
Transfer of engagement from subsidiaries	42,440	-
At 31 March	**95,062**	**104,182**
RCGF creditor falling due in one year	50,087	61,678
RCGF creditor falling due after one year	44,975	42,504
	95,062	**104,182**

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, £21m is over three years old and we are in discussion with the GLA about recycling this expired element.

22. Disposal proceeds fund (DPF)

	2019	2018
	£'000	**£'000**
At 1 April	**2,499**	**3,046**
Utilised	(1,459)	-
Repayment	(1,207)	(561)
Interest accrued	4	14
Transfer of engagement from fellow subsidiary	1,106	-
At 31 March	**943**	**2,499**
DPF creditor falling due in one year	932	1,084
DPF creditor falling due after one year	11	1,415
	943	**2,499**

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

23. Debt analysis

	2019	2018
Loans	**£'000**	**£'000**
Within one year	136,977	19,847
Between one and two years	93,781	15,275
Between two and five years	298,326	72,637
In more than five years	1,382,478	1,029,745
	1,911,562	**1,137,504**

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% to 20% (2018: 1.55% to 12%).

The Trust had undrawn loan facilities of £326m (2018: £222m).

Obligations under finance leases are disclosed in Note 29.

24. Pensions

The Trust participates in two funded schemes: one with the Social Housing Pension Scheme (SHPS) and one with the Nottinghamshire County Council Local Government Pension Scheme (Notts LGPS). The Trust also participates in one 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.

24. Pensions (continued)

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 Trust 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 date.

The Pensions Trust Social Housing Pension Scheme (SHPS)

For SHPS, the Trust closed the multi-employer defined benefit pension scheme and only operates a multi-employer defined contribution scheme. In the past the scheme actuary had advised it was not possible to identify the share of underlying assets and liabilities belonging to the Trust therefore the Trust 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 Trust's asset and liabilities therefore in 2019 the Trust commenced accounting for 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 for the Trust 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.

24. Pensions (continued)

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

The Trust participates 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 of £26,135k has been derecognised and the net pension deficit at 31 March 2019 of £13,151k 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 Trust 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' asset and the subsequent impact to the statement of comprehensive income (SOCI) and the other comprehensive income statement (OCI).

Assumptions

	2019	2018
Discount Rate	2.25%	2.55%
RPI assumption	3.58%	0.00%
CPI assumption	2.58%	0.00%
Salary Growth	4.00%	2.35%

24. Pensions (continued)

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

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

Net present value of pension liability

	2019	2018
	£'000	**£'000**
Fair value of plan assets	134,128	128,798
Present value of defined benefit obligation	(195,023)	(168,839)
(Deficit) in plan	**(60,895)**	**(40,041)**

Reconciliation of opening and closing pension liability

	2019
	£'000
At 1 April	**168,839**
Expenses	112
Interest expense	4,305
Actuarial losses due to scheme experience	609
Actuarial losses due to changes in demographic assumptions	545
Actuarial losses due to changes in financial assumptions	24,499
Benefits paid and expenses	(3,886)
At 31 March	**195,023**

Reconciliation of opening and closing pension assets

	2019
	£'000
At 1 April	**128,798**
Interest income	3,328
Experience on plan assets (excluding interest income) - gain	1,470
Contributions by the employer	4,418
Benefits paid and expenses	(3,886)
At 31 March	**134,128**

Statement of Comprehensive income impact

	2019
	£'000
Expenses	112
Net interest expense	977
	1,089

24. Pensions (continued)

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

Other Comprehensive income impact

	2019
	£'000
Experience on plan assets (excluding in net interest cost) - gain	1,470
Experience gains and losses arising on the plan liabilities - loss	(609)
Effects of changes in demographic assumptions on obligation	(545)
Effects of changes in financial assumptions on obligation	(24,499)
	(24,183)

Assets Analysis

	2019	2018
	£'000	**£'000**
Global Equity	22,569	25,440
Absolute Return	11,605	15,734
Distressed Opportunities	2,438	1,244
Credit Relative Value	2,455	-
Alternative Risk Premia	7,736	4,885
Fund of Hedge Funds	604	4,242
Emerging Markets Debt	4,628	5,194
Risk Sharing	4,051	1,192
Insurance-Linked Securities	3,847	3,384
Property	3,019	5,928
Infrastructure	7,034	3,302
Private Debt	1,800	1,147
Corporate Bond Fund	6,258	5,289
Long Lease Property	1,973	-
Secured Income	4,802	4,774
Liability Driven Investment	49,052	46,922
Net Current Assets	257	121
Total assets	**134,128**	**128,798**

24b. 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 Trust. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation of the whole fund was at 31 March 2016.

24. Pensions (continued)

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

Assumptions

	2019	2018	2017
Discount rate	2.40%	2.55%	2.70%
Pension increases	2.40%	2.35%	2.70%
Salary increases	3.90%	2.35%	4.20%
Inflation assumption (CPI)	-	-	-
Inflation assumption (RPI)	-	-	-

Net pension liability

	31 March 2019 £'000	31 March 2018 £'000
Fair value of fund assets (bid value)	7,749	7,223
Present value of defined benefit obligation	(10,827)	(10,915)
Net liability in balance sheet	**(3,078)**	**(3,692)**

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)
Change in financial assumptions	(359)	370
Change in demographic assumptions	580	-
Remeasurement of net assets / (defined liability)	**755**	**369**

Reconciliation of opening and closing assets

	2019 £'000	2018 £'000
Opening fair value of scheme assets	7,223	7,302
Interest on assets	182	194
Return on assets less interest	534	(1)
Administration expenses	(3)	(3)
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	**7,750**	**7,223**

24. Pensions (continued)

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

Reconciliation of opening and closing obligations

	2019	2018
	£'000	**£'000**
Opening defined benefit obligation	10,915	11,195
Service cost	136	157
Interest cost	275	297
Change in financial assumptions	359	(370)
Change in demographic assumptions	(580)	-
Estimated funded benefits paid (net of transfers in)	(299)	(387)
Contributions by scheme participants	21	23
Closing defined benefit obligation	**10,827**	**10,915**

Projected pension expenses for year to 31 March 2020

	2020	2019
	£'000	**£'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

Sensitivity analysis

	2019	2019	2019	2018	2018	2018
Adjustment to discount rate	**0.10%**	**0.00%**	**-0.10%**	**0.10%**	**0.00%**	**-0.10%**
Present value of defined benefit obligation £'000	10,639	10,827	11,018	10,726	10,915	11,107
Projected service cost £'000	136	139	143	128	131	134
Adjustment to long-term salary increase	**0.10%**	**0.00%**	**-0.10%**	**0.10%**	**0.00%**	**-0.10%**
Present value of defined benefit obligation	10,836	10,827	10,818	10,924	10,915	10,906
Projected service cost	139	139	139	131	131	131
Adjustment to pension increases and deferred revaluation	**0.10%**	**0.00%**	**-0.10%**	**0.10%**	**0.00%**	**-0.10%**
Present value of defined benefit obligation	11,009	10,827	10,648	11,099	10,915	10,734
Projected service cost	143	139	136	134	131	128
Adjustment to life expectancy assumptions	**+1 Year**	**None**	**-1 Year**	**+1 Year**	**None**	**-1 Year**
Present value of total obligation	11,255	10,827	10,415	11,348	10,915	10,499
Present value of defined benefit obligation £'000	143	139	135	135	131	127

24. Pensions (continued)

National Health Service (NHS) Pension

As at 28 March 2019 there were no active members in the NHS pension scheme as the last 2 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.

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 Trust 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 major repairs provision related to the transfer of the Ashmole Estate from the London Borough of Lambeth (Trust) to Metropolitan Housing Trust. The provision was periodically reviewed and reassessed at the balance sheet date to reflect its fair value of the works to be completed.

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

	Re-structure provisions	Allpay provision	Total
	£'000	**£'000**	**£'000**
Opening balance at 1 April 2018	**569**	**225**	**794**
Additions	802	-	**802**
Amounts used	(569)	(59)	**(628)**
Balance at 31 March 2019	**802**	**166**	**968**

26. Share capital

	2019	2018
	£	**£**
Opening balance	25	28
Shares issued during year	6	-
Shares cancelled during year	(20)	(3)
Closing balance	**11**	**25**

The nominal value of a share is £1. Shares cancelled during the year belong to 18 shareholders that left the Trust on the 8th of October 2018 and joined Thames Valley Housing Association Limited (the immediate and ultimate parent undertaking) and 2 shareholders that left the Trust and did not join Thames Valley Housing Association Limited.

27. Capital commitments

	2019	2018
	£'000	**£'000**
Capital expenditure that has been contracted for	207,675	350,642
Capital expenditure that has been authorised by the Board but has not yet been contracted for	262,032	220,138
	469,707	**570,780**
The Trust expects to finance the above commitments by:		
Social housing grant receivable	43,707	57,153
Loan facilities, Low cost home ownership sales, First	188,596	231,145
tranche sales and other trading cash flows	237,404	282,482
	469,707	**570,780**

The amount contracted for at 31 March 2019 will be funded from cash reserves, private finance loans, 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 Trust has a number of financing options available including a future bond issue, private placements and bank loan financing.

28. Contingent assets / liabilities

The Trust 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 Trust 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 £1,241m (2018 - £1,034m).

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 future minimum finance lease payments are as follows:

	2019 **£'000**	2018 **£'000**
Within one year	28	26
Between one to five years	136	127
In more than five years	423	460
	587	**613**

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 Trust. 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 leased asset) and is depreciated in accordance with the Trusts normal policy for that class of assets. The corresponding liabi lity 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.

29. Leasing commitments (continued)

The future minimum operating lease payments are as follows:

	2019 Land and buildings	2019 Other	2018 Land and buildings	2018 Other
	£'000	**£'000**	**£'000**	**£'000**
Less than one year	1,151	1,053	737	744
Between one to five years	3,740	1,620	2,507	1,649
More than five years	3,518	64	864	7
	8,409	**2,737**	**4,108**	**2,400**

The future minimum operating lease receivables are as follows:

	2019 LCHO	2019 Commercial	2018 LCHO	2018 Commercial
	£'000	**£'000**	**£'000**	**£'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 Trust is entitled to the exemption allowed by the FRS 102 Section 33.1A in relation to the disclosure of transactions with other companies in the group as it is a wholly owned subsidiary and its results are consolidated in the financial statements of Thames Valley Housing Association Limited.

31. Financial instruments

Under FRS 102 the Trust has a choice to apply 1 of 3 options to account for recognition and measurement of financial instruments which are the requirements of IFRS 9 or IAS 39 or FRS 102 sections 11 and 12. The Trust elected to apply FRS 102 sections 11 and 12. On intercompany loans and staff loans the Trust applied FRS 102 section 34 as it is a public 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.

31. Financial instruments (continued)

Loans, investments and short-term deposits

Loans, investments and short-term deposits held by the Trust, 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 Trust has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments 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 the Trust. Reference to these Regulations determines that the instruments should be measured at amortised cost. As stated previously the Trust’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 Trust 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 Trust’s Statement of Financial Position consists of cash at bank, in hand, deposits and short-term investments with an original maturity of three months or less.

The Trust 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.

31. Financial instruments (continued)

Derivative instruments and hedge accounting

The Trust holds floating rate loans which expose the Trust to interest rate risk: to mitigate against this risk the Trust 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 Trust 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.

Concessionary loans

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

- to further its public benefit objectives;
- at a rate of interest which is below the prevailing market rate of interest; and
- 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)

The Trust 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 £139m at 31 March 2019 (2018: £189m) with interest rates ranging between 3.85% and 5.7% (2018: 2.04% and 5.7%) and maturities between 12 and 29 years (2018: 1 and 30 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 £48m (2018: £44m). This liability is secured with property charged to the counterparty or with cash deposits. As at 31 March 2019 the Trust had £10.5m (2018: £12.7m) 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.

31. Financial instruments (continued)

The fair values of all 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, £28.5m (2018: £26.2m) 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.

Financial instruments

	2019	2018
	£’000	**£’000**
Financial assets measured at historical cost		
Trade receivable	14,334	11,259
Other receivables	27,418	144,900
Investments	18,674	18,572
Investments in subsidiaries	50	50
Cash and cash equivalents	191,873	84,335
	252,349	**259,116**
Financial assets that are equity instruments measured at cost less impairment		
Concessionary loans receivable	458,644	126,873
	710,993	**385,939**
Financial liabilities measured at fair value through profit and loss:		
Derivative financial instruments	48,177	43,999
Financial liabilities measured at amortised cost		
Loans	1,911,562	1,137,504
Trade creditors	7,874	6,444
Other creditors	649,263	479,878
Financial leases	587	613
	2,569,286	**1,668,438**

32. Subsidiaries

The following managed undertakings are subsidiaries by virtue of either ownership of their share capital or the ability of the Trust to control the composition of their Board.

Name of undertaking	Share held	Registered in	Principal activity
Metropolitan Living Limited	100%	England	Property development
Metropolitan Funding 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

The Trust 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	-

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

The Trust 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%

32. Subsidiaries (continued)

The Trust 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	2018
	£'000	£'000
Canalside	256	256

The Trust has also received a loan from MF Plc (a 100% owned subsidiary).

		01-Apr-18	Movement	31-Mar-19
		£'000	£'000	£'000
MF Plc	The Trust	146,923	109,413	256,336

At the reporting date the Trust had granted a loan to MLL (a 100% owned subsidiary) of £146,599k).

		01-Apr-18	Movement	31-Mar-19
		£'000	£'000	£'000
The Trust	MLL	129,400	17,199	146,599

The Trust has also granted a loan to Thames Valley Housing Association Limited (the immediate and ultimate parent undertaking) for the amount of £147,329k:

		01-Apr-18	Movement	31-Mar-19
		£'000	£'000	£'000
The Trust	TVHA	-	147,329	147,329

The Trust was charged £6.5m interest by MF Plc for the intercompany loan (2017/18: £6.3m). As at 31 March 2019, the loan was £257.8m (2016/17: £148.2m).

TVHA paid gift aid of £8.4m to the Trust. The Trust was not a subsidiary of TVHA in the prior year as this was before the transfer of engagement; therefore, the comparative for 2018 was £nil.

The Trust has made the following investment in its subsidiary MF Plc

	2019	2018
	£'000	£'000
Investment in MF Plc - Ordinary shares (50,000 @ £1 each)	**50**	**50**

33. Parent undertaking

The immediate and ultimate parent undertaking and controlling party is Thames Valley Housing Association Limited, a registered society within the meaning of the Co-Operative and Community Benefit Societies Act 2014 in England and Wales. Thames Valley Housing Association Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 March 2019.

34. Prior year adjustments

There are no prior year adjustments.

35. Post balance sheet events

There are no post balance sheet events to note.

36. Capital and reserves

The revaluation reserve has been reduced by £2.6m during the year due to property disposals (total reduction of £2.1m in 2018).

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).

37. Government grants

Government grants included in the Statement of Financial Position:

	2019 **£'000**	2018 **£'000**
Other fixed assets		
Creditors due within one year:		
Recycled Capital Grant Fund	(50,087)	(61,678)
Disposal Proceeds Fund	(932)	(1,084)
Deferred government grant	(9,904)	(4,967)
Creditors due after one year:		
Recycled Capital Grant Fund	(44,975)	(42,504)
Disposal Proceeds Fund	(11)	(1,415)
Deferred government grant	(352,298)	(273,799)
Reserves:		
Income and expenditure Reserve	(1,038,287)	(1,034,326)
	(1,496,494)	**(1,419,773)**

38. Reconciliation of net cash flow to movements in debt

	2019	2018
	£'000	**£'000**
Change in cash	**107,538**	**(18,764)**
Cash flow from debt	(774,058)	(91,910)
Cash flow from finance leases	26	26
Changes in net debt	**(774,032)**	**(91,884)**
Net debt at 1 April	(1,245,655)	(1,135,007)
Net debt at 31 March	**(1,912,149)**	**(1,245,655)**

Analysis of net debt

	31 March 2018	Cash flow	31 March 2019
	£'000	**£'000**	**£'000**
Cash in hand and bank	**84,335**	**107,538**	**191,873**
Transfer of engagement from subsidiaries	-	(624,859)	(624,859)
Cash flow from debt	(1,329,377)	(149,199)	(1,478,576)
Cash flow from finance leases	(613)	26	(587)
	(1,329,990)	**(774,032)**	**(2,104,022)**
	(1,245,655)	**(666,494)**	**(1,912,149)**