REPORT & FINANCIAL STATEMENTS 2018

THAMES VALLEY HOUSING

Thames Valley Housing Association Limited – The Regulator of Social Housing (formerly Homes and Communities Agency) Registration No. L0514. Registered under the Co-operative and Community Benefit Societies Act 2014 (17375R).

The Board of Thames Valley Housing Association Limited is pleased to present the audited consolidated financial statements of Thames Valley Housing Association Limited ("the Association") and the Thames Valley Housing Association Group ("the Group") for the year ended 31 March 2018.

Registered Office:
Premier House, 52 London Road, Twickenham, Middlesex, TW1 3RP

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Grainia Long BA; MSC MCIH
Chair
Appointed September 2017

John Baldwin BA MCIH
Acting Chief Executive
Housing and Neighbourhood
Services Director

CHAIR & CHIEF EXECUTIVE INTRODUCTION

Like many in our sector, we at Thames Valley Housing began the year feeling optimistic that housing was once more at the top of the national and political agenda, and waited with anticipation to see what the Government's Housing White Paper of early 2017 would bring.

The terrible events at Grenfell Tower in June last year however, meant that social housing has been in the spotlight for far more tragic reasons. At TVHA, like many of our peers, we diverted our staff and resources to ensuring our residents were safe and well-informed about the security of their homes.

We also focussed our attention on our fire risk assessment data and our relationships with managing agents, who often have responsibility for fire safety. While we were in a good position with these, there is always room for improvement, and you can read more about how we're doing later in this report. In the meantime we await the results of the public inquiry.

This year we've achieved an operating surplus of £54m against a turnover of £126m, putting us in a very strong and resilient position to deal with whatever may come next for our sector. Internally, the last year has been one of change at TVHA, but it has also been one of evolution. In September 2017, our Chief Executive of nine years, Geeta Nanda, left TVHA to take up a new position as CEO at Metropolitan Housing Trust. Since then, John Baldwin has stepped up from his role as Executive Director of Housing, to Acting CEO.

In late 2016, we launched a Customer Experience Strategy – spearheaded by John Baldwin – that had a simple core purpose: to make every experience a resident has with us positive and easy. We brought new skills in-house to help bring that strategy to life, and in the last year, it's begun to bear fruit and resulted in a fundamental reshaping of some of our core services. We've focussed on the three areas that residents have told us they care about most: responsive repairs, estate services, and their experiences before and after they move into a newly built home.

SHARED OWNERSHIP SALES INCREASED BY

47%

94%

OVERALL SATISFACTION WITH OUR RESPONSIVE REPAIRS

All three areas focussed on customer needs and whether the customer experience with us was positive and easy. The dedicated Estates Services Pilot demonstrated a proof of concept that will be rolled out throughout 2018, whilst the Responsive Repairs Service Design Project identified, amongst other things, the need for a single point of contact for handling complex repairs and sending an immediate text message confirming any repair appointment.

Lastly, we trialled a single contact point for customers moving into their new home to create a seamless experience from prospective to actual resident. We are not standing still and we are exploring the introduction of a Customer Relationship Management system to create an end-to-end process to resolution. We continue to learn, iterate and develop these areas as part of the customer experience strategy.

Our focus on residents extends further, with 731 residents supported into employment, training or starting up their own business this year.

Other highlights this year:

- We've let 434 homes to new households, and achieved an average void period of 17.8 days against a target of 21 days
- Achieved 94.1% overall satisfaction with our responsive repairs
- Successfully launched a new shared ownership sales brand, SO Resi, designed to make the buying process simpler and easier to understand. Shared ownership sales increased by 47%, delivering a total of 224 completions
- We have delivered 317 new shared ownership and rented homes as well as acquired a further 663 for our pipeline.

Looking ahead, if our planned partnership with Metropolitan Housing Trust goes ahead later this year, we'll be an equal partner in a housing association with over 57,000 homes across London, the South East and the Midlands.

We'll be in an even better position to:

- Improve services for existing residents, including their digital customer service experience
- Deliver circa 2,000 new homes a year of which approximately 80% will be affordable
- Support investment in local communities and services which will help tackle the challenges faced by the most vulnerable – including older people, new migrants, the long-term unemployed and those living in poverty
- Become an even more financially strong, resilient and agile group with greater capacity and commercial acumen to better meet challenges posed by the external environment
- Attract the best talent in the sector by offering a wide range of opportunities, in different specialisms and locations, with tailored training and career development.

WHAT WE DO

VISION AND MISSION

Our vision is for everyone to have the chance to build their lives from a good home. We believe that a good, safe, secure home is a critical foundation for successful people, families and communities. Without one, it's difficult to do well at school, hold down a job or raise a family.

Our mission is to provide good quality affordable homes and invest in communities. The housing crisis is particularly acute in London and the South East, where we operate. We build good quality, new homes and manage them well. We also grow the social capital of the communities we work in.

434

HOMES LET TO NEW HOUSEHOLDS

DELIVERING SERVICES TO OUR RESIDENTS

HOUSING MANAGEMENT AND HOME OWNERSHIP

This year we developed our Customer Experience Strategy, which, once approved by the Board, has been integrated into our service delivery, focussing initially on three areas – Responsive repairs, Bringing new homes into Management and Estates services. Each area has a project team who have worked with customers and staff alike to design services around customer experiences and needs.

An increasing number of our tenants have been affected and impacted by Welfare Benefit changes and the ongoing roll-out of Universal Credit. We have therefore introduced a Welfare Reform Coordinator who has been in contact with all residents known to be affected by the changes.

Our Tenancy Support Service has supported 241 tenants and has secured a combined total of £313k consisting of both personal and rental income. Most importantly, of the 241 tenants supported, all are still maintaining their tenancies. Our arrears performance is within target and we maintained a consistently low number of evictions (25). We have invested some of our surplus this year into our Employment and Training, Business Start Up and Wellbeing services. We have also carried out an affordability review to ensure rents remain affordable for our new tenants, to assess their ability to maintain rent payments. This supports our aim of sustaining tenancies.

In total, we let 434 homes to new households consisting of 122 new-builds, 235 re-lets, and 77 mutual exchanges. We have also re-let four homes that were subject to tenancy fraud investigations. And we've introduced an app for residents to help manage anti-social behaviour.

Our Home Ownership Team has provided specialised support for lease enquiries and service management. We have seen an improvement in customer experience in the mixed tenure Estate Services pilot, which is being rolled out across our estates. We have also generated £105k income from home ownership enquiries, and £289k from lease extensions.

MANAGING OUR PROPERTIES AND ASSETS

This year we mobilised a new domestic heating service. This was introduced in order that all domestic heating systems, not just gas-fuelled systems, should have an annual service, with the aim of reducing the number of breakdowns and to ensure heating systems were operating efficiently. With more comprehensive equipment information, we expected to manage repairs more effectively. However the new provider struggled to meet required performance levels, so for the financial year 2018/19, we are mobilising a temporary service arrangement from July 2018.

We did however maintain 100% compliance with our landlord's gas safety responsibility over the year.

We also completed a project to move all our property compliance requirements onto a single systems platform, which delivers robust data management and reporting requirements.

This new system's approach to property compliance management delivered a consistent and robust approach across over 19 areas of responsibility including water hygiene, fire equipment, electrical testing, communal heating, safety harness, door entry and playgrounds. It has improved management and audit oversight and created a platform for improved integration with our supply chain and information sharing with our customers.

Our Responsive Repairs service achieved 94.1% overall satisfaction for day-to-day repairs. Satisfaction with communal repairs and key worker housing portfolio was also strong at 84.6% and 78.5% respectively. Performance on first time fix and appointments kept was 80% and 80.1% respectively.

Our voids management process saw improved performance and efficiency and delivered re-lets in 17.8 days against a target of 21 days. The three day improvement over last year's 20.2 resulted in a rent loss reduction of £18k per annum and a reduction in resources required. This was achieved by increasing oversight of the end-to-end process and responsibility for the constituent stages.

We maintained compliance with the Decent Homes Standard and continued to offer component renewals to customers who had previously declined the works. We managed to maintain the backlog of planned investment below the £250k target stated in our Asset Management Strategy.

We completed our third appraisal of our rented assets in terms of financial and strategic performance against an agreed set of criteria. This information provided assurance that our assets are financially sustainable so allowing us to focus on improving the performance of all our assets.

We completed a review of our entire portfolio which identified development and infill opportunities with the existing estate, and a number of potential commercial opportunities which we are currently exploring. This allowed us to validate the address and longitude and latitude data held in our core housing management system and to access an independent data set allowing us to validate building height information held.

Towards the end of the year we started our Managing Agent project, which catalogues on a platform our legal responsibilities across our managed portfolio to allow us to deliver much improved services. Some 60% of the homes we own and manage have some degree of third party management involvement. This project will deliver clear, concise and accessible property-related information on what can be complex, legal agreements into a platform which we can use to make specific service improvements.

KEY WORKER AND STUDENT HOUSING

The majority of KPI targets for key workers and student housing were met, with the exception of overall satisfaction. Rent arrears at year end were 0.4% against a target of 2.5% or less, and property voids were at 3.1% against a target of 5% or less.

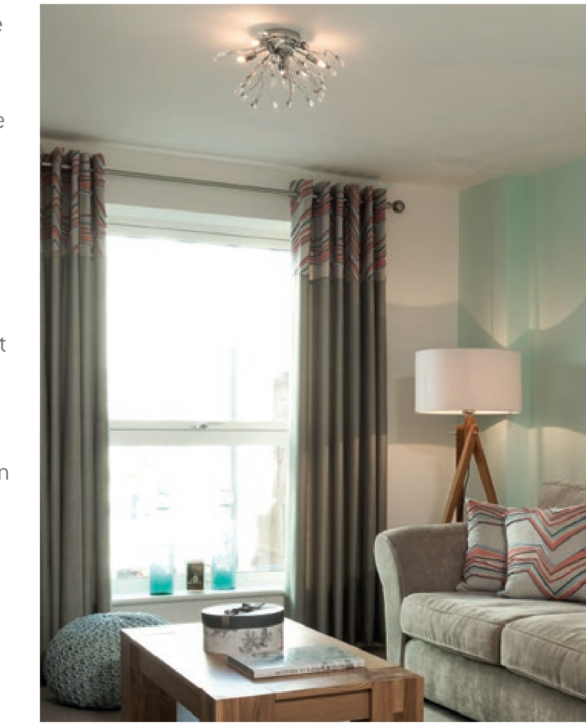
Resident satisfaction (12 month rolling average) was below target high at 78.5% compared with an 82% target, and the lowest for a number of years. This is in part due to the latent defects work at our three largest sites. These works affected over 70% of all our key worker residents. This was exacerbated by several heating and hot water outages which were poorly managed by our new heating contractors. The change in survey methodology this year, from postal to more cost-effective email surveys, has also had an adverse effect and further work is being carried out to ascertain the full impact of this change.

We have housed 787 new key workers in the last 12 months, most of whom came from nominations made by one of our nine NHS Trust partners, and over 460 students at the University of Surrey in Guildford.

The total number of units of key worker and student accommodation in management as at 31 March 2018 is 2,105.

Having agreed a remedial solution with respect to latent defects work required at the St George's, Hammersmith and Hillingdon key worker schemes, work started on site at St George's in February 2017. Work at Hillingdon is now complete with the remaining work on the other two sites due to be completed by quarter two 2018/19.

The following table shows key performance indicators for key worker and student accommodation:



PERFORMANCE INDICATOR	2017/18 OUTTURN	2017/18 TARGET	2016/17 OUTTURN
Current tenant arrears (%)	0.4	2.5	0.2
Void rate – units available for letting (%)	3.1	5.0	1.6
Overall tenant satisfaction (%)	78.5	82.0	89.0

2,105

NUMBER OF UNITS OF KEY WORKER AND STUDENT ACCOMMODATION IN MANAGEMENT

SUPPORTING OUR RESIDENTS AND COMMUNITIES

RESIDENTS' TRAINING AND EMPLOYMENT INITIATIVES

We are committed to supporting our residents into work-related opportunities. During 2017/18, we supported:

- 210 residents into employment
- 450 residents into training and qualifications
- 41 residents into volunteer placements
- 30 residents onto a Business Start-Up course.

Benefit cuts and the roll-out of Universal Credit have continued to have a negative financial and emotional impact on our residents. We have offered support to those known to be affected. During 2017/18:

- 210 residents were known to be affected by Welfare Reform
- 118 residents were referred to the Training and Employment team
- 35 residents engaged with the service
- 21 residents went on to training or employment.

WELLBEING PROJECT (LEVEL UP)

We created the Wellbeing Project, Level Up, in response to a high proportion of residents wanting to get into work, but finding they were dealing with complex issues that prevented them from accessing our employment service. Level Up aims to support residents through whatever these issues are, until they get to the point where they are ready to get into work.

During 2017/18:

- 92 residents received Wellbeing support
- 4 Level Up Wellbeing courses were delivered
- 43 residents moved to the next level on their Wellbeing journey
- 15 residents on the programme moved into employment
- 60 residents feel more optimistic about the future

Edel-Ann attended TVHA's Level Up programme this year. She lives in Aylesbury.

Edel-Ann has been a TVHA resident for eight months. She is a lively character and has a keen appetite to learn, but is thwarted by mental health difficulties. We approached her about getting 'Back into Work'-related activity, but she felt that it wasn't the best time as she needed more structure in her life. It was suggested the Level Up programme could be helpful, and 35 minutes later she was sitting in a room going through the registration forms with our Wellbeing Officer.

Through all six weeks of the course Edel never missed a session, even when she had a nasty cold. "If you can still walk, you can still work," she said cheerily with multiple tissues in her hand. She is naturally good at introspection and the course helped her to practically apply the self-awareness that she gets from this. She was able to set her own goals and achieve them, giving her a greater sense of freedom.

At the end of the programme Edel was grateful to all those involved for making her feel safe and encouraging her to take part. She has taken her learning to heart and implemented real change in her life, including taking better care of herself and being more active in deciding her future. She has now engaged in volunteer work as part of a board for a similar project in East London, giving back the positive experiences that she has been part of.

> **"WHEN SHE ARRIVED AT THE LEVEL UP INDUCTION, EDEL SPOKE TO THE LEAD TRAINER AND HAD A PHYSICAL ASSESSMENT WITH THE PERSONAL TRAINER. EDEL LEFT WITH A POSITIVE ATTITUDE SAYING IT FELT LIKE SHE'D BEEN "THROWN A LIFELINE AT LAST".**

EMPOWERING PEOPLE AND COMMUNITIES STRATEGY

The Community Investment Team works in a number of different ways with residents, stakeholders and management teams to understand the specific issues and needs of the communities we serve. Through the Community Plan projects, we work with local housing officers to plan interventions that can improve the lives of local residents. As well as this we provide grants of up to £5,000 to community organisations to support their work and enhance the work we do in our communities.

Some examples of the projects that the team has undertaken over the past year include:

1. Multi Team Workshops

Staff from our Community Investment, Wellbeing, Housing Management, Training and Employment and Revenues teams held weekly workshops for residents in Aylesbury with the aim of raising awareness about what TVHA could do for them, engaging with them and providing information on the services we offer.

The four sessions were attended by 41 residents in total, 28 of them new residents and 30 of them young people. Of them, 13 received employment support, 27 received support from their Housing Officer, six set up payment plans with a Revenues Officer and two got a job interview.

2. Lismore Park Killers Project

We developed a project to tackle anti-social behaviour (ASB) issues, gangs, social deprivation and a lack of activity for young people. Working in partnership with Slough Borough Council, A2Dominion and One Housing, we commissioned The Light (UK) to deliver a one-day-a-week session of meaningful activities reflecting local interests and mentoring for young people to deter involvement in gang activity. To maximise engagement, a targeted community consultation was undertaken before the programme started.

3. Youth Provision Woking

We commissioned Eikon to provide youth activities at Kingsmoor Park to address ASB and mitigate the lack of local youth services. The project is running from November 2017 – November 2018 with one weekly session held on a youth bus in the estate whilst the second session is based at St Mark's Church. The service has so far engaged over 55 young people with an average of 12 attending each session.

PARTNERING FOR THE FUTURE

We have appointed a new Community Partnerships Manager to help increase grassroots funding and in-kind support to provide more support services to residents, building their capacity and improving their communities. This role has raised over £150k to date and created a number of new partnerships.

GROWING OUR BUSINESS

DEVELOPMENT OF AFFORDABLE HOUSING

This year we have delivered 317 new shared ownership and rented homes as well as acquired a further 663 new homes which will deliver housing over the next two to three years. Competition for both land and S106 opportunities continues unabated with both regional and national housing providers and developers continuing to actively pursue opportunities within London and the South East. Our success continues to be driven by our strong relationships with our 43 local authority partners as well as the exemplary partnership record we hold with most local and national housing developers operating within our operational geography.

WORKING IN PARTNERSHIP

OPAL LAND (JOINT VENTURE BETWEEN TVHA & GALLIFORD TRY)

This year marked the start of Opal's largest collaboration to date, with planning permission achieved and ground broken on the Silvertown scheme in the London Borough of Newham, to create 975 homes, including affordable housing, private rented sector (PRS) homes and homes for sale and a further 8,000m^2 of commercial space, including new shops and a hotel.

In total, TVHA partners with Galliford Try in six Opal Joint Ventures including Silvertown. Of these joint ventures, two are in their sales phase and delivered 93 homes across outright and affordable tenures during the year.

FIZZY LIVING

Fizzy Living has been operating since 2012 and now has a well-established brand. The portfolio started the year with 314 flats in management across five buildings; handovers at three new buildings during the year increased the number of flats in management to 590 by 31 March 2018 (at Fizzy Lewisham phase 2, Fizzy Walthamstow and Fizzy Hayes) with a further 92 handing over in May 2018. The total portfolio now stands at 682 flats.

Current revenue of £6.4m is expected to grow during 2018/19 to £13.5m as the new buildings become fully occupied.

Fizzy has one scheme currently under construction at Silvertown Way in Canning Town. This is the private rented sector (PRS) element of Opal's major mixed tenure development, which will deliver a further 292 units to Fizzy's portfolio in October 2020 and March 2021. On stabilisation this asset will deliver annual gross income of £6m, taking the portfolio total to circa £20m.

The management of the Fizzy portfolio is carried out by Fizzy Services Management LLP, a wholly owned entity within the TVHA Group, whose revenue arises from services provided to the Fizzy Enterprises Group.

SHARED OWNERSHIP

This year marked another milestone for TVHA's shared ownership offer, with the introduction of SO Resi, an engaging and focussed rebrand of the Group's shared ownership portfolio. Sales volumes increased by 47% over the year, delivering a total of 224 completions. The average net first tranche margin was 29%. Demand continues unabated with all product types and locations benefiting from strong enquiry flows as well as strong demand.

Customers continue to purchase additional equity in their homes with over £21m in revenue this year from this business stream. The majority (70%) of transactions resulted from organic consumer-led demand under standard shared ownership terms, a further 10% from TVHA's Shared Ownership Plus scheme and the remainder from the 'Resale Staircasing' programme. The sales team also promoted the purchase of increased equity through the resale process.

Our second charge mortgage portfolio has delivered strong returns with approximately 5% growth in the average value of the loans redeemed within the year. The SO Resi Estate Agency service saw both an increase in transaction levels, with 290 (15% increase) sales and improved fee income of £800k (30% increase). This business stream continues to remain one of our most profitable fee-generating activities.

PEOPLE AND CULTURE

OUR PEOPLE AND VALUES

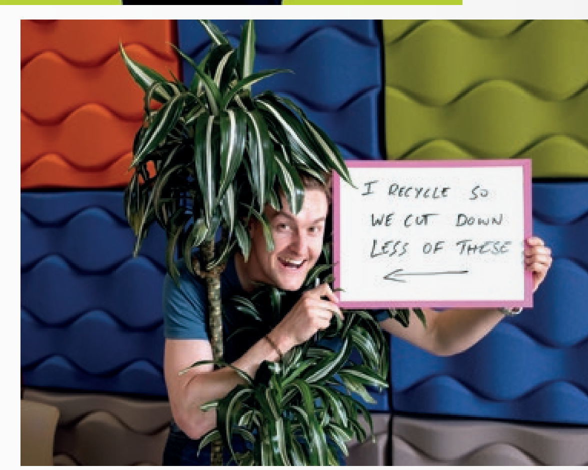
Our people are fundamental to our ability to deliver our growth strategy and objectives. We carried out a culture audit and HR stakeholder review in 2017 which helped us continue to develop great staff services, ensuring we offer opportunity for learning and growth, and excellent people wellbeing. Clear objectives and performance targets are reinforced through comprehensive performance management systems, and we carried out a range of training this year, with a particular emphasis on digital platforms, information and data security ahead of General Data Protection Regulation (GDPR) implementation in May 2018.

EQUALITY AND DIVERSITY

The Group promotes equality and celebrates diversity. We have a whole organisational approach to equality and diversity, and believe that no person should suffer disadvantage by reason of race, religion, faith, gender, sexuality, marital or civil partnership status, pregnancy or maternity, age or disability. We tailor our services to the needs of all categories of our residents.

HEALTH AND SAFETY

We are committed to Health and Safety (H&S) and our procedures are subject to regular review by KPMG LLP, our Internal Auditor. We also receive specialist support from external H&S consultants, FFT, and last year there were no reported RIDDOR accidents (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations).



OUR FINANCIAL MODELS AND STRENGTH

We have maintained and improved our organisational and financial capabilities to direct and fund our objectives and deliver sustained and ambitious expansion of both our core social housing and commercial investment over the next five years. Our balance sheet has been strengthened and fully committed, and loan finance is in place to cover all of our current, and the majority of projected, funding requirements. With our diversification into commercial activities, our governance arrangements ensure continuing tight control and strategic direction over our expansion. A significant amount of the financial capacity for commercial business has been sourced from third party providers of equity and debt outside of the Group, which enables efficient use of our own capital.

DEMONSTRATING VALUE FOR MONEY

WE REINVESTED
£70m
IN NEW HOMES THIS YEAR

WE INVESTED
130%
OF OUR OPERATING INCOME INTO OUR ASSETS

Value for money is set out in our three year corporate plan and our business planning framework. Our performance against the corporate plan is reviewed regularly, and the review process allows us to adapt and modify actions and targets throughout the life of the plan. Our diversified business model aims to develop more homes with lower levels of cash grant, and provide the good quality services that matter most to our residents. This aim is supported by our strong financial performance and efficient operating margin.

Value for money has been delivered through:

- Using balance sheet strength and returns from diversified activities to increase the provision of affordable homes with less grant funding
- Adhering to our asset management strategy, which seeks to maintain and improve the quality of our assets
- Providing good quality, efficient and effective services to residents.

Key points from our value for money self-assessment for 2017/18 are:

	2018	2017
Reinvestment (%)	5.74	6.14
New supply delivered		
– Social housing (%)	2.64	3.38
Gearing (%)	46.83	47.52
Earnings before interest, tax, depreciation (%)	216.61	192.75
Headline social housing cost per unit (£)	3,115	3,043
Operating Margin		
– Social housing (%)	44.95	45.92
– Overall (%)	35.70	38.20
Return on capital employed (ROCE) (%)	4.07	3.85

- **Reinvestment:** This ratio 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 £70m into housing properties within the year; this represents 5.74% of the current carrying value of total property held as at the end of the year. In the context of operating profit, we have invested almost 130% of our operating income into our housing asset base.
- **New supply delivered %:** This ratio sets out the number of new social housing units that have been acquired or developed in the year as a proportion of the total social housing units owned at period end. The number of new social housing and non-social housing units that have been acquired or developed in the year was 317 and 413 respectively. As a proportion of total social housing units and non-social housing units owned at period end, this is 2.64%. Compared to the sector's performance, TVHA is in the top quartile in the delivery of new units within the sector.
- **Gearing:** This ratio measures all loans, including finance lease obligations and amounts owed to group undertakings as a percentage of the value of housing properties. Our gearing ratio of 46.83% is traditionally higher than the sector average. This result in itself is not an adverse one as medium to large Housing Associations like ours typically have large loan portfolios and higher gearing. One of TVHA's strategic aims is to fund a significant development programme and we therefore have negotiated loan facilities and covenants that allow sufficient borrowing for our programme.
- **EBITDA:** This seeks to measure the level of surplus that a registered provider generates compared to interest payable. EBITDA of 216.61% has increased compared to 2017 result of 192.75%. This increase reflects a maximisation of debt in delivering higher returns compared to the cost, therefore increasing capacity to deliver more homes.
- Headline social housing cost per unit assesses the costs that TVHA incurs to manage properties owned and managed divided by the number of units owned and managed by the Association. Headline social housing cost per unit for 2018 was £3,115, this falls in the lowest quartile when benchmarked against the sector performance for 2017. This increase in 2018 is in line with inflation.
- Social Housing operating margin measures the profitability of operating assets before exceptional expenses, this is operating margin as a percentage of turnover of social housing lettings. Social Housing operating margin of 44.95% is consistent with the prior year result of 45.92%. We achieved a better result than the sector benchmark in terms of the rate of investment per pound of operating surplus generated last year and we expect to achieve the same this year. This reflects year-on-year growth in rental income, and cumulative increase in sales and the contribution of profit from commercial ventures over the term of our business planning period.
- The above ratios were calculated in accordance with the definition of the Regulator of Social Housing's Value for Money Metrics.

PLANNING FOR THE FUTURE

WE AIM TO BUILD 1,000 NEW HOMES A YEAR

TARGET FOR GROWTH

Our refreshed strategic objectives will push us to ensure positive and easy experiences for residents, new partnerships to deliver homes and engaged and creative people to make it all happen.

- **Transforming our services:** ensuring we make things positive and easy for our customers and enhance our digital business capabilities. We will work with customers, pre-empting service needs through data and be continuously working on service transformation. We are designing an efficient model for service delivery aligned to a new customer experience strategy. This will include ensuring that the development of our digital services, including online services for residents, fully aligns to the service design reviews.
- **Supporting our tenants:** life is getting tougher and we aim to build lives through stable homes. We will expand how we train and help find employment for our residents and their children. Social equality matters to us. We aim to minimise evictions and give opportunity. We have continued with our training and employment programme for residents and in 2017/18 supported 321 residents into either work or training.
- **Growing the business:** through our existing model to produce circa 1,000 homes a year and extending that ambition. We will do this through reviewing our existing partnerships and how they can grow, looking at new partnerships and opportunities and reviewing the markets where we operate and the products we produce.
- **Our financial models and strength:** we will maximise our capacity to invest in new and existing housing and services as well as our communities. By leveraging our resources and looking to bring in investment, we will be commercially successful.
- **People and Culture:** we will develop our people and our people values, we will provide and grow opportunities, bring in people to learn, train and grow with us. People will want to work for us and be our greatest supporter and voice. We want to create an organisation with innovation and creativity at our heart, remaining flexible and open to change.

MANAGING RISK

The Board received regular risk management reports from the Chief Executive throughout the year. These reports were also considered in detail by the Group Audit and Risk Committee and used to decide the year's internal audit programme undertaken by KPMG LLP which provides further reassurance.

The Internal Control section of this report sets out the Group's overall framework for internal control, setting the context for the identification, control and monitoring of the principal risks faced by the Group.

The principal risks to the Group at this time and how they are mitigated are as follows:

RISK	MITIGATION
That some TVHA stock was found to be constructed of aluminium composite material (ACM) in inspections following Grenfell Tower fire	Fire safety group established in response to tragedy; investigations completed in accordance with DCLG requirements; very few properties affected; mitigation measures in place and residents informed.
Economic uncertainty / instability arising from Brexit negotiations	Multi-variate stress testing and maintenance of good headroom in the business plan; regular review of external influences; tax planning strategy.
Growth target cannot be met due to worsening property market conditions	Good pipeline of schemes in place and regularly reviewed by Board; long-term plan stress-tested; growth & investment strategy reviewed annually.
Cash availability constrained due to economic uncertainty and the resulting impact on the group's sales activities	Regular review of sales activities; cash and liquidity redefined in revised treasury policy & reported to Board monthly; Group cashflow disaggregated to reflect forecast for individual entities; updated scheme appraisal assumptions in light of prevailing macro-economic climate.

BOARD MEMBERS AND EXECUTIVE MANAGEMENT

GRAINIA LONG
CHAIR
Appointed as Chair in September 2017

RITA AKUSHIE
GROUP FINANCE DIRECTOR
Appointed Chair Sep 2017
Resigned TVHA Aug 2018

JOHN BALDWIN
ACTING CHIEF EXECUTIVE

PAUL BRIDGE*
CHAIR OF THAMES VALLEY CHARITABLE HOUSING ASSOCIATION LIMITED

EMMA CARIAGA
CHAIR OF GROUP INVESTMENT COMMITTEE

KATHRYN DAVIS*
CHAIR OF GROUP TREASURY COMMITTEE

BRIAN HENDON*
CHAIR OF GROUP AUDIT AND RISK COMMITTEE

BEN DENTON
ACTING CHAIR
Resigned October 2017

DAVID CLAYTON-SMITH
CHAIR
Resigned July 2017

GEETA NANDA
CHIEF EXECUTIVE
Resigned September 2017

EXECUTIVE MANAGEMENT

JOHN BARRY
INTERIM CORPORATE SERVICES DIRECTOR

GUY BURNETT
GROUP DEVELOPMENT DIRECTOR

HOWARD DAWSON
ACTING HOUSING AND NEIGHBOURHOOD SERVICES DIRECTOR
Appointed August 2017

PATRICIA ETTER
GROUP COMPANY SECRETARY

* Member of the Group Audit and Risk Committee

CHAIR – GRAINIA LONG, BA; MSC MCIH has served on the Board for three years, is Chair of the Customer Services Committee and a Member of the Governance, Remuneration and Nominations Committee. She has recently taken up the post of Commissioner for Resilience at Belfast City Council, leading the City's strategy to address major shocks such as flooding, infrastructure failure and cyber-attack, and ongoing 'stresses' such as economic exclusion, segregation, and climate change. Prior to this she was Chief Executive of the ISPCC, the national child protection charity in Ireland. She previously spent eight years at the Chartered Institute of Housing, first as National Director in Northern Ireland and then as Chief Executive. She was a ministerial appointee to the Northern Ireland Human Rights Commission for six years until 2017.

RITA AKUSHIE, FCA, FCT, BA (Hons), joined Thames Valley Housing as Group Finance Director and was appointed to the Board in April 2017. Rita is a qualified chartered accountant and also a qualified corporate treasurer. She has over 27 years' experience in finance, treasury and business improvement. She has worked for a number of London Housing Associations and has been a Finance Director for the past 19 years. She is a Member of the Group Treasury Committee, Group Investment Committee and a Director of Fizzy Enterprises, Opal and Evolution vehicles.

JOHN BALDWIN, BA MCIH joined Thames Valley Housing as Housing and Neighbourhood Services Director in 2008. He was appointed to the Board in November 2014 and is a Member of the Customer Services Committee. John was appointed Acting Chief Executive in August 2017. He has worked in the housing sector for over 25 years with roles including policy, supported housing and general needs. He has been Assistant Director for Westside Housing and Director of Housing Management at Notting Hill Housing Trust. John previously served as Chair of Harlington and Rectory Housing Association. John is a Director of Fizzy Enterprises LLP and Fizzy Associate LLPs.

PAUL BRIDGE, BA, MSC has served on the TVCHA Board for six years and the TVHA Board since November 2014. He is a Member of the Group Investment Committee and the Group Audit and Risk Committee. He is the Chief Executive at Civitas Housing Advisors Limited, the investment advisor to Civitas Social Housing PLC the first social housing Real Estate Investment Trust launched in 2016. Prior to this Paul held senior roles in a number of organisations notably Chief Executive of Homes for Haringey and as a Group Director of Hyde Housing Association.

KATHRYN DAVIS, MA (Hons) (Oxon) has served on the Board for four years and is Chair of the Group Treasury Committee and a Member of the Group Audit and Risk Committee. A qualified solicitor, until 2013 Kathryn was a corporate partner at city law firm Slaughter and May, which she joined in 1987 and where she advised mainly FTSE 100/250 companies on a wide range of corporate, commercial and financing issues, both transactional and non-transactional. Kathryn is an Independent Member of The Lord Chancellor's Advisory Sub-Committee on Justices of the Peace for Central and South London and Deputy Chair of the Council, Trustee and Non-Executive Director of The Girls' Day School Trust, where she Chairs the Estates Committee and is a Member of the Senior Appointments and Remuneration Committee.

BRIAN HENDON, FCA has served on the Board for eight years and is the Senior Independent Director. He is Chair of the Group Audit and Risk Committee and a Member of Group Treasury Committee and Customer Services Committee. Brian is a Non-Executive Director of Royal Berkshire NHS Foundation Trust and Chair of a private global Fintec business. Brian is a Chartered Accountant with extensive private and public sector experience and has worked in the USA and UK in various Finance Director and Chief Executive roles.

EMMA CARIAGA, BSc (Hons), DipTP has served on the Board for six years. She is Chair of the Group Investment Committee and a Member of the Governance, Remuneration and Nominations Committee. Emma is a Director at The British Land Company plc. Prior to this she worked for Land Securities. Emma is a Board Member of Pathways to Property (Reading Real Estate Foundation).

EXECUTIVE MANAGEMENT

ACTING CHIEF EXECUTIVE – JOHN BALDWIN, BA MCIH

GROUP FINANCE DIRECTOR – RITA AKUSHIE, FCA, FCT, BA (Hons)

ACTING HOUSING AND NEIGHBOURHOOD SERVICES DIRECTOR – HOWARD DAWSON BA (Hons) PG Dip joined Thames Valley Housing in 2003 and has held senior positions within Housing during this period. Prior to the appointment to the Acting position in August 2017, he held the position of Deputy Director of Housing. He is a housing professional with over 25 years' experience working for both Housing Associations and Local Authorities. He has worked in Sales and Marketing, general needs and shared ownership. Howard is a current Trustee, Director and former Chair of YMCA LSW.

INTERIM CORPORATE SERVICES DIRECTOR – JOHN BARRY moved to the role of Interim Corporate Services Director in February 2017. He brings with him over 30 years of experience in social housing. He previously worked for Thames Valley Housing as a senior project manager, leading on a number of ICT and performance improvement projects.

GROUP DEVELOPMENT DIRECTOR – GUY BURNETT joined Thames Valley Housing in 2003. He has worked in the housing sector for 25 years, as well as in private sector organisations specialising in residential development and regeneration. Guy is a Director of both Opal and Fizzy joint venture and associate LLPs.

CORPORATE GOVERNANCE AND BOARD COMMITTEES

TVHA and TVCHA operate a Common Board (the "Board") to govern both Associations. The Board considers all matters and makes all decisions affecting both associations. In order to protect the charitable objects of TVCHA and to preserve the integrity of TVCHA as a separate legal entity, where a conflict of interest arises between the two associations, three pre-designated Board Members subordinate their duty to TVHA below their duty to TVCHA and act wholly on TVCHA's behalf for consideration of the relevant decision. These pre-designated Board Members choose whether or not to include other Board Members in a decision, depending on the diversity of interest.

The Board has adopted a Code of Conduct which reflects the requirements set out in the National Housing Federation's (NHF) Code of Conduct 2012. The Board has adopted the NHF Code of Governance 2015. The Board received an annual report on compliance in April 2018. Following review of the report, the Board confirms that it fully complies with the NHF Code of Governance and Code of Conduct and with the Regulator of Social Housing (RSH) Governance and Financial Viability Standard. The Regulator carried out an In-Depth Assessment of TVHA and TVCHA in February 2017 and confirmed the Group's G1/V1 rating. This was then re-affirmed in November 2017.

The Board is responsible for the leadership of the Group and for ensuring that where appropriate risks are taken (in accordance with its Risk Appetite), these are properly managed. The Board ensures that the Group has the necessary financial and staff resources to deliver its objectives and sets ethical, and health and safety standards. The Board is fully involved in the Group's Value for Money Strategy and reviews the Group's performance against the Regulatory Standards annually. The Board reviews the skills profile of its members annually and on the retirement of members. All Non-Executive Board Members are subject to re-appointment every three years, to a maximum of nine years, and are appraised annually by the Group Chair. The Group Chair is appraised by the Chair of the Group Audit and Risk Committee. The Board carried out an external board effectiveness review in February 2017 and actions coming out of the development plan, based on the review's recommendations, have been carried out during the year.

In June 2017, the Board approved a new Governance Framework and Delegation Handbook, which included Board and Committee structures and terms of reference, which are clear and include details of the timing and membership of the Board and its committees. During the year, the Board held eight board meetings and two strategy days. The Board has five sub-committees, populated in the main by Board Members. Minutes of the meetings of these committees (listed opposite) are sent to the Board. Board Members are provided with regular detailed briefings on the Group's business and have access to a suite of key performance information.

Board Members are able to obtain independent advice when they deem it appropriate. In recognition of the reduction in size of the Board during 2017, and the on-going partnership discussions with Metropolitan Housing Trust, the Board appointed a Strategic Advisor to support its decision-making during this period and to act as an external member of the Group Audit and Risk Committee. The Group Audit and Risk Committee has right of access to all information within the Group. Board Members are encouraged to undertake further training and new board members have a tailored induction programme. Board members are remunerated at levels consistent with the Group's scale of activities and sector norms.

BOARD COMMITTEES

GROUP INVESTMENT COMMITTEE

The Group Investment Committee makes investment decisions on Opal Land schemes and on major new schemes which fall outside of the authority delegated to the Executive Directors. Its terms of reference were reviewed in 2017 to include broader asset and portfolio management to support the achievement of the Growth and Investment Strategy. The Committee meets when required to support the business.

GOVERNANCE, REMUNERATION AND NOMINATIONS COMMITTEE

The Governance, Remuneration and Nominations Committee reviews and makes decisions relating to the governance of the Group, and, in particular, the appointment, renewal and review and remuneration of Board members, the review of staff remuneration and terms and conditions and the appointment of the Executive Team. The Committee meets two to three times a year.

GROUP AUDIT AND RISK COMMITTEE

The Group Audit and Risk Committee's primary role is to independently oversee and monitor the process for ensuring an effective internal control system is maintained, together with reviewing the risk management systems, monitoring the integrity of the financial statements and providing oversight of the internal and external audit process. The Committee meets at least three times per year. On at least one occasion each year, the Committee meets separately with the external and internal auditors without the presence of Executives.

GROUP CUSTOMER SERVICES COMMITTEE

The Group Customer Services Committee scrutinises and makes decisions in relation to management and maintenance services provided to residents to ensure high service standards, efficient working and delivery of performance indicators across all affordable tenures. The Committee includes Board Members and two resident members. The Resident Scrutiny Group reports to the CSC on specific service areas it has chosen to examine in greater detail.

95%

MEETING ATTENDANCE FROM THE BOARD AND COMMITTEE MEMBERS

GROUP TREASURY COMMITTEE

The Group Treasury Committee considers and recommends the Group Treasury Strategy and Treasury Policy to the Board, as well as approving borrowings, loans, derivative transactions and certain investments. Members are chosen for their expertise in treasury management. The Committee meets when required to support the business, including the annual review of the Treasury Strategy for recommendation to Board.

BOARD AND COMMITTEE MEMBER ATTENDANCE

	Common Board Meetings & Strategy Days	Group Investment Committee	Governance Remuneration & Nominations Committee	Group Audit & Risk Committee	Group Customer Services Committee	Group Treasury Committee
	9 meetings	2 meetings	3 meetings	5 meetings	5 meetings	3 meetings
Grainia Long	9/9		3/3		4/4	
Rita Akushie	9/9	2/2				3/3
John Baldwin	9/9					
Paul Bridge	8/9	2/2	3/3	3/3	0/1	
Emma Cariaga	8/9	2/2	3/3			
Kathryn Davis	9/9			4/5		3/3
Brian Hendon	9/9			5/5	1/2	3/3
David Clayton-Smith	2/2		1/1		1/1	
Ben Denton	3/4		1/1	2/2		1/1
Geeta Nanda	3/3	1/1				

FINANCIAL REVIEW

The financial statements of the Group and Association are prepared in accordance with Financial Reporting Standard 102 (FRS102) and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers (SORP).

This is the third year in which the financial statements have been prepared under FRS102, the Group having adopted the standard for the year ended 31 March 2016 following revision of Financial Reporting Standards in the United Kingdom and Republic of Ireland by the Financial Reporting Council (FRC).

The Group consolidated financial statements are presented in sterling, rounded to the nearest thousand and are prepared on a going concern basis.

The Group's financial statements consolidate the accounts of the Association and all its subsidiaries as at 31 March 2018 in accordance with FRS102. All intra group balances and transactions are eliminated in full on consolidation. Full accounting policy details are available on page 38.

+15%

TURNOVER

SUMMARY STATEMENT OF COMPREHENSIVE INCOME

	2018	2017
	£'000	£'000
Turnover	126,121	109,151
Cost of sales	(26,300)	(13,687)
Operating costs	(54,856)	(53,773)
Surplus on sale of fixed assets	9,226	9,341
OPERATING SURPLUS	**54,191**	**51,032**
Operating surplus as a percentage of turnover (%)	43	38
Net interest payable	(22,579)	(24,362)
Share in results of joint ventures and associates	1,937	1,352
Movements in fair value*	268	72,644
Taxation	602	(1,016)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**34,419**	**99,650**

*In relation to Financial Instruments, Investment Properties and Fixed Asset Investment

Turnover for the Group for the year was £126.1m,an uplift of £17m over the prior year. The uplift largely arose from higher volumes and proceeds of first tranche shared ownership sales. Operating surplus for the year was £54.2m; a £3.16m uplift on the prior year. Total Comprehensive Income for the year has decreased by £65.2m to £34.4m due to the one- off write- off of the fair value movement of the Financial Instrument recognised last year. Excluding the impact of the movement of the Financial Instrument, Total Comprehensive Income has increased £7.4m, a 26% increase on last year.

Rental and service charge income from social housing lettings has increased by £1.7m to £77.3m (2017: £75.6m); this is despite the 1% rent reduction for social housing units, which is offset by a combination of additional housing units and the annual inflation-based rent increases for non-social housing units. Low cost home ownership sales increased by £16.3 to £37.2m (2017: £20.9m). This was matched by an increase in cost of sales.

Operating costs have increased by £1.1m to £54.9m; this is consistent with the increased level of operational activities.

Sale of fixed assets delivered a surplus in line with last year at £9.2m (2017: £9.3m). Share of profits and losses in joint ventures and associates of £1.9m (2017: £1.4m) increased in the year primarily due to the Joint Ventures being at advanced stages in their development and sales cycles.

Net interest payable decreased by £1.8m to £22.6m in 2018 (2017: £24.4m) due to more effective Treasury management resulting in additional interest receivable together with the favourable impact of the amortisation of the LOBO fair value capitalised. The weighted average cost of borrowing was 4.29% in 2018 (2017: 4.47%).

The total cost of the investment in Housing Properties increased by £45.8m in the year to £1,178.9m which is primarily driven by increase in the number of housing assets. New housing stock with a value of £70m was added in the year (2017: £65m), with 730 new properties completed and 663 properties under construction at year end.

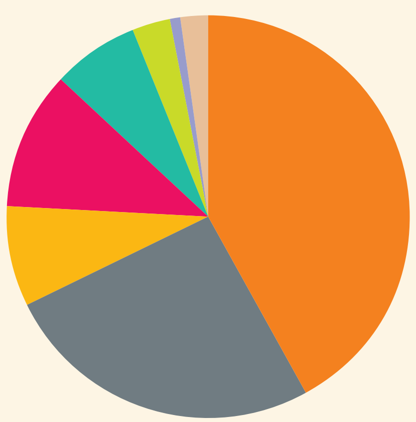
Other Fixed Assets comprise the Group's student accommodation, leasehold offices and furniture and equipment.

Fixed Asset Investments comprise the Group's investment property in Joint Ventures and Associates. The £1.4m movement is attributable to investment loan repayments during the year partially offset by additional profits due to the Group.

The increase in stock relates to the current phase in the development programme, which has resulted in £10.9m additional stock value as at 31 March 2018.

HOUSING ASSETS

The Group owns, manages or administers 15,909 homes in total.



- General Rented & Other Housing
- Shared Ownership
- Key Worker loans
- Key Workers NHS
- Leaseholder
- Student Accommodation
- Market & Intermediate Rent
- Fizzy

BALANCE SHEET

	2018	2017
	£'000	£'000
Net housing properties	1,178,929	1,133,110
Other fixed assets	25,650	25,465
Investments in joint venture and associates	67,243	68,621
Homebuy equity loans	46,168	51,057
Cash	69,907	98,200
Stock	40,025	29,166
Debtors	19,702	17,968
Creditors	(796,870)	(806,104)
Net assets	**650,754**	**617,483**
Reserves	**650,754**	**617,483**

CASH FLOW

A summary of the cash flow for the year is set out in the table below:

	2018	2017
	£'000	£'000
Cash flow from operating activities	42,110	66,947
Net interest paid	(22,598)	(24,177)
Proceeds from sale of fixed assets – housing properties	31,989	29,061
Purchases of fixed assets – housing properties	(78,389)	(71,566)
Receipt of grant	143	1,586
Other	4,860	(3,075)
Loans repaid	(6,408)	(3,353)
(Decrease) in Cash	**(28,293)**	**(4,577)**

TREASURY

The Group is financed by a combination of revenue reserves, long-term loan facilities and social housing grant received either directly from Government or from the Recycled Capital Grant Fund.

Group priorities are to ensure that there is at least 18 months cash and liquidity to fund operations in accordance with the Treasury Policy, to protect against the impact of adverse movements in interest rates, to ensure loan covenants are comfortably met and to prioritise the preservation of capital over financial returns when making investment decisions.

LOAN STRUCTURE

At 31 March 2018 facilities totalled £652m; drawn loans amounted to £562m with undrawn revolving credit facilities of £90m. All undrawn revolving credit facilities are fully secured and available for drawing. As at the year end the Group held cash of £69.9m (£54.9m in Thames Valley Housing Association Limited, £14.8m in Thames Valley Charitable Housing Association Limited and £0.2m in other group subsidiaries). Net debt equates to £492.2m at year end.

TREASURY AND BALANCE SHEET

All existing debt and loan facilities are held with Thames Valley Charitable Housing Association Limited with the exception of a £40m nominal loan with Legal and General which is held with Thames Valley Housing Association.

The Group has capacity to fund its development programme and will continue to develop shared ownership and invest in other affordable housing for the foreseeable future. This is expected to be financed through a combination of operating cash flow and new borrowing.

DEBT REPAYMENT PROFILE

The weighted average duration of drawn debt for the Group is 25 years. The Treasury policy aims to ensure that the Group does not have to refinance any more than 10% of drawn debt in any one year. Following the changes to the Barclays LOBO facility, £110m of debt is now repayable in the year ended March 2067.

CASH AND LIQUIDITY MANAGEMENT

The Group maintained significant cash balances throughout the year to provide adequate and on-going funding for the development programme. The Group's cash management strategy is to hold cash equivalent to six months' net cash requirement (and cash and liquidity for 18 months' net cash requirement). Cash balances during the year were held in short term deposit accounts and AAA rated money market funds.

CURRENCY RISK

The Group operates solely in the UK and does not have any currency risk in its normal course of business.

INTEREST RATE MANAGEMENT

The Group has no exposure to derivative margin calls. The weighted average cost of borrowing in the year for the Group was 4.29% (2017: 4.47%).

LOAN COVENANT COMPLIANCE

There are no Group-wide loan covenant requirements. Covenants relate to specific loans for TVCHA and TVHA.

Compliance with financial covenants are monitored on a monthly basis, reported to the Board quarterly and were comfortably met throughout the year and at the year-end for all loan facilities.

The Board has adopted and complied with the National Housing Federation's 2015 Code of Governance. The Board has adopted and complies with a code of conduct which conforms to the NHF's requirements. The Board has adopted the Voluntary NHF Code for Mergers, Group Structures and Partnerships and has confirmed its compliance with this Code during the year. The Group has a Modern Slavery and Human Trafficking Statement which has been published on the TVHA website.

INTERNAL CONTROL

The Board certifies that it is compliant with the Regulator of Social Housing and Financial Viability Standard.

The Board has responsibility for ensuring that a whole system of internal control is established and maintained and for reviewing its effectiveness. The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and to provide reasonable assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Group's assets and interests. In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls which are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed.

Regular management reporting on control issues provides assurance to successive layers of management and to the Board. The arrangements include rigorous procedures, monitored by the Group Audit and Risk Committee, for ensuring that corrective action is taken in relation to any significant control issue.

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

The Group Audit and Risk Committee considers internal control and risk at its meetings during the year. The internal audit function is externally resourced and reports directly to the Group Audit and Risk Committee. The internal audit programme is linked to the risk identification process.

As part of the system of internal control the Board has a strategy and policy on fraud and bribery covering prevention, detection and reporting and the recovery of assets. The Group has a Money Laundering Reporting Officer (MLRO) and a Money Laundering Compliance Principal (MLCP).

The Board has received the Executive Directors' annual report on internal controls assurance, including arrangements for managing fraud and bribery; the annual review of the effectiveness of the system of internal control from the Group Audit and Risk Committee; and the annual Health & Safety report and has taken account of any changes needed to maintain the effectiveness of the risk management and control process. The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Association. This process has been in place throughout the year under review, up to the date of the annual report, and is regularly reviewed by the Board. No significant failings or weaknesses were identified; there were no incidents of money laundering reported in the year, there were no cases of fraud and five attempted cases of fraud. No cases of bribery were reported and all instances of attempted fraud were recorded in the fraud register.

The process adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework includes:

- **Identification and evaluation of key risks**
  Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of the Association's activities. This process is co-ordinated through a regular reporting framework by the Executive, Senior Management Team, Investment Management and Health & Safety Groups which regularly consider reports on significant risks facing the Association. The Chief Executive is responsible for reporting to the Board any significant changes affecting key risks. The Group Audit and Risk Committee has a responsibility to ensure that appropriate disaster recovery and contingency plans are in place and are tested regularly.

- **Monitoring and corrective action**
  A process of control self-assessment and regular management reporting on control issues provides assurance to the management and to the Board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those with a material impact on the financial statements. The Group's Audit and Risk Committee has responsibility for reviewing the Group's risk management systems.

  The Policy & Performance team oversees the production of a reporting suite of information which covers key performance indicators used to monitor the business. Performance outcomes are given a traffic light assessment and management responses are formally recorded for required control action.

- **Determining risk appetite**
  The Board is responsible for setting the risk appetite of the Group as part of the internal control framework. The risk appetite is used to determine the level of risk that is acceptable across the Group's operating, financing and investing activities with the overall aim of ensuring that the core business objective is not impacted negatively, or such impact is reduced to a minimum. As an internal control tool the Group's risk appetite and risk profiling is based on eight established principles set by the Board which are tied into the strategic plan. These principles guide the Board's decision on the level of risk acceptable for specific areas and the policies and control required to mitigate the risk.

  The Board reviews the underlying principles on an annual basis to ensure that they are fit for purpose or adapted to meet any change in the business environment.

- **Control environment and control procedures**
  The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including treasury strategy and new investment projects. The Group follows risk-averse policies to shield it from adverse movements in interest rates. The Board disseminates its requirements to all employees through the Thames Valley Housing Group's policies with regard to the quality, integrity and ethics of its employees. It is supported by a framework of policies and procedures with which all employees must comply. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection, the requirements of the Bribery Act, fraud prevention and detection, and money laundering.

The Group Audit and Risk Committee receives and considers internal audit reports which include recommendations to strengthen the control environment. The Group Audit and Risk Committee receives twice a year a Risk Management Review Report from the Chief Executive. The Board of the Association also receives quarterly Risk Management Review reports. The Group Audit and Risk Committee reviews the proportionality, independence and appropriateness of the Group's whistle blowing policy and follow-up action. It also receives a report on the entries in the gifts and hospitality register and any instance of fraud or suspected instances of money laundering.

The Group Investment Committee considers and makes investment decisions which require Board approval and which fall outside of the Board Meeting cycle. The Group Investment Committee has delegated authority to consider and to approve the funding of projects within approved parameters. Minutes of the Group Investment Committee are reported to the Board.

- **Information and financial reporting systems**
  Financial reporting procedures include a detailed budget for the year ahead with a monthly reporting cycle that identifies variances, and forecasts for subsequent years with a comprehensive Business Plan for the next 30 years. The Business Plan incorporates a detailed multivariate stress testing of the financial plan. The detailed budget and Business Plan are reviewed and approved by the Board. The Board also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

STATEMENT OF BOARD RESPONSIBILITIES

BY ORDER OF THE BOARD

GRAINIA LONG
Chair

The Board is responsible for preparing financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice for each financial year, which gives a true and fair view of the state of affairs of the Association and the Group and of the surplus or deficit for that period. In preparing those financial statements, the Board is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association and the Group will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and the Group and to enable it 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, the Accounting Direction for Private Registered Providers of Social Housing 2015 and Applicable Accounting Standards with special regard to the Statement of Recommended Practice; Accounting by Registered Social Housing Providers Update 2014. It has general responsibility for taking reasonable steps to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

SHARE CAPITAL

The non-executive Board Members of TVHA and TVCHA each hold one fully paid share of £1 in each Association which carries no rights to dividends or other income. The Group Company Secretary and Executive Management hold no interest in the Association's share capital.

AUDITORS

Each of the current Board Members has taken all of the steps that they ought to have taken to make themselves aware of information needed by the Association's auditors for the purpose of their audit and to establish that the auditors are aware of that information. No Member of the Board is aware of any relevant audit information of which the auditors are unaware.

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

OPINION

We have audited the financial statements of Thames Valley Housing Association Limited ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2018 which comprise the consolidated and Association statement of comprehensive income, the consolidated and Association statement of financial position, the consolidated and Association statement of changes in equity, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- Give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2018 and of the Group's profit and the Association'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 Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

BASIS FOR OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

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

- The Board 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 Group's or the Association's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

OTHER INFORMATION

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

In connection with our audit of the financial statements, our responsibility is to read the other information including the Strategic Report, Statement of Corporate Governance and Internal Controls and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact. We have nothing to report in this regard.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

RESPONSIBILITIES OF THE BOARD

As explained more fully in the Statement of Board responsibilities statement set out on page 31, 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 Group and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intend to liquidate the Group or the Association or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

USE OF OUR REPORT

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

BDO LLP
Statutory Auditor
55 Baker Street
London, W1U 7EU
United Kingdom

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127). Dated: 3rd September 2018

STATEMENT OF COMPREHENSIVE INCOME

		GROUP		ASSOCIATION	
	Note	2018	2017	2018	2017
		£'000	£'000	£'000	£'000
TURNOVER	4	**126,121**	**109,151**	**84,558**	**58,776**
Cost of sales	4	(26,300)	(13,687)	(44,353)	(19,131)
Operating costs	4	(54,856)	(53,773)	(24,970)	(25,580)
Surplus on sale of fixed assets	7	9,226	9,341	346	946
OPERATING SURPLUS		**54,191**	**51,032**	**15,581**	**15,011**
Share of profits of joint ventures	14	2,432	1,595	–	–
Share of losses of associates	14	(495)	(243)	–	–
Charitable donation paid	30	–	–	(15,802)	(13,261)
Interest receivable	10	2,863	2,528	2,414	2,317
Interest payable	11	(25,442)	(26,890)	(3,911)	(3,514)
Movement in fair value of financial instruments	23	–	71,617	–	(9)
Movement in fair value of investment properties	15	268	(873)	(15)	4
Movement in fair value of fixed asset investments	14	–	1,900		–
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		**33,817**	**100,666**	**(1,733)**	**548**
TAXATION ON SURPLUS	12	**602**	**(1,016)**	**75**	**(510)**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**34,419**	**99,650**	**(1,658)**	**38**

STATEMENT OF CHANGES IN EQUITY

	REVENUE RESERVE	REVALUATION RESERVE	TOTAL 2018	TOTAL 2017
GROUP	£'000	£'000	£'000	£'000
At 1 April	**403,895**	**213,588**	**617,483**	**518,870**
Surplus for the year	34,419	–	34,419	99,650
Movement in reserves	64	(1,212)	(1,148)	(1,037)
At 31 March	**438,378**	**212,376**	**650,754**	**617,483**
ASSOCIATION				
At 1 April	92,779	1,754	94,533	94,533
(Deficit)/surplus for the year	(1,658)	–	(1,658)	38
Movement in reserves	–	–	–	(54)
At 31 March	**91,121**	**1,754**	**92,875**	**94,533**

Auditor's remuneration is exclusive of VAT and related expenses.

The notes on pages 38 to 70 form part of these financial statements.

BALANCE SHEET

These financial statements were approved and authorised for issue by the Board on 19 July 2018 and signed on its behalf by:

Grainia Long
Chair

Brian Hendon
Chair, Group Audit & Risk Committee

Rita Akushie
Group Finance Director

Patricia Etter
Group Company Secretary

		GROUP		ASSOCIATION	
	Note	2018	2017	2018	2017
FIXED ASSETS		£'000	£'000	£'000	£'000
Net housing properties	13	1,178,929	1,133,110	110,034	115,022
Fixed asset investments – joint ventures	14	32,092	32,831	–	–
Fixed asset investments – associates	14	35,151	35,790	–	–
Other fixed assets	15	25,650	25,465	11,650	11,706
Homebuy equity loans advanced	16	46,168	51,057	–	–
		1,317,990	**1,278,253**	**121,684**	**126,728**
CURRENT ASSETS					
Properties for sale and work in progress	17	40,025	29,166	161,863	123,175
Debtors:					
– Amounts receivable within one year	18	10,466	9,819	35,797	42,951
– Amounts receivable after one year	18	9,236	8,149	24,578	19,429
Cash at bank and in hand		69,907	98,200	54,951	31,310
		129,634	**145,334**	**277,189**	**216,865**
CREDITORS					
Amounts falling due within one year	19	(68,778)	(63,490)	(227,204)	(165,129)
NET CURRENT ASSETS		60,856	81,844	49,985	51,736
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,378,846**	**1,360,097**	**171,669**	**178,464**
CREDITORS					
Amounts falling due after more than one year	19	(728,092)	(742,614)	(78,794)	(83,931)
NET ASSETS		**650,754**	**617,483**	**92,875**	**94,533**
CAPITAL AND RESERVES					
Non-equity share capital	25	–	–	–	–
Revenue reserve		438,378	403,895	91,121	92,779
Revaluation reserve		212,376	213,588	1,754	1,754
		650,754	**617,483**	**92,875**	**94,533**

CONSOLIDATED CASH FLOW STATEMENT

	Note	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		£'000	£'000
Surplus for the financial year		34,419	99,650
Adjustments for:			
Depreciation of fixed assets – housing properties	13	11,720	11,351
Depreciation of fixed assets – other	15	1,968	2,033
Write offs	13, 15	(307)	1,601
Amortised grant	4	(113)	(87)
Debt issue costs	23	(1,131)	394
Share of (deficit) in joint venture	14	(2,432)	(1,595)
Share of surplus in associates	14	495	243
Net fair value (gains) recognised in profit or loss		(268)	(72,644)
Interest payable and finance costs	11	25,442	26,890
Interest received	10	(2,863)	(2,528)
Difference between net pension expense and cash contribution	26	(943)	(588)
Surplus on the sale of fixed assets – housing properties	7	(9,226)	(9,341)
Decrease in trade and other debtors	18	(1,734)	17,931
(Decrease) in stocks	17	(10,859)	(6,726)
(Decrease)/increase in trade creditors	19	(2,058)	363
CASH FROM OPERATIONS		**42,110**	**66,947**
NET CASH GENERATED FROM OPERATING ACTIVITIES		**42,110**	**66,947**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of fixed assets – housing properties	7	31,989	29,061
Purchases of fixed assets – housing properties	13	(78,389)	(71,566)
Purchases of fixed assets – other	15	(3,612)	(5,245)
Receipt of grant	20	143	1,586
Interest received	10	2,863	2,528
Homebuy loans repaid	16	4,889	6,873
Investment in associated undertaking	14	412	58
Investment in joint venture	14	3,171	(4,761)
NET CASH FROM INVESTING ACTIVITIES		**(38,534)**	**(41,466)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	11	(25,461)	(26,705)
Repayment of loans – bank	23	(6,408)	(3,353)
NET CASH USED IN FINANCING ACTIVITIES		**(31,869)**	**(30,058)**
Net (decrease) in cash and cash equivalents		(28,293)	(4,577)
Cash and cash equivalents at beginning of year		98,200	102,777
Cash and cash equivalents at end of year		**(69,907)**	**98,200**

The notes on pages 38 to 70 form part of these financial statements.

NOTES ON THE FINANCIAL STATEMENTS

1. LEGAL STATUS

The Association 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.

2. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which for Thames Valley Housing Association Limited includes the following;

- The Co-operative and Community Benefit Societies Act 2014 (and related group regulations)
- The Housing and Regeneration Act 2008
- The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland (FRS102)
- The Accounting Direction for Private Registered Providers of Social Housing 2015.

The preparation of financial statements in compliance with FRS102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies.

BASIS OF CONSOLIDATION

The Consolidated Financial Statements have been prepared in accordance with FRS102 "Consolidated and Separate Financial Statements". The financial statements present the results of Thames Valley Housing Association Limited and its subsidiary undertakings as listed in Note 14 as if they formed a single entity. Intercompany transactions and balances between group companies are eliminated in full.

GOING CONCERN

The Association's current financial position and future operations are outlined within the strategic report. The Board has reasonable expectations that the group has adequate resources to meet future development programmes and operational commitments. Hence it continues to adopt the going concern basis in the financial statements.

JOINT VENTURES AND ASSOCIATES

The Group entered into joint ventures with Galliford Try (Opal) and Kier Partnerships (Evolution) and has set up Jointly Controlled Entities to carry out economic activity for the benefit of both partners. The Group has also invested in Fizzy Enterprises LLP which is an associate and in which it exercises significant influence over its operating and financial policy decisions.

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

INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

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

TURNOVER

Turnover is measured at the fair value of the consideration received or receivable. Turnover is generated from the following:

- Rental income receivable (after deducting rent from void properties available for letting)
- First tranche sales of low cost home ownership housing properties developed for sale
- Service charges receivable
- Income from Homebuy activities
- Revenue grants and proceeds from the sale of land and property
- Income from other social activities which includes overhead recharge recoverable cost, grant amortisation and other social lettings
- Income from non-social activities from joint ventures and associate.

HOUSING PROPERTIES

Housing properties in the course of construction are stated at cost and included in fixed assets. Properties under construction are transferred to "completed housing properties" when they are available for letting.

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

In adopting FRS102, the group elected to measure housing properties at deemed cost on transition to the new standard. This was applied on a scheme by scheme basis from the date of transition. Housing properties are measured at cost less depreciation.

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 in Note 13.

Housing properties are subject to an annual impairment review. This has been carried out on a scheme by scheme basis in accordance with the way these properties are managed. If housing properties have suffered impairment, the fall in value to the recoverable amount is recognised in the Statement of Comprehensive Income.

DEPRECIATION OF HOUSING PROPERTY

Housing properties have been split between their land and structure costs and a specific set of major components which require periodic replacement. The costs of replacement or refurbishment of such components are capitalised and depreciated over the estimated useful economic lives of the components (excluding land and grant) at the following rates:

Kitchens	20 years
Boilers	15 years
Bathrooms	30 years
Windows	30 years
Electrics and Plumbing	30 years
Roofs	80 years
Doors	40 years
Common parts	25 years
Lifts	20 years
Structure	125 years

The exceptions to the above policy are as follows:

- Components for key worker and Woking Private Finance Initiative (PFI) properties are depreciated in accordance with lifecycles specific to the contractual obligations
- The estimated useful economic lives of the components are five years less than that stated above in Time House.

DEPRECIATION OF OTHER FIXED ASSETS

Other fixed asset depreciation is charged on a straight-line basis over the expected useful economic lives of the assets to write off the cost less estimated residual values at the following annual rates:

Office furniture and equipment	25%
Computer hardware	33%
Computer software	14%
Key workers and student accommodation furnishing and equipment	25%
Leasehold improvements	Over the lease period

SHARED OWNERSHIP PROPERTIES

Under Shared Ownership arrangements, the Group disposes of a long lease to the occupier. The lease premium paid is typically between 25% and 75% of the value. The occupier has the right to purchase further proportions up to 100%. A shared ownership property comprises two assets: that to be disposed of in the first tranche sale, which is recorded as a current asset and stated at the lower of cost and net realisable value; and that retained by the Group, which is recorded as a fixed asset in the same manner as for general needs housing properties held for rental.

Proceeds of first tranche sales are accounted for as turnover in the Statement of Comprehensive Income, with the apportioned cost being shown as cost of sales within operating results. The proceeds of subsequent tranches sold ("staircasing") are reflected in the Statement of Comprehensive Income as a surplus or deficit on sale of fixed asset housing properties.

Shared ownership properties are not depreciated in the expectation that the net realisable value at the time of disposal will be in excess of the historical cost.

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.

GOVERNMENT GRANTS
Government grants are paid by the Regulator or Greater London Authority (GLA) to subsidise the cost of housing properties.

Grants in relation to newly acquired or existing housing properties are accounted for using the accrual model as set out in FRS102 and the Housing SORP 2014. Grants are recognised as deferred income in the Balance Sheet and released to the Comprehensive Income Statement on a systematic basis over the useful economic lives of the asset.

Grants are repayable or recycled unless formally abated. Grants are recycled on disposal of a property and are credited to a Recycled Capital Grant Fund until they are reinvested in a replacement property. The Recycled Capital Grant Fund is included as a creditor due within one year or due after more than one year, as appropriate. If the Recycled Capital Grant Fund is not used within a three year period then in principle it becomes repayable.

Grants which are received in advance of development costs being incurred are shown as current liabilities.

Grants of a revenue nature are credited to the Statement of Comprehensive Income in the period to which they relate.

HOMEBUY EQUITY LOANS AND RELATED GRANTS
Loans advanced by the Group are disclosed in the fixed asset section of the Balance Sheet.

Grants relating to Homebuy Equity are recognised as a liability in full until the loan is redeemed and the grant is transferred to Recycled Capital Grant Fund.

The Association has advanced two types of Homebuy Equity Loans; "Open Market Homebuy" and "MyChoice Homebuy". Under Open Market Homebuy the Group received grants representing a percentage of the open market purchase price of a property in order to advance interest free loans (concessionary loans) of the same amount to a homebuyer. The homebuyer met the balance of the purchase price from a combination of personal mortgage and their own resources. Under MyChoice Homebuy the Association also issued a loan representing a percentage of the open market purchase price of the properties. 50% of this loan is funded from the Association's own resources and the balance is funded by grant.

In the event that the property is sold, the Group recovers the equivalent loaned percentage value of the property at the time of the sale. The grant becomes recyclable when the loans are repaid up to the amount of the original grant and to the extent the proceeds permit. The Group is able to retain any surplus proceeds less sale costs attributable to the equivalent loaned percentage share of the value of the property. If there is a fall in the value of the property, the shortfall of proceeds is offset against the grant. In the case of Open Market Homebuy, the Group can suffer no capital loss whereas in the case of MyChoice Homebuy, the Group could incur a loss if the shortfall exceeds the abated grant.

LOANS, INVESTMENTS AND SHORT TERM DEPOSITS
All loans, investments and short term deposits are held by the Group as basic financial instruments in accordance with FRS102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost) and are subsequently measured at amortised cost.

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

Finance costs are capitalised in housing properties under construction up to the date of practical completion using a weighted average cost of borrowing.

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 initially recognised at cost or the lower of cost and present value of lease payment if the property is under lease. Investment properties are subsequently measured at fair value annually by external valuers at each reporting date with changes in fair value recognised in the Statement of Comprehensive Income.

PROPERTIES FOR SALE AND WORK IN PROGRESS
Under Right to Buy and Right to Acquire arrangements the Group sells properties to qualifying tenants. Surpluses and deficits arising are included in the surplus on sale of fixed assets in the Statement of Comprehensive Income.

Where properties have been developed on behalf of subsidiary undertakings, these assets are shown within stock and work in progress in the Association's financial statements.

Stock and work in progress is stated at the lower of cost and net realisable value (NRV). NRV is based on the actual or estimated selling price less all further costs to completion and to be incurred in marketing, selling and distribution. Assessing NRV requires use of estimation techniques. In making this assessment, management considers publicly available information and internal forecasts of future sales activity.

In respect of Low Cost Home Ownership properties the cost figure shown within stock and work in progress is that apportioned to the first tranche sales element of the asset, based initially on scheme appraisals and updated where appropriate.

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.

TAXATION
The charge for taxation is based on the surplus for the year and takes into account deferred taxation.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date except that:
- deferred tax is not recognised on timing differences arising on revalued properties unless the Group has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the Group anticipates making sufficient taxable surpluses in the future to absorb thereversal of the underlying timing differences.

VAT
A large proportion of the Group's turnover comprises rental income which is exempt for VAT purposes and gives rise to a partial exemption claim. Expenditure is therefore shown inclusive of VAT. Recoverable VAT arising from partially exempt activities is credited to the Statement of Comprehensive Income.

RECYCLED CAPITAL GRANT FUND AND DISPOSAL PROCEEDS FUND
Following certain relevant events, primarily the sale of dwellings, the Regulator of Social Housing can direct the Group to recycle grant or to repay the recoverable capital grant back to the Regulator of Social Housing. Where the grant is recycled the recoverable capital grant is credited to a Recycled Capital Grant Fund where it can remain for up to three years. Where the sale of dwellings arises under the Right to Acquire, the proceeds after deducting appropriate costs are credited to a Disposal Proceeds Fund, where it can remain for up to three years. These funds are included as creditors due within one year or due after more than one year as appropriate to the circumstances.

PENSION COSTS
The Group participates in two funded industry-wide multi-employer schemes; The Social Housing Pension Scheme and The Growth Plan which are defined benefit pension schemes. The Group also offers employees a defined contribution scheme within The Social Housing Pension Scheme.

The defined benefit pension schemes are accounted for as defined contribution schemes due to insufficient information available from the actuary to account for them as defined benefit. Contributions made toward the schemes are charged to the Statement of Comprehensive Income in the year in which they become payable. Contributions to the Group's defined contribution scheme are charged to the Statement of Comprehensive Income in the year in which they become payable.

For the Group's defined benefit schemes, the present value of the contractual commitments to fund the past pension deficit are recognised as a liability on the Balance Sheet at the present value, using the corporate bond rate as an appropriate discount rate. The discount is unwound annually with the unwinding effect charged to the Statement of Comprehensive Income as pension interest.

PROVISIONS
The Group only provides for legal or contractual liabilities and constructive obligations which exist at the Balance Sheet date. The provisions are assessed at each Balance Sheet date in order to ensure that they are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation.

LEASED ASSETS
Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the term of the lease.

Leasing agreements that transfer to the Group substantially all of the benefits and risks of ownership of an asset are treated as finance leases and are capitalised as if they had been purchased outright within fixed assets. The asset and corresponding lease liability are initially recognised at the present value of the minimum lease payments. Subsequently, the finance lease liability is carried at amortised cost using the 'effective interest rate method', which allocates the interest expense over the period to maturity at a constant rate on the balance of the liability. The finance lease asset is depreciated in accordance with fixed asset depreciation policy.

LEASEHOLD SINKING FUNDS
Unexpended amounts collected from leaseholders for major repairs on leasehold schemes are included in creditors.

OVERHEAD ALLOCATION
Overhead costs are expenses which are not directly attributable to a cost centre or subsidiaries. The group policy is to incur all overhead in the parent company and apportion between cost centres and subsidiaries based on the detailed time analysis agreed at the start of each year based on the strategic business plan. At group level all overhead charges between the group entities are eliminated.

The main areas of business activities to which overheads are allocated are:
- Housing
- Corporate
- Marketing & Sales
- Leasehold
- Commercial
- Development
- New Business
- Other.

3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

- Impairment of housing and investment assets. Factors considered in reaching the decision that there is no impairment of the Group's housing and investment assets included economic viability and expected future financial performance of the asset. If this judgement later proves to be incorrect, the impairment charge would decrease surpluses and reserves.

- First tranche percentage: where assets are held in stock as being developed for the subsidiary, a judgement is made about the assumed percentage of first tranche equity sold and this value is transferred to "stock". If this estimate proves to be incorrect, the balance of stock and fixed assets would alter.

- Pension: the Group relies on SHPS for the underlying assumptions in relation to the estimate of the defined benefit pension scheme obligation such as standard rates of inflation, mortality, discount rate and anticipated future salary increases. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expense.

- Depreciation of assets: fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets are assessed on a periodic basis and may vary slightly depending on a number of factors that relevant to the underlying asset. Fixed assets are expected to come to a nil value at the end of its usefully economic life however if the Group's estimates on the life of the assets proves incorrect this could result in lower surpluses and reserves.

- Depreciation of components: housing property assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components. A variation to those estimates and judgements would impact surpluses and reserves.

- Valuations: investment properties are professionally valued annually using a yield methodology. This uses market rental values capitalised at a market capitalisation rate but there is an inevitable degree of judgement involved in that each property is unique and value can only ultimately be reliably tested in the market itself. Key inputs into the valuations are disclosed in Note 13. We therefore believe that investment properties held at value reflect current market values expected in an arm's length transaction.

- Recoverability of debtors: the estimate for receivables relates to the recoverability of the balances outstanding at year end. A review is performed on an individual debtor basis to consider whether each debt is recoverable. If these judgements are later reversed, this would reduce turnover.

4. TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING RESULTS – GROUP

	2018				2017			
	Turnover	Cost of Sales	Operating Costs	Operating Surplus	Turnover	Cost of Sales	Operating Costs	Operating Surplus
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
SOCIAL HOUSING LETTINGS (NOTE 5)	**77,276**	**–**	**(42,539)**	**34,737**	**75,601**	**–**	**(40,888)**	**34,713**
First tranche low cost home ownership sales	37,190	(26,300)	–	10,890	20,909	(13,687)	–	7,222
Income from homebuy activities	2,633	–	–	2,633	3,424	–	–	3,424
Right to buy leaseholder activities	318	–	(541)	(223)	342	–	(597)	(255)
Income from student accommodation	2,240	–	(632)	1,608	2,269	–	(572)	1,697
Group operating and policy costs	–	–	(6,841)	(6,841)	–	–	(6,308)	(6,308)
Property development costs	–	–	(629)	(629)	–	–	(1,155)	(1,155)
Other social housing activities	3,992	–	(357)	3,635	4,364	–	(866)	3,498
TOTAL SOCIAL HOUSING ACTIVITIES	**123,649**	**(26,300)**	**(51,539)**	**45,810**	**106,909**	**(13,687)**	**(50,386)**	**8,123**
NON SOCIAL HOUSING ACTIVITIES	**2,472**	**–**	**(3,317)**	**(845)**	**2,242**	**–**	**(3,387)**	**(1,145)**
	126,121	**(26,300)**	**(54,856)**	**44,965**	**109,151**	**(13,687)**	**(53,773)**	**41,691**

Other Social Housing Activities includes Government Grant taken to income of £113k (2017: £87k).

There was no dividend distribution from joint venture for the year £Nil (2017: £Nil) classified in non-social activity (Note 30)

4. TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING RESULTS – ASSOCIATION

	2018				2017			
	Turnover	Cost of Sales	Operating Costs	Operating Surplus	Turnover	Cost of Sales	Operating Costs	Operating Surplus
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
SOCIAL HOUSING LETTINGS (NOTE 5)	**10,615**	**–**	**(5,727)**	**4,888**	**9,876**	**–**	**(5,662)**	**4,214**
First tranche low cost home ownership sales*	36,496	(25,910)	–	10,586	20,756	(13,575)	–	7,181
Low cost home ownership sales	14,498	(13,028)	–	1,470	5,713	(2,078)	–	3,635
Outright sales	6,061	(5,415)	–	646	5,248	(3,478)	–	1,770
Group operating and policy costs	–	–	(3,657)	(3,657)	–	–	(2,673)	(2,673)
Development services to subsidiary	770	–	(770)	–	829	–	(829)	–
Property development costs	–	–	(629)	(629)	–	–	(1,155)	(1,155)
Other social housing activities	15,365	–	(12,546)	2,819	15,737	–	(13,762)	1,975
TOTAL SOCIAL HOUSING ACTIVITIES	**83,805**	**(44,353)**	**(23,329)**	**16,123**	**58,159**	**(19,131)**	**(24,081)**	**14,947**
NON-SOCIAL HOUSING ACTIVITIES	**753**	**–**	**(1,641)**	**(888)**	**617**	**–**	**(1,499)**	**(882)**
	84,558	**(44,353)**	**(24,970)**	**15,235**	**58,776**	**(19,131)**	**(25,580)**	**14,065**

Other Social Housing Activities includes Government Grant taken to income of £104k (2017: £45k).

There was no dividend distribution from joint ventures for the year £Nil (2017: £Nil) classified in Non Social activity (Note 30)

5. INCOME FROM AND EXPENDITURE ON SOCIAL HOUSING LETTINGS – GROUP

	Rented Properties	Low Cost Home Ownership	Key Worker Accommodation	Supported Housing	Total 2018	Total 2017
	£'000	£'000	£'000	£'000	£'000	£'000
Rents receivable	38,538	20,294	10,472	102	69,406	67,840
Service charges receivable	2,876	4,799	186	9	7,870	7,761
NET RENTAL INCOME	**41,414**	**25,093**	**10,658**	**111**	**77,276**	**75,601**
EXPENDITURE ON SOCIAL HOUSING LETTINGS						
Management	3,549	775	540	1	4,865	4,734
Services	5,640	4,606	2,172	19	12,437	12,530
Routine maintenance	7,100	1,256	1,137	22	9,515	8,510
Gas servicing	1,045	119	29	-	1,193	1,254
Major repairs expenditure	785	352	984	1	2,122	2,239
Bad debts provision	247	107	10	-	364	63
Latent defects	-	(36)	(215)	-	(251)	(291)
Depreciation of housing properties	8,040	783	2,619	67	11,509	11,277
Other costs	662	(2)	125	-	785	572
OPERATING COSTS ON SOCIAL HOUSING LETTINGS	**27,068**	**7,960**	**7,401**	**110**	**42,539**	**40,888**
OPERATING SURPLUS ON SOCIAL HOUSING LETTINGS	**14,346**	**17,133**	**3,257**	**1**	**34,737**	**34,713**
Void losses	110	46	189	1	346	282
EXPENDITURE TO WORKS ON HOUSING PROPERTIES						
Amounts expensed to the statement of comprehensive income					2,122	2,239
Amounts capitalised in fixed asset housing properties					2,377	6,574
					4,499	**8,813**

5. INCOME FROM AND EXPENDITURE ON SOCIAL HOUSING LETTINGS – ASSOCIATION

	Rented Properties	Low Cost Home Ownership	Key Worker Accommodation	Total 2018	Total 2017
	£'000	£'000	£'000	£'000	£'000
Rents receivable	2,228	2,003	5,612	9,843	9,288
Service charges receivable	230	542	-	772	588
NET RENTAL INCOME	**2,458**	**2,545**	**5,612**	**10,615**	**9,876**
EXPENDITURE ON SOCIAL HOUSING LETTINGS					
Management	191	80	241	512	484
Services	256	405	1,161	1,822	1,997
Routine maintenance	215	26	478	719	481
Major repairs expenditure	9	33	203	245	229
Bad debts provision	22	–	(3)	19	(13)
Depreciation of housing properties	631	–	1,781	2,412	2,510
Other costs	177	–	7	184	163
Latent defects	–	–	(186)	(186)	(189)
OPERATING COSTS ON SOCIAL HOUSING LETTINGS	**1,501**	**544**	**3,682**	**5,727**	**5,662**
OPERATING SURPLUS ON SOCIAL HOUSING LETTINGS	**957**	**2,001**	**1,930**	**4,888**	**4,214**
Void losses	2	3	21	26	21
EXPENDITURE TO WORKS ON HOUSING PROPERTIES					
Amounts expensed to the statement of comprehensive income				245	229
Amounts capitalised in fixed asset housing properties				1,052	5,533
				1,297	**5,762**

6. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAX

		GROUP		ASSOCIATION	
	Note	2018	2017	2018	2017
IS STATED AFTER CHARGING		£'000	£'000	£'000	£'000
Depreciation	13, 15	13,688	13,384	4,384	4,431
OPERATING LEASE CHARGES					
Land and buildings		8,176	8,953	8,176	8,953
Other		462	540	462	540
AUDITOR'S REMUNERATION					
In their capacity as external auditors		60	64	30	27
IN RESPECT OF OTHER SERVICES					
Service charge audit fees		81	88	–	–
Tax advice		88	174	88	62

Auditor's remuneration is exclusive of VAT and related expenses.

7. SURPLUS ON SALE OF FIXED ASSETS

	2018	2017
	£'000	£'000
GROUP		
COMPLETED HOUSING PROPERTIES		
Proceeds on sale of housing property assets	32,044	29,774
Costs of sale of housing property assets	(21,787)	(19,514)
Abated grant	(133)	(206)
Incidental selling costs and attributable overheads	(898)	(713)
SURPLUS ON SALE OF FIXED ASSETS	**9,226**	**9,341**
ASSOCIATION		
COMPLETED HOUSING PROPERTIES		
Proceeds on sale of housing property assets	1,373	2,933
Attributable net book value of housing property assets	(1,002)	(1,979)
Incidental selling costs and attributable overheads	(25)	(8)
SURPLUS ON SALE OF FIXED ASSETS	**346**	**946**

8. DIRECTORS' REMUNERATION AND EXPENSES – GROUP AND ASSOCIATION

For the purpose of this note, the Directors are the Board Members and the Executive Management as shown on pages 20 and 21.

	2018	2017
	£'000	£'000
Aggregate emoluments payable to the Executive Management	856	857
Pension contribution	18	10
Benefits in kind	7	5
Aggregate emoluments and expenses payable to the Non-Executive Directors	80	84
Emoluments Payable To The Highest Paid Director Were As Follows		
Salary	176	213
Benefits in kind	2	2

The Chief Executive is a member of the SHPS Pension Scheme and no special arrangements apply. No further contributions are made in respect of any other pension arrangements of the Chief Executive.

	2018	2017
	£'000	£'000
TOTAL EXPENSES REIMBURSED TO THE DIRECTORS NOT CHARGEABLE TO UNITED KINGDOM INCOME TAX		
Group	5	12
Association	5	12
AGGREGATE EMOLUMENTS AND EXPENSES PAYABLE TO THE NON-EXECUTIVE DIRECTORS		
Group	80	84
Association	80	84

INDIVIDUAL EMOLUMENTS PAID TO THE NON-EXECUTIVE DIRECTORS

			2018	2017
			£	£
CURRENT BOARD MEMBERS	Remuneration	Expenses	Total	Total
Emma Cariaga	10,500	–	**10,500**	8,500
Brian Hendon	10,500	–	**10,500**	9,219
Kathryn Davis	10,500	319	**10,819**	8,710
Paul Bridge	10,500	–	**10,500**	8,500
Grainia Long	16,000	1,710	**17,710**	12,820
PAST BOARD MEMBERS				
David Clayton Smith	5,631	233	**5,864**	22,074
Ben Denton	7,913	–	**7,913**	10,000
CURRENT COMMITTEE MEMBERS				
Tracy Kiss	2,400	–	**2,400**	1,000
Stephen Turner	2,400	–	**2,400**	1,000

Non-Executive Directors remuneration constituted less than 0.1% of Group turnover.

9. EMPLOYEE INFORMATION

The average number of employees (including the Executive Management) of the Group and Association during the year expressed in full time equivalents based on a standard 35 hour working week was:

	2018	2017
	Number	Number
Chief Executive	3	3
Corporate services	35	36
Development	48	45
Finance	39	35
Housing	134	132
	259	**251**

	2018	2017
EMPLOYEE COSTS (FOR THE ABOVE)	£'000	£'000
Wages and salaries	11,183	10,849
Social security costs	1,217	1,198
Pension costs (see note 27)	1,563	1,508
	13,963	**13,555**
Capitalised salaries	(64)	(55)
	13,899	**13,500**

During the year £106k was paid to four employees as termination and redundancy payments.

HIGHER PAID EMPLOYEES

The full time equivalent number of staff whose remuneration, including pension contributions, fell within each band of £10,000 from £60,000 upwards was:

	2018	2017
£	Number	Number
260,001 – 270,000	1	–
240,001 – 250,000	–	1
210,001 – 220,000	–	1
170,001 – 180,000	2	1
160,001 – 170,000	1	–
150,001 – 160,000	–	2
140,001 – 150,000	2	–
130,001 – 140,000	2	2
120,001 – 130,000	1	1
110,001 – 120,000	3	1
100,001 – 110,000	2	5
90,001 – 100,000	3	3
80,001 – 90,000	3	7
70,001 – 80,000	13	8
60,000 – 70,000	9	13
	42	**45**

10. INTEREST RECEIVABLE

	GROUP		ASSOCIATION	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Interest receivable on bank deposits	685	814	90	74
Interest receivable from subsidiaries	–	–	1,305	1,285
Interest receivable from joint ventures	1,349	1,096	1,019	958
Interest receivable from associates	829	617	–	–
Other interest receivable	–	1	–	–
	2,863	**2,528**	**2,414**	**2,317**

11. INTEREST PAYABLE

	GROUP		ASSOCIATION	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
ON BANK LOANS, OVERDRAFTS AND OTHER LOANS				
Repayable wholly or partly in more than 5 years	25,990	27,120	3,787	3,327
Interest expense on pension deficit	83	141	83	141
INTEREST PAYABLE AND ACCRUED TO THE RECYCLED CAPITAL GRANT				
Fund and disposal proceeds fund	171	140	41	46
	26,244	**27,401**	**3,911**	**3,514**
Less: interest capitalised in housing property costs	(802)	(511)	–	–
	25,442	**26,890**	**3,911**	**3,514**

Interest is capitalised at a weighted average rate of £4.29% (2017: 4.47%) on the Group borrowing portfolio.

12. TAXATION

There is no direct charge to corporation tax arising on the results for the year (direct charge 2017: £1,016).

	GROUP		ASSOCIATION	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Surplus per accounts	33,817	100,666	(1,733)	548
Tax on surplus at standard rate of corporation tax of 19%	6,425	20,133	(329)	110
EFFECTS OF:				
Fixed asset differences	42	48	42	48
Expenses not deductible for tax purposes	127	1,645	120	1,286
Income not taxable for tax purposes	(7,039)	(21,040)	(99)	(541)
Amounts (charged)/credited directly to statement of total recognised gains and losses or otherwise transferred	–	(65)	–	(65)
Chargeable gains	70	939	66	239
Adjust closing deferred tax to average rate of 19%	210	2	167	-
Deferred tax not recognised	-	(271)	-	(339)
Profit from share in partnerships	-	(89)	-	(227)
Adjustment to tax charge in respect of previous periods	(894)	-	(366)	-
Loss from share in partnership	-	(220)	-	-
Adjust opening deferred tax to average rate of 19%	(240)	-	(196)	
Changes to deferred tax not recognised	(94)	-	(245)	-
Group relief surrendered/(claimed	-	-	(178)	-
Difference between accounting and tax adjusted profits from joint ventures	791	–	943	–
Tax losses not utilised	-	(65)	-	-
Movement in fair value of investment properties not deductible for tax	–	(1)	–	(1)
TAX CHARGE FOR THE PERIOD	**(602)**	**1,016**	**(75)**	**510**

13. FIXED ASSETS – HOUSING PROPERTIES – GROUP

	KEY WORKER ACCOMMODATION	RENTED PROPERTIES	RENTED PROPERTIES	LOW COST HOME OWNERSHIP	LOW COST HOME OWNERSHIP	
	Completed Properties Held for Letting	Completed Properties Held for Letting	Under Construction	Completed Properties	Under Construction	Total
COST	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2017	117,647	645,115	14,653	326,296	60,889	1,164,600
Prior period adjustment	–	(658)	–	–	–	(658)
ADDITIONS						
New developments	–	–	22,943	–	44,790	67,733
Works to existing properties	480	3,030	–	(1,133)	–	2,377
Reclassification	–	16,095	(16,095)	26,974	(26,974)	–
Properties completed	–	(1,338)	–	1,207	1,442	1,311
Change of tenure	–	–	165	–	(165)	–
Transfers to subsidiary	–	–	(165)	(1)	166	–
DISPOSALS						
Staircasing sales	–	–	–	(12,313)	(3)	(12,316)
Eliminated on disposal	(52)	(716)	–	–	–	(768)
Other	(283)	(378)	(18)	–	(76)	(755)
At 31 March 2018	**117,792**	**661,150**	**21,483**	**341,030**	**80,069**	**1,221,524**
LESS: DEPRECIATION						
At 1 April 2017	7,606	23,884	–	–	–	31,490
Charge for year	2,757	8,963	–	–	–	11,720
Other	(95)	–	–	–	–	(95)
Transfers from/(to) subsidiary	–	(45)	–	–	–	(45)
Transfers to stock	–	43	–	–	–	43
Eliminated on disposal	–	(43)	–	–	–	(43)
Transfer (to)/from parent	–	45	–	–	–	45
Change of tenure	–	(133)	–	–	–	(133)
Components written off	(26)	(361)	–	–	–	(387)
At 31 March 2018	**10,242**	**32,353**	**–**	**–**	**–**	**42,595**
NET BOOK VALUE						
At 31 March 2018	**107,550**	**628,797**	**21,483**	**341,030**	**80,069**	**1,178,929**
At 31 March 2017	110,041	621,231	14,653	326,296	60,889	1,133,110

13. FIXED ASSETS – HOUSING PROPERTIES – ASSOCIATION

	KEY WORKER ACCOMMODATION	RENTED PROPERTIES	LOW COST HOME OWNERSHIP	LOW COST HOME OWNERSHIP	
	Completed Properties Held for Letting	Completed Properties Held for Letting	Completed Properties	Under Construction	Total
COST	£'000	£'000	£'000	£'000	£'000
At 1 April 2017	64,830	42,646	14,050	–	121,526
ADDITIONS					
New developments	–	(658)	–	–	(658)
Construction costs	–	–	–	81,596	81,596
Works to existing properties	219	7	826	–	1,052
Reclassification:					
Properties completed	–	–	26,974	(26,974)	–
Change of tenure	–	(1,338)	1,207	1,442	1,311
Transfer to subsidiary	–	(2,906)	(15,221)	(165)	(18,292)
Transfers from/(to) stock	–	2,906	(13,787)	(55,823)	(66,704)
DISPOSALS					
Staircasing sales	–	–	(636)	–	(636)
Eliminated on disposal	(283)	–	–	(76)	(359)
At 31 March 2018	**64,766**	**40,657**	**13,413**	**–**	**118,836**
LESS: DEPRECIATION					
At 1 April 2017	5,343	1,161	–	–	6,504
Charge for the year	1,781	746	–	–	2,527
Transfers from stock	–	(45)	–	–	(45)
Change of tenure	–	(132)	–	–	(132)
Transfers from stock	–	43	–	–	43
Eliminated on disposal	(95)	–	–	–	(95)
At 31 March 2018	**7,029**	**1,773**	**–**	**–**	**8,802**
At 31 March 2018	**57,737**	**38,884**	**13,413**	**–**	**110,034**
At 31 March 2017	59,487	41,485	14,050	–	115,022

NET BOOK VALUE OF HOUSING PROPERTIES COMPRISE	GROUP 2018 £'000	GROUP 2017 £'000	ASSOCIATION 2018 £'000	ASSOCIATION 2017 £'000
Freehold	780,671	835,010	12,576	12,053
Long leasehold	373,615	272,338	72,815	77,207
Finance leases	24,643	25,762	24,643	25,762
	1,178,929	**1,133,110**	**110,034**	**115,022**
INTEREST CAPITALISATION				
Rates used for capitalisation (%)	4.29	4.47	4.29	4.47

Given the Group's long held policy of capitalising the finance costs associated with carrying out development activity, it is not possible to disclose the aggregate amount of finance costs included in the cost of housing properties as required by FRS102.

TOTAL SOCIAL HOUSING GRANT RECEIVED OR RECEIVABLE TO DATE:	GROUP 2018 £'000	GROUP 2017 £'000	ASSOCIATION 2018 £'000	ASSOCIATION 2017 £'000
Capital grant – housing properties	23,118	23,194	8,262	11,534
Capital grant – homebuy investments	38,485	42,559	–	–
Recycled capital grant fund	50,575	42,985	11,453	11,722
Disposal proceeds fund	1,129	1,126	–	–
Revenue grant – statement of comprehensive income	4,415	2,597	–	–
Historical grant	383,872	387,484	12,439	9,563

STOCK TRANSACTION

In the current year Thames Valley Housing Association Limited entered into a stock transaction with Thames Charitable Housing Association Limited, with a fair value of £14.1m. The value includes original government grant funding of £5m which has an obligation to be recycled in accordance with the original grant funding terms and conditions. Thames Valley Housing Association Limited is responsible for the recycling of the grant in the event it disposes of the properties.

FINANCE LEASES

The net book value of housing properties for the group includes an amount of £25m (2017: £26m) in respect of assets held under finance leases and hire purchase contracts.

Such assets are generally classified as finance leases as the rental period amounts to the estimated useful economic life of the assets concerned and often the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount.

VALUATION

For information purposes only, completed housing properties were revalued by Jones Lang LaSalle (JLL), Chartered Surveyors at Existing Use Value for Social Housing (EUV-SH) and Market Value (MV) in accordance with the current edition of the Royal Institution of Chartered Surveyors' (RICS Valuation Standards PS5.1) Appraisal and Valuation Standards. EUV-SH means that the properties are assumed to be managed and owned by a Registered Provider of Social Housing which is committed to the provision of rented accommodation let at affordable rents, and that vacant units would be re-let at affordable rents rather than sold on the open market. Market Value means the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

The valuation basis used for this disclosure is that recommended by the Statement of Recommended Practice "Accounting by Registered Social Housing Providers Update 2010". The discount rate in the valuation was between 5.0% and 5.25% for general needs property and between 5.25% and 5.75% for shared ownership rental income, between 7.75% and 8.25% was the discounted rate for staircasing sales (excluding the effect of inflation for rental income) and 8% on estimated future staircasing sales.

If housing properties had been stated at EUV-SH, the amounts disclosed in the Balance Sheet in respect of completed housing properties and the revaluation reserve would have been as follows:

	GROUP 2018 £'000	GROUP 2017 £'000	ASSOCIATION 2018 £'000	ASSOCIATION 2017 £'000
Completed housing properties at valuation	1,121,493	1,056,482	160,040	160,880
Revaluation (loss)/surplus – housing properties	30,078	(14,380)	49,663	45,860
	1,151,571	**1,042,102**	**209,703**	**206,740**

Completed Housing Properties at Valuation is the net book value of all completed properties held for letting in Note 13 and the Investment Properties in Note 14.

Based on the valuation conducted by JLL, Chartered Surveyors at 31 March 2018, the Association's assets EUV-SH valuation is in excess the carrying value of the properties.

The revaluation surplus is primarily due to the expected increase in social rents in England by CPI +1% per annum from 2020.

14. FIXED ASSET INVESTMENTS

The fair value, net book value and share of profits for joint ventures and associated undertakings are presented below:

	JOINT VENTURES EVOLUTION	JOINT VENTURES OPAL	JOINT VENTURES TOTAL	ASSOCIATED UNDERTAKINGS FIZZY	ASSOCIATED UNDERTAKINGS TOTAL
COST	£'000	£'000	£'000	£'000	£'000
At 1 April 2017	2,039	26,727	28,766	36,044	64,810
Additions	57	(3,228)	(3,172)	(987)	(4,159)
At 31 March 2018	**2,096**	**23,499**	**25,594**	**35,057**	**60,651**
SHARE OF PROFITS					
At 1 April 2017	(237)	4,303	4,066	(254)	3,812
Profit for the year	(44)	2,475	2,432	495	2,927
Dividend distribution	–	–	–	(147)	(147)
At 31 March 2018	**(281)**	**6,778**	**6,498**	**94**	**6,592**
NET BOOK VALUE					
At 31 March 2018	**1,815**	**30,277**	**32,092**	**35,151**	**67,243**
At 31 March 2017	1,802	31,030	32,832	35,790	68,622

There was no premium on acquisition relating to the associated undertakings or joint venture.

DETAILS OF SUBSIDIARY UNDERTAKINGS, JOINT VENTURES AND ASSOCIATED UNDERTAKINGS AND OTHER INVESTMENTS

SUBSIDIARY	STATUS	ACTIVITY	HOLDING
Thames Valley Charitable Housing Association Limited	Registered in England and Wales under the Co-operative and Community Benefit Societies Act 2014.	Housing Association	100%
TVHA Fizzy Holdings Ltd	Limited Company registered in England and Wales	Holding Company	100%
TVHA Fizzy 2 Limited	Limited Company registered in England and Wales	Holding Company	100%
Fizzy Services Management LLP	LLP registered in England and Wales	Property Management	100%
Fizzy Brand Management LLP	LLP registered in England and Wales	Brand Management	95%

JOINT VENTURE	STATUS	ACTIVITY	HOLDING
Opal Land LLP	LLP registered in England and Wales	Development and Sale of residential accommodation	50%
Opal (St. Bernard's) LLP	LLP registered in England and Wales	Development and Sale of residential accommodation	50%
Opal (Earlsfield) LLP	LLP registered in England and Wales	Development and Sale of residential accommodation	50%
Opal (Grange Walk) LLP	LLP registered in England and Wales	Development and Sale of residential accommodation	50%
Opal (Silvertown) LLP	LLP registered in England and Wales	Development and Sale of residential accommodation	50%
Linden Enfield LLP	LLP registered in England and Wales	Development and Sale of residential accommodation	50%
Evolution (Woking) Limited	Limited Company registered in England and Wales	Development and Sale of residential accommodation	50%

ASSOCIATED UNDERTAKINGS	STATUS	ACTIVITY	HOLDING
Fizzy Newco1 Ltd	Limited Company registered in England and Wales	Holding Company	14%
Fizzy Enterprises LLP	LLP registered in England and Wales	Property Investment and Rental	14%
Fizzy One LLP	LLP registered in England and Wales	Holding Company	14%
Fizzy Canning Town LLP	LLP registered in England and Wales	Property Investment and Rental	14%
Fizzy Epsom LLP	LLP registered in England and Wales	Property Investment and Rental	14%
Fizzy Stepney Green LLP	LLP registered in England and Wales	Property Investment and Rental	14%
Fizzy Poplar LLP	LLP registered in England and Wales	Property Investment and Rental	14%
Fizzy Lewisham LLP	LLP registered in England and Wales	Property Investment and Rental	14%
Fizzy Finchley LLP	LLP registered in England and Wales	Property Investment and Rental	14%
Fizzy Silvertown Way A LLP	LLP registered in England and Wales	Property Investment and Rental	14%
Fizzy Silvertown Way B LLP	LLP registered in England and Wales	Property Investment and Rental	14%
Fizzy Hayes LLP	LLP registered in England and Wales	Property Investment and Rental	14%
Fizzy Lewisham B1 LLP	LLP registered in England and Wales	Property Investment and Rental	14%
Fizzy Hackney Wick LLP	LLP registered in England and Wales	Property Investment and Rental	14%
Fizzy Walthamstow LLP	LLP registered in England and Wales	Property Investment and Rental	14%

15. OTHER FIXED ASSETS – GROUP

	INVESTMENT PROPERTY COMPLETED	INVESTMENT PROPERTY UNDER CONSTRUCTION	LEASEHOLD OFFICE PREMISES	OFFICE FURNITURE & EQUIPMENT	COMPUTER HARDWARE & SOFTWARE	SCHEME FURNISHINGS & EQUIPMENT	Total
COST OR VALUATION	(Valuation) £'000	(Cost) £'000	(Cost) £'000	(Cost) £'000	(Cost) £'000	(Cost) £'000	£'000
At 31 March 2017	13,421	3,564	4,144	1,153	544	19,038	41,864
Additions	299	840	20	29	2,424	–	3,612
Change of tenure	–	(1,440)	–	–	–	–	(1,440)
Component write off	(19)	–	–	–	–	–	(19)
At 31 March 2018	**13,701**	**2,964**	**4,164**	**1,182**	**2,968**	**19,038**	**44,017**
DEPRECIATION							
At 31 March 2017	20	–	2,499	1,107	182	12,591	16,399
Charge for year	–	–	265	20	1,683	–	1,968
At 31 March 2018	**20**		**2,764**	**1,127**	**1,865**	**12,591**	**18,367**
NET BOOK VALUE							
At 31 March 2018	**13,681**	**2,964**	**1,400**	**55**	**1,103**	**6,447**	**25,650**
At 31 March 2017	13,401	3,564	1,645	46	362	6,447	25,465

Investment properties were valued by JLL, Chartered Surveyors, on the basis of their Market Value as at 31 March 2018.
These valuations were undertaken in accordance with the Appraisal and Valuation Standards published by the RICS Valuation Standards PS5.1.

15. OTHER FIXED ASSETS – ASSOCIATION

	INVESTMENT PROPERTY	LEASEHOLD OFFICE PREMISES	OFFICE FURNITURE & EQUIPMENT	COMPUTER HARDWARE & SOFTWARE	Total
COST OR VALUATION	(Valuation) £'000	(Cost) £'000	(Cost) £'000	(Cost) £'000	£'000
At 31 March 2017	3,569	4,145	1,153	18,295	27,162
Additions	840	20	29	2,367	3,256
Change of tenure	(1,440)	–	–	–	(1,440)
Revaluation (deficit)	(15)	–	–	–	(15)
At 31 March 2018	**2,954**	**4,165**	**1,182**	**20,662**	**28,963**
DEPRECIATION					
At 1 April 2017	–	2,499	1,108	11,849	15,456
Charge for year	–	265	20	1,572	1,857
At 31 March 2018	**–**	**2,764**	**1,128**	**13,421**	**17,313**
NET BOOK VALUE					
At 31 March 2018	**2,954**	**1,401**	**54**	**7,241**	**11,650**
At 31 March 2017	3,569	1,646	45	6,446	11,706

Investment properties were professionally revalued by JLL, Chartered Surveyors, on the basis of their Market Value as at 31 March 2018.
These valuations were undertaken in accordance with the Appraisal and Valuation Standards published by RICS Valuation Standard PS5.1.

16. HOMEBUY EQUITY LOANS – GROUP

HOMEBUY EQUITY LOANS ADVANCED	MYCHOICE HOMEBUY £'000	OPEN MARKET HOMEBUY £'000	2018 Total £'000	2017 Total £'000
At 1 April 2017	22,367	28,690	51,057	57,930
Reclassification adjustment	4,995	(5,021)	(26)	–
Loans redeemed during the year	(2,809)	(2,054)	(4,863)	(6,873)
At 31 March 2018	**24,553**	**21,615**	**46,168**	**51,057**

17. PROPERTIES FOR SALE AND WORK IN PROGRESS

GROUP	FIRST TRANCHE LOW COST HOME OWNERSHIP £'000	DEVELOPED FOR SALE £'000	2018 Total £'000	2017 Total £'000
Gross cost: Completed	530	282	812	2,510
Grosscost: WIP	39,213	–	39,213	26,656
	39,743	**282**	**40,025**	**29,166**

ASSOCIATION	DEVELOPED FOR SUBSIDIARY £'000	FIRST TRANCHE LOW COST HOME OWNERSHIP £'000	DEVELOPED FOR SALE £'000	2018 Total £'000	2017 Total £'000
Gross cost: Completed	39,899	530	–	40,429	33,594
Gross cost: WIP	81,939	39,213	282	121,434	89,581
	121,838	**39,743**	**282**	**161,863**	**123,175**

Stock and Work in Progress included capitalised interest of £0.8m (2017: £0.5m).

The Association develops social housing for other registered housing associations and also for its subsidiary, Thames Valley Charitable Housing Association Limited. The net cost of these developments is held within current assets up to the point of transfer.

18. DEBTORS

	GROUP 2018 £'000	GROUP 2017 £'000	ASSOCIATION 2018 £'000	ASSOCIATION 2017 £'000
AMOUNTS RECEIVABLE WITHIN ONE YEAR				
Rent and service charges	4,957	5,581	505	409
Less: provision for bad debts	(938)	(1,204)	(45)	(50)
	4,019	**4,377**	**460**	**359**
Property grants receivable	111	–	–	–
Amounts receivable from leaseholders and tenants	–	9	(6)	(4)
Due from subsidiaries	432	–	31,772	31,563
Due from associates	29	253	–	–
Vat recoverable	239	–	239	–
Prepayments	496	437	496	436
Secured cash deposits	763	764	–	–
Loans to joint ventures	–	–	1,130	8,910
Other debtors	4,377	3,979	1,706	1,687
	10,466	**9,819**	**35,797**	**42,951**
AMOUNTS RECEIVABLE AFTER ONE YEAR				
Loans to joint ventures	–	–	16,493	11,280
Investments	9,110	7,959	7,959	7,959
Property mortgages	126	190	126	190
	9,236	**8,149**	**24,578**	**19,429**

19. CREDITORS

	GROUP 2018 £'000	GROUP 2017 £'000	ASSOCIATION 2018 £'000	ASSOCIATION 2017 £'000
AMOUNTS FALLING DUE WITHIN ONE YEAR				
Loans (note 23)	4,781	5,988	–	–
Trade creditors	3,462	3,867	1,222	2,136
Loan interest due	2,902	3,175	–	–
Recycled capital grant fund (note 22)	33,150	23,645	10,514	10,610
Property development accruals and retentions	6,940	7,281	4,138	4,988
Rent received in advance	2,761	2,721	141	115
Estate costs accruals (including major repairs)	690	1,013	95	49
Amount due to subsidiary undertaking	–	–	205,276	139,968
Leaseholder sinking funds	5,852	5,838	258	229
Amount due under finance leases (note 19b)	477	372	477	372
Disposal proceeds fund (note 21)	843	554	–	–
Taxation payable	457	1,610	455	1,087
Grant received in advance	264	264	264	264
Other creditors and accruals	6,199	7,162	4,364	5,311
	68,778	**63,490**	**227,204**	**165,129**

AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	GROUP 2018 £'000	GROUP 2017 £'000	ASSOCIATION 2018 £'000	ASSOCIATION 2017 £'000
Loans (note 23)	549,433	554,658	39,152	39,116
Fair value of financial instruments (note 23)	63,375	65,130	–	–
Deferred capital grant (note 20)	67,131	70,745	8,262	11,534
Past pension deficit	5,777	6,720	5,777	6,720
Amount due under finance leases (note 19b)	24,664	25,449	24,664	25,449
Disposal proceeds fund (note 21)	286	572	–	–
Recycled capital grant fund (note 22)	17,426	19,340	939	1,112
	728,092	**742,614**	**78,794**	**83,931**

19B. FINANCE LEASE SCHEDULE

	GROUP 2018 £'000	GROUP 2017 £'000	ASSOCIATION 2018 £'000	ASSOCIATION 2017 £'000
Not later than one year	477	372	477	372
Later than one year and not later than five years	2,354	2,170	2,354	2,170
Later than five years	22,310	23,279	22,310	23,279
	25,141	**25,821**	**25,141**	**25,821**

20. DEFERRED CAPITAL GRANT

	GROUP 2018 £'000	GROUP 2017 £'000	ASSOCIATION 2018 £'000	ASSOCIATION 2017 £'000
At 1 April	70,745	68,124	11,534	11,340
Grants received during the year	143	1,586	83	363
Grants recycled from the recycled capital grant fund	(3,558)	1,408	523	5,096
Grant re staircasing sales	–	(90)	–	(90)
Grant adjustment	6	(3)	–	(3)
Released to income during the year	(92)	(193)	(74)	(134)
Grant amortisation	(113)	(87)	(9)	(46)
Transfer from subsidiary	–	–	(3,795)	(4,992)
At 31 March	**67,131**	**70,745**	**8,262**	**11,534**

21. DISPOSAL PROCEEDS FUND – GROUP

	2018 £'000	2017 £'000
At 1 April	1,126	844
INPUT TO FUND:		
Funds recycled from deferred capital grants	–	279
Interest accrued	3	3
At 31 March	**1,129**	**1,126**
DISCLOSED AS:		
Creditors falling due within one year	843	554
Creditors falling due after more than one year	286	572
	1,129	**1,126**

22. RECYCLED CAPITAL GRANT FUND (RCGF)

	GROUP 2018 £'000	GROUP 2017 £'000	ASSOCIATION 2018 £'000	ASSOCIATION 2017 £'000
At 1 April	42,985	39,939	11,722	13,666
INPUT TO FUND:				
Social housing grant recycled in the year	7,946	9,580	212	799
Transfers with properties sold to subsidiary undertaking	–	–	–	2,308
Interest credited to the fund	168	136	41	46
RECYCLING OF GRANT:				
RCGF Utilised on new build housing properties	(523)	(6,670)	(523)	(5,097)
At 31 March	**50,576**	**42,985**	**11,452**	**11,722**
DISCLOSED AS:				
Creditors falling due within one year	33,150	23,645	10,514	10,610
Creditors falling due after one year	17,426	19,340	938	1,112
	50,576	**42,985**	**11,452**	**11,722**

Recycled Capital Grant Fund of £23m due for repayment at the end of the year was approved by the Regulator of Social Housing to be rolled forward into the financial year 2018/19.

23. LOANS

Loans are secured by charges on selected properties of the Group and are repayable as follows:

	GROUP		ASSOCIATION	
	2018	2017	2018	2017
LOANS REPAYABLE BY INSTALMENTS	£'000	£'000	£'000	£'000
In five or more years	335,939	347,436	40,000	40,000
Between two and five years	33,323	31,797	–	–
Between one and two years	9,971	4,726	–	–
	379,233	**383,959**	**40,000**	**40,000**
In one year or less	4,781	5,988	–	–
	384,014	**389,947**	**40,000**	**40,000**
LOANS NOT REPAYABLE BY INSTALMENTS				
In five or more years	175,081	175,556	–	–
Between two and five years	-	3,000	–	–
Between one and two years	3,000			
	178,081	**178,556**	**–**	**–**
In one year or less	–	–	–	–
	178,081	**178,556**	**–**	**–**
TOTAL LOANS	**562,095**	**568,503**	**40,000**	**40,000**
Add: fair value of financial instruments	63,375	65,130	–	–
Less: loan issue costs	(7,881)	(7,857)	(848)	(884)
TOTAL LOANS (INCLUDING FAIR VALUE)	**617,589**	**625,776**	**39,152**	**39,116**

All financial instruments within the portfolio are classified as basic financial instruments. Capitalised fair value of financial instruments on conversion to basic loans are amortised over the life of the respective loans.

FINANCIAL INSTRUMENTS

Analysis as follows:

	GROUP		ASSOCIATION	
	2018	2017	2018	2017
FINANCIAL ASSETS	£'000	£'000	£'000	£'000
Financial assets measured at historical cost:	1,244,604	1,187,741	283,541	249,904
Trade receivables	4,019	4,377	460	359
Other receivables	51,852	55,735	34,207	33,684
Investments	76,337	76,580	7,959	7,959
Investments in short term securities	763	764	-	-
Cash and cash equivalents	69,907	98,200	54,951	31,310
Loans receivable	126	190	17,749	20,380
TOTAL FINANCIAL ASSETS	**1,447,608**	**1,423,587**	**398,867**	**343,596**
FINANCIAL LIABILITIES				
Financial liabilities measured at amortised cost				
Loans repayable	559,095	568,503	40,000	40,000
Financial liabilities measured at historical cost				
Trade creditors	3,462	3,867	1,222	2,136
Other creditors	143,312	143,155	240,261	181,475
Finance leases	24,664	25,449	24,664	25,449
Fair value of financial instruments	63,375	65,130	-	-
TOTAL FINANCIAL LIABILITIES	**793,908**	**806,104**	**306,147**	**249,060**

24. CONTINGENT LIABILITIES

The Group receives grant from the Regulator of Social Housing and the GLA, which is used to fund the acquisition and development of housing properties and their components. Grant of £220m received in respect of housing properties held at 31 March 2014 was credited to reserves in respect of adoption of 'deemed' cost. The Group has a future obligation to recycle such grant once the properties are disposed of. At 31 March 2018, the value of grant received in respect of those properties that had not been disposed of was £210m.

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

25. NON-EQUITY SHARE CAPITAL

	2018	2017
	£	£
SHARES OF £1 EACH ISSUED AND FULLY PAID		
At 1 April	7	7
Shares issued during the year	0	–
Shares cancelled during the year	(2)	–
At 31 March	**5**	**7**

All shareholdings relate to non-equity interests. The share capital of the Association consists of shares with a nominal value of £1 each which carry no rights to dividends or other income.

Shares are not capable of being repaid or transferred. Where a shareholder ceases to be a shareholder, that person's share is cancelled and the amount paid up thereon becomes the property of the Association.

26. PENSION COSTS

SOCIAL HOUSING PENSION SCHEME (SHPS)

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

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

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

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

DEFICIT CONTRIBUTIONS

Tier 1

From 1 April 2016 to 30 September 2020

£40.6m per annum
(payable monthly and increasing by 4.7% each year on 1st April)

Tier 2

From 1 April 2016 to 30 September 2023

£28.6m per annum
(payable monthly and increasing by 4.7% each year on 1st April)

Tier 3

From 1 April 2016 to 30 September 2026

32.7m per annum
(payable monthly and increasing by 3.0% each year on 1st April)

Tier 4

From 1 April 2016 to 30 September 2026

£31.7m per annum
(payable monthly and increasing by 3.0% each year on 1st April)

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

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

PRESENT VALUE OF PROVISION

	£'000
31 March 2018	**5,699**
31 March 2017	6,632
31 March 2016	7,214

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	Period Ending 31 March 2018	Period Ending 31 March 2017
	£'000	£'000
Provision at start of period	6,632	7,215
Unwinding of the discount factor (interest expense)	82	139
Deficit contribution paid	(939)	(903)
Remeasurements – impact of any change in assumptions	(76)	181
Remeasurements – amendments to the contribution schedule	–	–
PROVISION AT END OF PERIOD	**5,699**	**6,632**

INCOME AND EXPENDITURE IMPACT

	Period Ending 31 March 2018	Period Ending 31 March 2017
	£'000	£'000
Interest expense	82	139
Remeasurements – impact of any change in assumptions	(76)	181
Remeasurements – amendments to the contribution schedule	–	–
Contributions paid in respect of future service*	–	–
Costs recognised in income and expenditure account	–	–

*Includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes.

ASSUMPTIONS

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

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

THE PENSIONS TRUST – THE GROWTH PLAN

The Association participates in the scheme, a multi-employer scheme which provides benefits to some 1,300 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

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

A full actuarial valuation for the scheme was carried out at 30 September 2011. This valuation showed assets of £780m, liabilities of £928m and a deficit of £148m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

PRESENT VALUE OF PROVISION

	£'000
31 March 2018	**78,720**
31 March 2017	88,620
31 March 2016	93,595

DEFICIT CONTRIBUTIONS

From 1 April 2013 to 31 March 2023

£13.9 per annum
(payable monthly and increasing by 3% each year on 1 April)

From 1 April 2016 to 30 September 2028

£54,560 per annum
(payable monthly and increasing by 3% each year on 1 April)

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

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

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	Period Ending 31 March 2018	Period Ending 31 March 2017
	£'000	£'000
Provision at start of period	88,620	93,595
Unwinding of the discount factor (interest expense)	1,099	1,830
Deficit contribution paid	(9,849)	(9,562)
Remeasurements – impact of any change in assumptions	(1,150)	2,757
Remeasurements – amendments to the contribution schedule	–	–
PROVISION AT END OF PERIOD	**78,720**	**88,620**

INCOME AND EXPENDITURE IMPACT	Period Ending 31 March 2018	Period Ending 31 March 2017
	£'000	£'000
Interest expense	1,099	1,830
Remeasurements – impact of any change in assumptions	(1,150)	2,757
Remeasurements – amendments to the contribution schedule	–	–
Contributions Paid In Respect Of Future Service*	–	–

*Includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes.

ASSUMPTIONS	31 March 2018 % per annum	31 March 2017 % per annum	31 March 2016 % per annum
Rate of discount	1.71	1.32	2.07

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

27. CAPITAL COMMITMENTS

	GROUP		ASSOCIATION	
	2018	2017	**2018**	2017
	£'000	£'000	£'000	£'000
Capital expenditure contracted for but not included in the financial statements	113,952	138,439	81,258	95,722
Capital expenditure authorised not yet contracted	52,950	–	36,616	–
	166,902	**138,439**	**117,874**	**95,722**
THE GROUP EXPECTS TO FINANCE THE ABOVE COMMITMENTS BY:				
Social housing grant receivable	15,703	9,794	11,803	7,049
Utilisation of cash balances	151,199	128,645	106,071	88,673
	166,902	**138,439**	**117,874**	**95,722**

28. FINANCIAL COMMITMENTS

	GROUP		ASSOCIATION	
IN RESPECT OF LOW COST HOME OWNERSHIP FIRST TRANCHE DEVELOPMENT	**2018**	2017	**2018**	2017
	£'000	£'000	£'000	£'000
Contracted for but not included in the financial statements	43,911	58,200	43,911	58,200
Authorised not yet contracted for	24,411	–	24,411	–
	68,322	**58,200**	**68,322**	**58,200**

At the end of March 2018, the Group had £90m (2017: £8m) of undrawn loan facilities.

29. COMMITMENTS UNDER OPERATING LEASES

At 31 March 2018, the Group had annual commitments under non-cancellable operating leases as follows:

	2018		2017	
	LAND AND BUILDINGS	OTHER	LAND AND BUILDINGS	OTHER
OPERATING LEASES WHICH EXPIRE:	£'000	£'000	£'000	£'000
Within one year	859	192	851	134
In two to five years	3,436	270	4,259	363
After five years	3,881	–	2,859	–
	8,176	**462**	**7,969**	**497**

30. RELATED PARTY DISCLOSURES

	EVOLUTION JOINT VENTURE		OPAL JOINT VENTURE		FIZZY GROUP ASSOCIATE	
	2018	2017	**2018**	2017	**2018**	2017
CASH MOVEMENTS IN THE YEAR	£'000	£'000	£'000	£'000	£'000	£'000
Net loan movements, advances/(repayments)	57	1,925	(2,904)	1,839	–	–
Loan interest received	–	–	(324)	1,033	633	1,519
Dividends received	–	–	–	–	128	–
	57	**1,925**	**(3,228)**	**2,872**	**761**	**1,519**
BALANCES AT YEAR END						
Investment equity and loans	2,039	1,975	21,016	23,920	26,177	26,177
Interest receivable	57	64	2,483	2,806	588	135
	2,096	**2,039**	**23,499**	**26,726**	**26,765**	**26,312**

The Association provides management services, other services and loans to its subsidiaries.
The quantum and basis of those charges is set out below:

TRANSACTIONS WITH SUBSIDIARIES

	MANAGEMENT CHARGES		INTEREST CHARGES	
	2018	2017	**2018**	2017
	£'000	£'000	£'000	£'000
Thames Valley Charitable Housing Association Limited	14,643	13,769	–	–
TVHA Fizzy Holdings Limited	–	–	1,116	1,113
Fizzy Services Management LLP	566	858	190	172
	15,209	**14,627**	**1,306**	**1,285**

RECEIVED BY SUBSIDIARIES FROM ASSOCIATION	GIFT AID	
	2018	2017
	£'000	£'000
Thames Valley Charitable Housing Association Limited	15,802	13,261

INTRA-GROUP MANAGEMENT FEES

Intra-group management fees are receivable by the Association from subsidiaries to cover the running costs the Association incurs on behalf of its subsidiaries. The management fee is calculated on a directorate basis. The costs are apportioned as follows:

Directorate	by reference to
Finance	Staff time
Corporate Costs	Staff time

INTRA-GROUP LOANS

Intra-group loans are repayable on demand and no guarantees are in place on either loan. Interest is payable on the loan balances.

ENTITY GRANTING LOAN	ENTITY RECEIVING LOAN	OPENING BALANCE	MOVEMENT	CLOSING BALANCE
		£'000	£'000	£'000
Thames Valley Housing Association Limited	TVHA Fizzy Holdings Ltd	28,128	355	28,483
Thames Valley Housing Association Limited	Fizzy Services Management LLP	3,435	(246)	3,189

The Association disposed of assets and transferred RCGF to its Thames Valley Charitable Housing Association Limited subsidiary as set out below:

	RCGF TRANSFER		HOUSING PROPERTIES		HOUSING GRANT	
	2018	2017	2018	2017	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Transfer to Thames Valley Charitable Housing Association Limited	–	46	17,202	7,219	3,795	4,992

31. NUMBER OF HOMES OWNED, MANAGED OR ADMINISTERED BY THE GROUP

	AT 31 MARCH 2017	ACQUIRED AND COMPLETED	TRANSFERRED	DISPOSALS	AT 31 MARCH 2018
SOCIAL HOUSING	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER
General needs	5,527	47	59	(2)	5,631
Affordable rent	394	83	7	–	484
Supported housing bed spaces	19	–	–	–	19
Woking PFI	224	–	–	–	224
Key worker accommodation	1,710	–	(68)	–	1,642
Low cost home ownership	3,959	187	(72)	(53)	4,021
TOTAL SOCIAL HOUSING	**11,833**	**317**	**(74)**	**(55)**	**12,021**
NON-SOCIAL HOUSING					
Student accommodation	463	–	–	–	463
Low cost home ownership leaseholders	1,156	–	78	(3)	1,231
RTB/RTA leaseholders	344	–	2	–	346
Market rent	28	–	–	–	28
Intermediate rent	64	–	(6)	–	58
TOTAL NON-SOCIAL HOUSING	**2,055**	**–**	**74**	**(3)**	**2,126**
HOMES ADMINISTERED FOR					
Open market homebuy key worker	635	–	–	(66)	569
Open market homebuy non key worker	203	–	–	(17)	186
MyChoice homebuy key worker	164	–	–	(18)	146
MyChoice homebuy non key worker	231	–	–	(27)	204
Mortgage rescue equity loans	4	–	–	–	4
Market rent	314	276	–	–	590
Privately owned	27	137	–	(101)	63
Total Homes Administered	**1,578**	**413**	**–**	**(229)**	**1,762**
	15,466	**730**	**–**	**(287)**	**15,909**

	31 March 2018	31 March 2017
HOMES UNDER CONSTRUCTION	Number	Number
Affordable rent	163	154
Low cost home ownership	369	385
General needs	39	53
Private	–	19
Market rent	92	–
	663	**611**

32. ACCOMMODATION MANAGED BY OTHERS

The following organisations manage accommodation on behalf of the Group:

	UNITS OF ACCOMMODATION	
	31 March 2018	31 March 2017
MANAGING AGENT	Number	Number
Ability Housing	1	1
First Wessex	138	138
Sovereign Housing Association Limited	–	285
Royal Horticultural Society	23	23
	162	**447**

33. LEGISLATIVE PROVISIONS

Thames Valley Housing Association Limited and its subsidiary undertaking, Thames Valley Charitable Housing Association Limited, are incorporated under the Co-operative and Community Benefit Societies Act 2014 and are Registered Providers of Social Housing registered with the Regulator under the Housing and Regeneration Act 2008. Thames Valley Charitable Housing Association Limited is an exempt charity registered under charitable rules.

34. SUBSEQUENT EVENTS

In June 2018, Thames Valley Housing Group purchased from our joint venture partner (Kier), their 50% share in Evolution Holdings (Woking) Limited meaning that the Group acquired two new wholly owned subsidiaries: Evolution Holdings (Woking) Limited and Evolution (Woking) Limited.

THAMES VALLEY HOUSING

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