ONE HOUSING
LIVING BETTER

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

ONE HOUSING GROUP LIMITED

Registered under the *Co-operative and Community Benefit Societies Act 2014*
(Registered society number 20453R)

Registered with the Homes and Communities Agency (number LH0171)

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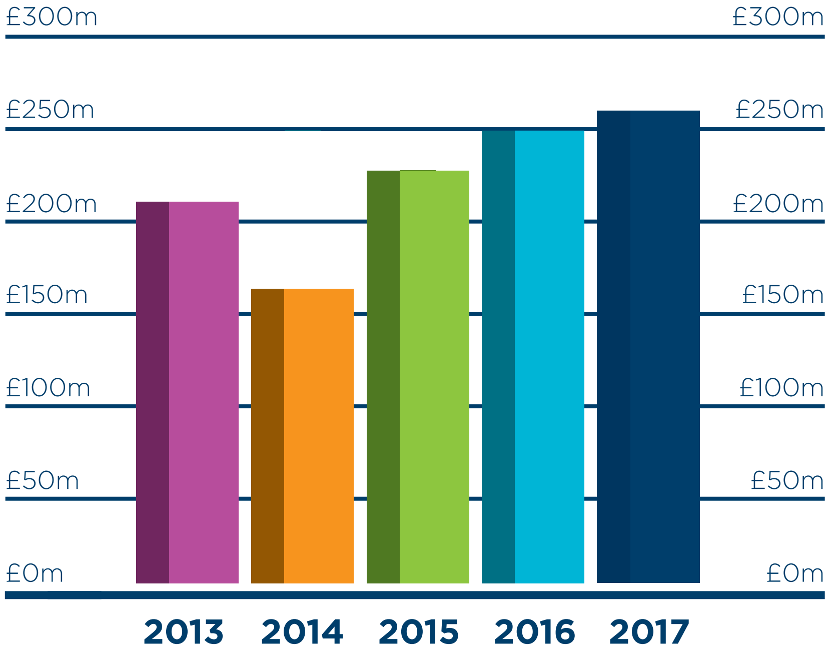
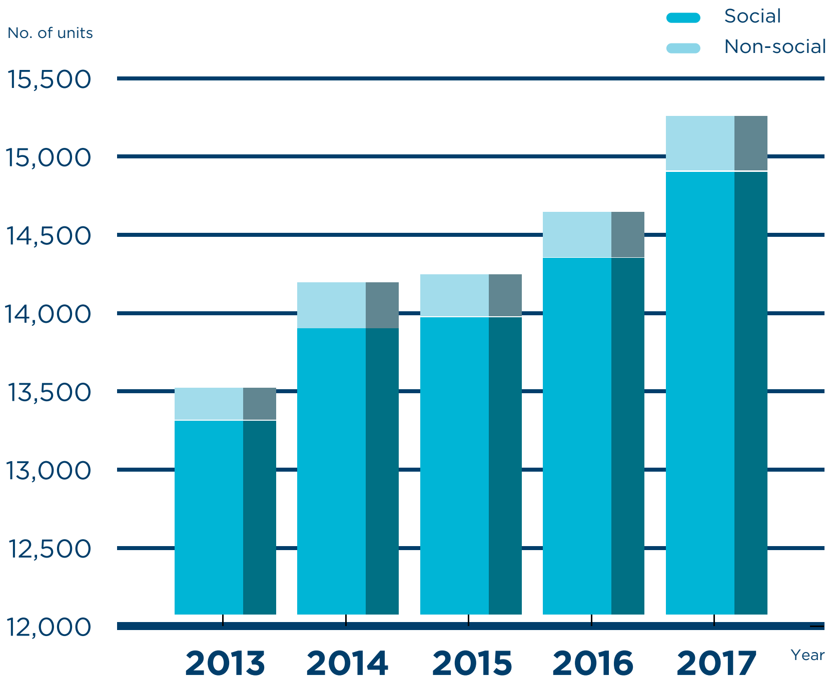
OUR RESULTS AT A GLANCE

Turnover growth



Units growth

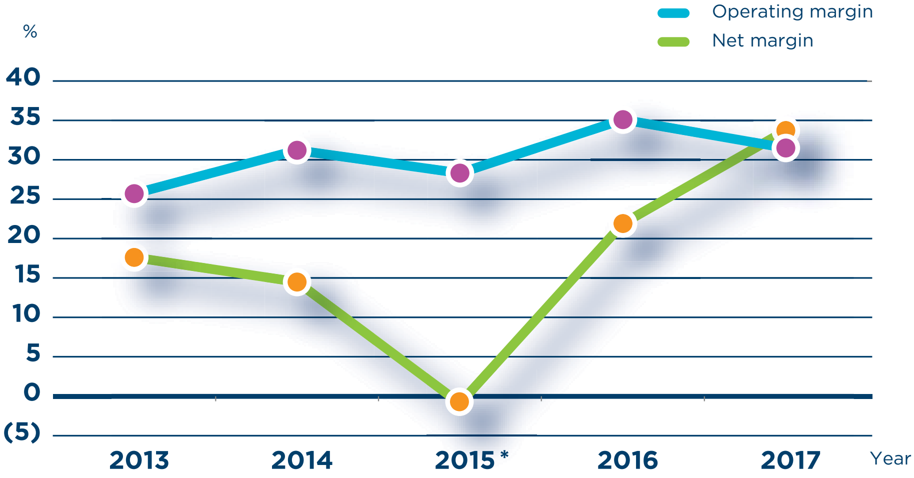


Cash income

Income	2017 £'000	2017 %
Social housing lettings	104,738	36
Supporting people contract income	24,419	8
Shared ownership first tranche sales	18,043	6
Sales of properties developed for outright sale	96,743	33
Market and commercial lettings	10,810	4
Staircasing income	27,196	9
Other property sales and income	8,605	4
	290,554	**100**

Operating and net margins

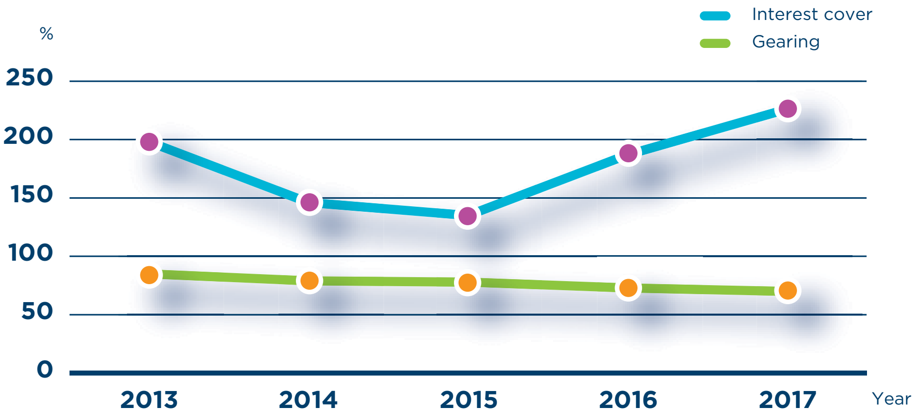
(%)



* The 2015 results reflect the adoption of FRS102, including fair value movements in financial investments.

Interest cover and gearing

(%)



This has been another good financial year for us. On a turnover of £255.6m we made a post-tax surplus of £82.0m. We completed 656 units of which 607 were at below-market rents.

As I write this we have a new government and the fifteenth new housing minister in the last 20 years. The gap between the Government's aspirations for more market rent housing and what they are prepared to pay for remains as wide as ever. There are a host of uncertainties in our operating environment.

Against this background, in the last year we have been prioritising risk mitigation, stress testing and having enough in our back pocket. This is not however the time to batten down the hatches. The need for below market price housing continues to increase. Our core business is social housing. We must continue to meet that need.

Since 2011 we have invested £116 million of the surplus we have been making from our commercial private property sales activities into below market rent housing. As a result of this cross subsidy, we have been able to provide 1163 new rented and 499 shared ownership homes. Our rented homes are offered at an average of 35% of market price. This is as good a record as any association and we are rightly proud of it. We must also not overlook the great extra investment we make in services above and beyond those of a traditional landlord, designed to help our residents become more independent and live better. For example, at a time of austerity when many other associations have been cutting back, we have invested £930k in employment and training projects for our residents that have helped 228 people into employment, 756 into training and 142 into volunteering, generating a social return on investment of £5.0m.

With years of experience in caring for the elderly, as well as building quality homes to meet a range of needs, we've launched Baycroft - a new strand to our business focusing on senior living homes. Construction of the first schemes is well underway with the first properties due to open before the end of 2017. We're confident that whatever the outcome of current debate about social care and the public purse, a strong market for the very best in age-adapted homes with care will remain and indeed strengthen as the baby boomer generation ages. We believe Baycroft will not only help meet demand in the marketplace but also raise new income to invest in other areas of our business that support those of lesser means. One of the main reasons why we have set up Baycroft is to help raise funds to cross-subsidise our more affordable, yet still high quality, Season extra care homes for less affluent retirees.

We have also continued to invest in One Direct, our in-house maintenance service, set up at the start of 2015. Creating this new service has been a major operation and we continue to learn and refine, but the benefits to our customers and to our business are apparent. As well as improving customer satisfaction thanks to our 'right first time' ethos, we are in much better control of costs and expenditure. For example, One Direct's boiler replacement programme has installed 722 new boilers at a cost of £1.7m, compared to the £2.5m we would previously have paid to contractors. As One Direct further embeds in our business we expect to see significant long-term savings as well as a strategic shift from responsive to planned and proactive repairs. Using our precious resources to prevent tomorrow's problems rather than fix those of today is not only better for our residents but for our business and properties too.

One side effect of the changing political landscape of the last two years has been an increase in high-profile housing association mergers. This is an issue we have given a great deal of consideration to at One Housing and during the year we even progressed to the point of looking at potential partners. But after much debate the Board decided to take the issue off the agenda. We think we have the skill, experience and resources to continue to forge our own path for the time being without the distraction that all the work of a merger would no doubt entail.

Finally I must pay tribute to Chief Executive of 22 years, Mick Sweeney, who left us after 36 years' service in January. Mick led the organisation through a huge period of growth and success from its relatively humble beginnings as Community Housing Association with just a few hundred properties, through to the large scale landlord, developer and care provider that we are today. I am sure you will join the Board and me in wishing him all the very best in his future ventures.

One Housing Group Limited

Board members, executive directors, advisers, and bankers

As at 31 March 2017

Board members	
Chair	Anthony Mayer
Ordinary members	
	Vijay Sodiwala (Senior Independent Director)
	Carol Yarde
	Mike Taylor
	Nigel Fee
	Kevin Brush
	Roger Davies
	Mick Sweeney (resigned 27 January 2017)
	Martin Heys (resigned 23 May 2016)
	Paul Rickard (appointed 23 May 2016)
	Alan Williams
	John Gregory
	Kevin Beirne

Executive Team	
Chief Executive	Mick Sweeney (resigned 27 January 2017)
Group Director Finance, Resources	Martin Heys (resigned 23 May 2016) Paul Rickard (appointed 23 May 2016)
Group Director Development	Alan Williams
Group Director Housing Services	John Gregory (interim Chief Executive from 27 January 2017)
Group Director Housing Care & Support	Kevin Beirne
Director of Citystyle and Housing Operations	Matthew Saye
Director of Housing Operations	Catherine Kyne (resigned 31 December 2016)

Company Secretary	Louisa Loizou
Registered office	100 Chalk Farm Road London NW1 8EH
Principal bankers	Barclays Bank PLC 1 Churchill Place London E14 5HP
Auditors	BDO LLP 2 City Place Beehive Ring Road Gatwick West Sussex RH6 0PA
Principal solicitors	Towers & Hamlins LLP 3 Bunhill Row London EC1Y 8YZ Devonshires Solicitors Salisbury House London Wall London EC2M 5QY Lewis Silkin LLP 5 Chancery Lane Clifford's Inn London EC4A 1BC

The Board presents its report and the Group's audited financial statements for the year ended 31 March 2017.

Review of the business

One Housing Group Limited is a charitable registered provider of social housing administered by a board of directors. Notes 18 and note 19 to the financial statements list our subsidiaries and joint ventures in full. When we refer to 'the Group' we mean the consolidated Group inclusive of all subsidiaries.

We are regulated by the Homes and Communities Agency (HCA).

One Housing Group Limited (OHGL), also known as the Association, is the parent company responsible for the strategic planning and direction of the Group, along with central and development services. For clarity and simplicity in this report (as in our day-to-day communication) we refer to the Group as simply One Housing.

Subsidiaries of OHGL are:

- **TPHA Limited** (TPHA) - a wholly owned subsidiary formed in 1988 to manage low cost home ownership and the sale of outright units. It is a non-charitable registered provider.
- **Citystyle Living Limited** (CSL) - a company limited by shares which owns and manages market rented properties.
- **East End Lettings (2) Limited** (EEL) - a company limited by shares which owns and manages market rented properties.
- **CHA Ventures Limited** (CHV) - a company limited by shares and a commercial subsidiary which manages all development contracts on behalf of the Group.
- **Arlington Futures** (AF) - a company limited by guarantee and also a registered charity. It was formed to fundraise on behalf of the Group and to provide a public benefit by providing a range of quality community support services.
- **One Direct Maintenance Limited** (ODML) - a company limited by shares which was incorporated on 7 March 2014 to provide repairs and maintenance services on behalf of the Group.
- **Pembury Road Care Limited** (PRC) - a company limited by shares which was incorporated on 1 April 2015 to provide private care homes and facilities for older people.
- **Renovo Facilities & Services Limited** (REN) - a company limited by shares which was incorporated on 30 November 2015. It is a joint venture; 51% in favour of OHGL and 49% in favour of Chequers Limited. It was formed to provide facility management services on behalf of the Group.

There are also another 17 subsidiary companies that develop properties for outright sale. Distributable profits from each scheme are Gift Aided to OHGL. All such subsidiary companies are listed in note 18 to the financial statements.

One Housing has investments in the following joint ventures that have been formed to develop property:

- ***New Ladderswood LLP***, formed in 2011, is a 50% joint venture between CHV and Mulalley and Company Limited.
- ***New Granville LLP***, formed in May 2013, is a 50% joint venture between CHV and Mulalley and Company Limited.
- ***Dollar Bay Developments LLP***, formed in June 2013, is a 50% joint venture between CHV and Mount Anvil Group Limited.

Principal activities

One Housing exists to help people to live better. We do this by creating homes for people who struggle to afford a place to live. We help thousands of people to live better across London and the South East and own and manage over 16,000 homes in 39 boroughs and surrounding counties. We are one of London's largest care providers to people with complex needs, giving care and support to thousands of people in the community and helping them to live independently through our One Support, Season and Baycroft brands. We also help people into employment and work hard to make a positive difference to our residents' lives by promoting aspiration, independence and well-being through a range of training and support services; we fund all of this by building and selling homes on the open market. We are clear about our values and what we are here to do because that helps us to stay focused on our purpose.

We are committed to delivering our value for money aims to provide more homes and improve services and we are on target to build 3,600 new homes by 2019 to help meet the housing shortage. Our new Victoria Quarter development in Barnet, will deliver over 300 new homes and is just one example of our ambition to expand our development activity and generate profit to reinvest in our affordable homes portfolio.

We currently have 779 units under construction and are constantly searching for new opportunities. Next year we plan to handover almost 350 new homes at affordable rents and will sell over 100 privately developed homes in London and the Home Counties.

We offer a wide range of housing options including homes for social rent in partnership with local authorities as well as homes for affordable rent, shared ownership, private rent and private sale.

We are diverse and operate in the following key business areas:

- **Property development:** developing and delivering new high quality homes for people at every income level to meet the urgent housing need across London and the Home Counties. This generates private sale income that we reinvest in services and in constructing more affordable homes.
- **Property and facilities management:** offering private landlords a commercial property management service and working in partnership through a joint venture subsidiary company, Renovo, to provide facilities management for our own properties and other customers.
- **Social housing – general needs:** providing rented housing primarily for people and families who cannot afford to rent or buy on the open market. General needs properties include newly built homes as well as housing transferred from local authorities.
- **Social housing – intermediate:** providing a cheaper option for people who can't afford typical market rents. This includes key worker rent and rent to home-buy schemes.
- **Social housing – low cost home ownership (LCHO) and leasehold:** providing shared ownership homes, where residents buy a share in the equity of their homes (which they can increase as and when they can afford it) and pay rent to us on the remainder.
- **Housing care and support:** helping people who need additional housing-related support or extra care. Care is extended to include specialist housing support to; young people, the elderly within retirement homes; and people with complex mental health needs. We offer personalised support tailored to our customers' individual needs together with choice and control.
- **Market rent:** providing homes on the private rental market.
- **Commercial:** providing local shops and a medical centre, let to commercial users, which contribute to the social and economic regeneration of communities.
- **Community investment programmes:** involving residents through a combination of consultation and participatory projects and schemes.
- **Social mobility and aspiration:** focusing on employment and training schemes, including volunteering opportunities, to build skills and promote employment opportunities in the areas where we work and beyond.

- **One Direct:** providing an in-house repair and maintenance service.
- **Hospitality:** we run a very successful backpackers hostel (SoHostel) and café in Soho as well as a second café as part of an older people's housing scheme in Tottenham.

Qualifying third party indemnity provisions

The company has no qualifying third party indemnity provisions in place for the directors of OHG Ltd and TPHA Ltd – registered providers of social housing.

Value for money

The Board embraces its role in delivering value for money and recognises that it is not only important to our customers but necessary to meet our financial obligations and loan covenants.

We define value for money as the best use of our resources to achieve our objectives. We review our value for money strategy regularly. It sets out our commitment and shows how we respond to significant changes in the external environment. It takes other key policies into account including our corporate plan, service performance plan, business plan and procurement strategy.

Our corporate plan is determined by the Group Board and identifies our high level strategic and operational objectives. The current plan covers the period 2014 to 2019 so we are mid-way through implementation. It provides a strong framework within which to assess our value for money achievements.

We are committed to helping more people to find affordable homes in London and the South East. As well as those who have traditionally had access to 'social housing', such as families on the lowest incomes, we want to help working people to have decent housing in areas where they need and want to live.

There are lots of other initiatives that show how we deliver value for money, from our strategic approach down to the day-to-day decisions our staff make. Our value for money self-assessment report is available on our website. It gives both an overview and case studies to bring all of our value for money achievements to life, as well as explaining some of the future work we will be doing to further improve value.

Understanding our costs

We check and challenge our value for money performance regularly in several ways, including:

- benchmarking our performance against peers
- comparing unit costs against key services areas of the business
- monitoring and challenging key financial margins.

We think this is an appropriate and reasonable approach which enables us to get sufficient internal and external perspective on our performance to take action and to plan.

Financial performance trends

As part of our commitment to transparency we publish the same set of value for money indicators each year. This enables our performance to be tracked. The table below shows the total cost of the major groups of services we provide compared with the previous four years. This information, alongside our key performance data, enables us to identify and monitor our financial performance. It is essential for us to understand our 'direction of travel' in a key area of business performance.

Cost per social housing unit	2017	2016	2015	2014	2013
Management	£1,509	£1,436	£1,202	£1,099	£1,002
Service charges	£1,211	£1,174	£1,048	£885	£894
Routine maintenance	£972	£827	£859	£735	£655
Planned maintenance	£586	£503	£665	£490	£442
Major repairs expenditure	£454	£267	£256	£287	£167
Bad debts	£45	£72	£39	£43	£62
Depreciation and other	£1,334	£1,066	£963	£982	£887
Total	**£6,111**	**£5,345**	**£5,032**	**£4,521**	**£4,109**

We currently compare how our social housing stock performs financially against a selected group of peer organisations. We have identified eight similarly-sized registered providers of social housing that operate in a similar geographic area. Our costs are increasing year-on-year but this is in large part due to a strategic commitment to invest more in the repairing and maintenance of our homes and expanded our housing services team to improve customer satisfaction. Depreciation will continue to increase in line with our growth in properties and other fixed assets.

We calculate the average peer group results from data taken from the published, audited financial statements for each of the selected companies for 2016. We compare ourselves against these results and rank our performance within the group for a series of measures. We think this is an effective way to get an objective point of view on our performance, to plan and take remedial action where necessary.

The table below shows the performance of our major social housing costs against our peers.

Key benchmarking performance indicators for social homes

	2017 actual	2016 actual	2016 peers	Ranking out of nine
Operating costs per unit	£6,111	£5,345	£5,041	7
Management costs per unit	£1,509	£1,283	£1,353	7
Service costs per unit	£1,211	£1,203	£769	7
Maintenance costs per unit	£2,013	£1,632	£1,422	7
Void losses per unit	£135	£115	£88	8
Bad debts per unit	£45	£72	£25	7
Operating margin (%) social housing	24%	31%		
Staffing				
*Average staffing costs per head	£38,051	£39,448		
Board and executive cost per unit (social and non-social)	£99.40	£74.11		
Corporate overheads as a percentage of total income	5.37%	4.38%		
Corporate overheads as a percentage of social housing income	13.49%	10.41%		

(*) This includes employer's costs and non-consolidated pay awards. We currently do not make consolidated pay awards and instead reward high performance through discretionary payments. We strive to have an approach to pay and reward that stimulates further performance improvements and as a result impacts on our value for money performance and will be doing further work to review our pay and reward strategy during 2017-18.

We believe our current benchmarking methodology is a sound cost analysis process with established trends but, given our positioning against peers, we now recognise that we need to be able to further query and understand our own costs at a more granular level. We submitted our 2016 financial data to Housemark's benchmarking club with the aim of better understanding our cost base when comparing ourselves to our industry peers.

How we compare

We identified fifteen other registered providers of social housing that operate in a similar geographic area and are members of Housemark. The results showed that our housing management costs are higher than our peer group average. We have invested in our housing operations team to enhance customer services and cash collection which has added to our cost base. We have seen a direct improvement in customer satisfaction related to this work. We are in the early stages of a business transformation strategy and so we expect to see a continued improvement in customer service but also an approach that will deliver significant efficiencies in future years.

Our planned and major works costs remain high. We are continuing to move to a full in-house repairs and maintenance service (One Direct) and, as a result, expect to achieve increasing efficiencies once it is fully up and running and providing a mature service. We aim to submit benchmarking data for One Direct in the next submission to continue to flesh out further efficiencies.

Our Housemark results did show our overhead costs to be low when compared with our peers on a percentage of turnover basis, but high against peers on a percentage of direct revenue and per employee basis. This will be an area of focus over the next year as we aim to reduce these costs over the life of our corporate plan.

Return on assets

One of our key aims is to maintain long-term financial viability so we can continue to meet our long-term as well as short-term objectives.

We calculate the return we receive from our assets by dividing the operating surplus they generate by the total cost of our properties. This is demonstrated in the table below which shows the annual operating return on the properties we own.

	2017 £m	2016 £m
Fixed assets cost less depreciation	1,661	1,616
Operating surplus	32	37
Return	**1.95%**	**2.30%**

By categorising our properties into tenure groups we can monitor financial and performance management data, enabling us to make effective choices. The table below shows the same information subdivided by tenure.

Return on assets by tenure

	2017	2016
Social and supported homes	1.34%	1.87%
Shared ownership	3.26%	3.22%
Market rent	7.27%	4.09%
Commercial	11.22%	16.45%
Return on properties owned	**1.95%**	**2.30%**

We are continually doing more to understand how the portfolio of properties affects our returns. Our asset management appraisals process allows us to assess the financial viability of our stock. This helps us to identify properties that could create a financial risk, for example through disproportionate maintenance costs or shortfalls in rental income, and allows us to decide how we can use our properties to maximum effect. We aim to improve on the return we generate from our assets so we can develop more social housing.

Our figures show an overall downward movement between years. We are increasing the number of market rented homes we manage and aim to take advantage of our prime operating locations and the current high demand for housing in and around the capital to generate the best possible return to further invest in our social purpose. We now have 334 market rented properties (an increase of 31 in the year), increasing our overall asset base.

During the year 162 homeowners bought additional shares in their homes (staircasing) which brought in almost £27.2m (2016: £35.1m) in income, generating a surplus of over £14.2m (2016: £16.0m). All of the cash we generate goes back into providing new homes and services in-line with our corporate goals.

Our market rented and commercial properties (investment properties) are independently re-valued every year and due to the geographic positioning of our properties, in London and the South East, we are benefiting from increased values which increase our revenue reserves for further investment.

Performance of properties developed for market sale

	2017	2016	2015	2014
Return on investment	46.1%	39.2%	14.6%	31.5%
Number of sales	295	247	356	90

During the year we sold 121 (2016: 101) shared ownership homes and 174 (2016: 247) for outright ownership resulting in a 46.1% return on investment. All profits generated are retained with the Group and are further invested in building more homes to help meet housing demand. Increasing the supply of homes is a top priority for us and we have been working with the government to demonstrate how we can contribute as well as seek reforms to help further increase our capacity to build.

People

We depend on our staff to use common sense and good judgement to find smart, efficient ways of working, so we have built a flexible and skilled workforce that cares about our customers, thinks creatively and will make tough decisions to do the right thing. This helps us to not only show the small savings and efficiencies that they make every day but also the bigger picture - how we design value and quality into our systems, processes and governance. This helps us to identify problems so that we can address them.

Delivering social value

Our social mobility function includes our specialist Employment & Training team which is exclusively focused on providing social benefit to our residents and customers by helping them get into employment. Many volunteers use this as a route back into work. Not only does this help our residents to become more financially secure and independent, it also strengthens our own financial position by reducing the likelihood of arrears and bad debts.

At the year-end the team exceeded all of its targets. Major achievements were as follows:

- we helped 225 residents get into employment and trained over 600 through our service last year.
- a further 141 residents registered with us as volunteers and are being trained and placed within external organisations.
- we worked with supply chain partners to deliver corporate social responsibility initiatives.
- we delivered weekly youth service sessions and holiday programmes at five community venues.
- our work with supported customers included the ‘Creative space programme’ which was

open to all residents from the Camden Pathway homelessness services. This included the annual autumn art exhibition and participation in the Notting Hill Carnival.

- in January 2017 the Employment & Training team was accredited with the prestigious 'Customer Service Excellence' award demonstrating marked improvement in service quality and the customer experience, and in April 2017 we were shortlisted for a 'Housing Excellence' award.

We are seeking to expand our services and currently bidding for external funding from the Work and Health Programme as a sub-contractor to deliver our employment services to the wider public and Job Centre referrals. This will open up access to other employment initiatives and funding opportunities.

The team evaluates the social return on investment (SROI) for its work using industry standard techniques. Our investment of £930k (2016: £1.04m) in the year into employment, training and volunteering generated a social return on investment of £5.0m (2016: £3.77m); a 541% (2016: 362%) return; ie for every £1 spent, £5.40 of social value is generated. The value delivered during the year is set out below:

2016-17 social value generated by Employment & Partnerships team

	Social value multiplier	**2017 People supported**	**2017 £**	2016 People supported	2016 £	2015 People supported	2015 £
Training for over-25s	£2,507	**469**	**1,175,783**	351	879,957	322	807,254
Training for under-25s	£940	**30**	**28,200**	122	114,680	248	233,120
Training for housing care and support customers	£241,580	**257**	**241,580**	147	138,180	71	66,740
Employment services for housing care and support customers	£1,966	**20**	**39,230**	8	15,728	16	31,456
Over-25s helped into work	£15,334	**150**	**2,300,100**	103	1,202,113	108	1,260,468
Under-25s helped into work	£10,126	**58**	**587,308**	100	646,000	89	574,940
Sub-total		**984**	**4,372,201**	**831**	**2,996,658**	**854**	**2,973,978**
Volunteering	£4,663	**142**	**662,146**	206	776,826	101	380,871
Total		**1,126**	**5,034,347**	**1,037**	**3,773,484**	**955**	**3,354,849**

Delivering future value:

Our 2017-18 budget builds on the success of 2017. Turnover will continue to rise and we forecast that this trend will continue as we develop and sell more properties for private sale as set out in our corporate plan for 2014-19.

Our five-year budget includes VfM targets that support delivery of the corporate plan and take account of the changing landscape. Some of the key budget drivers focus on improving the results of our VfM self-assessment, how we will manage the impact of the Government's four-year 1% cut in social rents and how we will operate in an increasingly uncertain external environment. Our business plan shows that we are forward-looking and not afraid to take calculated risks where we believe it will achieve our purpose.

All of our profits will be used for a social purpose. This includes building more urgently needed affordable homes in London and the Home Counties.

Our five year value for money target of £51 million indicates the comprehensive and strategic approach we are taking to ensure value for money across all our resources. We have a range of projects and programmes of work to deliver future value, most of which are already underway.

- We are on target to create over 3,600 new homes of all types over the next five years. Our Victoria Quarter development in Barnet will deliver over 300 new homes and is one significant example of our ambition to expand our development activity to generate profit to reinvest in our affordable homes portfolio.
- We aim to provide almost 350 new affordable homes and over 100 privately developed homes next year; this includes 141 homes for shared ownership.
- We aim to provide more leaseholder and market rent properties so that half of our homes will be of these type by 2019.
- We expect to continue to redevelop and improve our older estates so that we can provide the best homes for our residents, reduce future running costs and create new housing to relieve the pressure on the property market.
- We foresee a growing market of homes for older people that offer independence and a great quality of life with the safety net of support if they need it. New Season senior living projects in Tottenham, Vauxhall and Essex are creating great homes for a large number of over 50's in London. Season provides a housing model that is fit for older people into the future, where they can expect to be active for longer. By 2019 the currently planned new Season developments will offer over 550 new homes for older people and create up to 450 jobs.
- We are investing in developing our private care homes, operating under our new 'Baycroft' brand. Next year we plan to open two private care homes in Orpington and Chelmsford. We aim to provide nearly 700 more homes over the next five years with on-site support for people with complex care needs and expect to increase income by a further £11 million by 2021-22.
- We will continue to build on the success of One Direct, our internal maintenance company, with an aim of keeping costs down and quality high. This will be achieved by the roll-out of the direct delivery of various planned programmes and operating efficiencies through lessons learnt the previous year. Services that are now self-delivered by One Direct include:
    - » responsive repairs
    - » refurbishment of empty properties (voids)
    - » gas servicing and breakdowns
    - » boiler installation
    - » kitchen and bathroom replacement
    - » electrical testing and associated remedial work

  - various carpentry works
  - asbestos surveying
  - cyclical decorations
  - asset management, fire risk assessments and rolling survey programme.

Overall performance with reactive maintenance has improved together with customer satisfaction.

- On 1 June 2017, we launched our new facility management company operating as Renovo Facility Services Ltd. Early in 2016 we formed a new company with Chequers Contracts Ltd to provide facilities management, void management and services primarily to the Housing Care Support team (HCS), but with potential for expansion. The new company structure is VAT efficient and allows us to contain costs for services while improving and investing. We expect Renovo to achieve annual savings of around £420k. We also expect Renovo to reduce the environmental impact of day-to-day services.
- We have expanded SoHostel, our commercially successful backpacker's hostel in Central London. It is expected to generate an additional profit of £2 million in 2018. Some of its profits have been used to fund projects to tackle homelessness in London and have paid for a fleet of minibuses for our Season senior living scheme as well as a significant number of other initiatives to support the homeless of London, including graduates and trainees.
- In 2017-18 we plan to continue to use the profits we generate from private property sales to support our social aspiration initiatives. This year we have again donated £1.2 million to Arlington Futures to support employment and training, including helping our tenants into work where this is needed.

Board assurance

The Board contains executive and non-executive members with expertise in finance, development, social housing and commercial activities. It regularly reviews management reports and receives feedback on value for money. The Board is satisfied that our value for money self-assessment is a fair reflection of value for money within the Group. A comprehensive report is available to all of our stakeholders on our website.

Compliance with Governance and Financial Viability Standard

The strategic report has been prepared in accordance with the applicable reporting standards and legislation. Group Board can also confirm that the Group has complied with the HCA's Governance and Financial Viability Standard Code of Practice.

This Code is issued by the Homes and Communities Agency, as the regulator of social housing, under section 195(1) of the *Housing & Regeneration Act 2008* (as amended) (the Act). It relates to the Governance and Financial Viability Standard set by the regulator under section 194(1) of the Act (the Standard). The Code applies to all registered providers who are subject to the Standard (i.e. registered providers and not local authority providers of social housing).

UK Corporate Governance Code

The Board is committed to a high standard of corporate governance and seeks to adhere to the principal recommendations of the UK Corporate Governance Code.

Going concern

The Board has made enquiries and examined significant areas that could give rise to financial exposure and is satisfied that no material or significant exposures exist other than as reflected in these financial statements and that the Group has adequate resources to continue its operations for the foreseeable future. For this reason the going concern principle has been applied in preparing these financial statements.

Assessment of the effectiveness of internal controls

We are committed to high standards of corporate governance. The Board recognises and accepts that it is responsible for the Group's system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives.

The Board believes that our system of internal controls is proportionate, and provides reasonable assurance that we are not exposed to material misstatement or loss.

The Board confirms that the key processes for identifying, evaluating and managing the significant risks faced by the Group have been in place throughout the year under review up to and including the date of approval of the annual report and financial statements.

Some of the key policies and processes that the Board has established to provide effective internal control include:

- clear delegated powers to Board sub committees, the subsidiary company Boards, the chief executive and directors
- robust strategic and business planning processes with detailed financial budgets and forecasts
- regular reporting to the Board and appropriate committees on key business objectives, targets and outcomes
- an annual Group Board review of risk management processes
- documented policies and procedures for all key operational areas
- maintaining a fraud register and related processes including the review of the register at Group Audit and Controls Committee (GACC) meetings
- adoption of an internal audit programme monitored by the GACC
- Board review of the external audit management letter, and GACC members' interview with BDO LLP without directors present
- review of all regulatory reports
- staff being fully conversant with key controls and procedures relating to financial operational systems.

We have an anti-fraud policy designed to tackle fraud, bribery, corruption, theft, cybercrime and breaches of regulations. We have just launched an anti-fraud campaign among our workforce to raise awareness of fraud risks and highlight anti-fraud measures they can take. We also have a fraud response plan to help ensure that we respond quickly to fraud or fraud allegations and can recover our assets where necessary.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can delegate authority to the GACC to regularly review the effectiveness of the system of internal control, which it has done. The Board receives minutes and a chair's report from each GACC meeting.

The GACC reviews the effectiveness of the system of internal control by considering risk reports, internal audit reports, management assurances, the external audit management letter and specialist reviews.

The GACC has received and reviewed assurance on the effectiveness of the system of internal control for the Group, together with the annual report of the Internal Auditor. It has reported its findings to the Board through an annual report to the Board and the minutes of its meetings. The Board can confirm that there are no significant problems in relation to internal controls and which require disclosure in the financial statements.

The Board confirms that there have been no regulatory concerns which have led the Homes and Communities Agency to intervene in the affairs of the Group and neither are there significant problems in relation to failures of internal controls which required disclosure in the annual report and financial statements. Any weaknesses identified by the Board are being acted on.

Donations

The Group made no political donations during the year (2016: £nil).

Post statement of financial position date events

There have been no significant events between the year end date and the date of approval of these financial statements which would require an adjustment to the financial statements.

On 15 June 2017, OHGL formed Citystyle Living (Shakespeare Orchard) Limited to further develop and sell property on the open market (note 39).

Board members' responsibilities

The Board members are responsible for preparing the Report of the Board and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: 'Accounting by registered social housing providers, update 2014 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board members are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the *Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.* They are also responsible for safeguarding the assets of the association and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

The Board is responsible for ensuring that the Report of the Board is prepared in accordance with the Statement of Recommended Practice for registered social housing providers: Housing SORP 2014 ('SORP 2014').

We publish our financial statements on our website in accordance with UK legislation governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Board members. The Board members' responsibility also extends to the on-going integrity of the financial statements contained therein.

Annual general meeting

The Annual General Meeting will be held on 7 July 2017.

Auditors

All of the current Board members have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Association's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office. A resolution for the re-appointment of BDO LLP as auditors of the Association is to be proposed at the forthcoming annual general meeting.

By order of the Board



Anthony Mayer	Mike Taylor	Louisa Loizou
Chair	Board member	Secretary

Date: 7 July 2017

Objectives and strategies to achieve those objectives

One Housing's key objectives and growth strategy are set out in our corporate plan for 2014-19 so this year marks the mid-point of our work to deliver the plan. We continue to review the plan at the Group Boards' annual July seminar, and on an on-going basis in response to significant changes in the operating environment. Last year the Board carried out a mid-term review of the strategy to ensure it is relevant, particularly in light of the fast-changing political and economic environment that we operate in. Work is now getting underway to consider our next phase of planning for the years beyond 2019 – a process which will be both informed and enriched by the arrival of Richard Hill as the new Group Chief Executive in September 2017.

Last year the Government got Royal Assent for the Housing and Planning Act. It set out major changes for the operating environment of all housing associations. The Act clearly showed that the Government was keen to promote house building and home ownership as its key priorities for tackling the housing crisis. While we were both willing and able to play our part in meeting this agenda, things have changed yet again as a result of 2017's 'snap' General Election with a growing recognition by all major parties that the delivery of social and affordable housing also needs to be strengthened.

Our mission

We are a modern social enterprise that provides high quality homes and care to help people live better. This is echoed in the strapline 'living better' which forms part of our logo. We run commercial ventures such as a large private property development and sales programme and, increasingly, housing and care operations for the ageing population. We use the profits we raise from these activities to fund our affordable homes programmes and to provide high quality services for our customers and residents. This commercially-funded approach has helped us become much more financially-independent than many of our peers and has helped us continue meeting our objectives despite the major reduction in public funding for affordable homes of recent years.

Our values

- Our social purpose is at the heart of all we do.
- Our priority is people not profit.
- High standard, good value services to all our customers.
- Quality design and delivery of new homes.
- Building long term partnerships, innovating to meet new challenges.
- Valuing and respecting our staff, rewarding, recognising and celebrating our achievements.

Core principles

- The corporate plan is designed to strengthen our financial position.
- We will take all reasonable steps to achieve strong rankings.
- We will continue developing our services to residents, working in partnership with them through our Area Boards and resident involvement framework.
- We are committed to build homes and make them available for people on a broader range of incomes than we have in the past.
- We will increase the range of health care and aspirational senior living opportunities that we provide for older people, those who use the NHS and the most vulnerable in society.
- We will continue to invest in employment projects that help our residents to become more self-reliant, more aspirational and less dependent on benefits.
- We will remain free-standing but open to opportunities for growth through manageable takeovers of other housing associations.

Our corporate plan sets out a range of key objectives against six core themes as set out in the table below. This is the overarching framework we will use against which to assess our value for money achievements to the year 2019.

Core themes	Corporate plan key objectives	Growth strategy
Financial strength	• We will increase our annual profitability year-on-year to £40.4m by 2018-19. • Risk management and delivery of capital programmes will include a focus on appropriately protecting One Housing from downside risks.	• We will ensure adequate security for new lending as identified in the business plan. • Maintain interest costs at a manageable level.
New homes	• We will aim to maximise the number of new rented homes we can deliver, through cross-subsidy from market housing, letting at up to 80% of market rents, and using grant where available on acceptable terms. • We will aim to build new shared ownership homes to meet the aspirations of those who seek to own their own home. • We will review and develop a long term plan for our housing stock on the Isle of Dogs.	• We will generate £180m profit by committing to a private sale programme of 300 units a year to give us the capacity to deliver an affordable homes programme of 3,600 units, over two development cycles, to 2018-19.
Our landlord services	• We will tailor the services we provide to meet the different requirements of social renters, affordable renters and leaseholders. • We will invest in our stock to ensure that our assets are managed cost effectively and maintained to achieve agreed levels of customer satisfaction. • Existing tenancies will be maintained on existing terms. New lettings will be on five year renewable tenancies.	• By 2019 we will be managing 19,500 homes comprising 50% 'traditional' general rented and supported housing and 50%, market and leasehold housing. • By 2019, our property maintenance company, One Direct, will be delivering the full range of maintenance services, saving over £10m a year by 2019. • Over the same period, we will invest £74m in our property stock through the asset management strategy. • We will deliver our local offers with residents. • We will centralise our ASB and Tenancy Fraud team. • We will establish and deliver an annual service audit.

Core themes	Corporate plan key objectives	Growth strategy
Housing care and support	• We will expand health care and support services and preventive services - subject to acceptable commissioners' terms. • We will aim to provide 800 new senior living units in a mix of affordable and private sale extra care schemes as well as modern care homes providing the highest quality in design, accommodation and care standards. • We will develop joint ventures with NHS organisations to provide integrated aspirational supported housing to transform care pathways for older people and those with a long term condition.	• Housing care and support turnover will grow from £42m to £77m by 2019, of which registered care and older people will grow from £6m to £33m. • The focus for growth will be on the expanding self-payer, senior living market and through developing partnerships with the NHS to transform care pathways towards integrated services in aspirational specialist housing.
Employment and partnerships	• We will deliver cost effective initiatives to help residents into work. • We will use our supply chain to create opportunities for training and employment for our residents. • We will facilitate volunteering to help strengthen neighbourhoods, challenge isolation and build financial awareness.	• We will invest £6.5m over the corporate plan period to help residents into training and employment. • We aim to help more than 1,000 tenants into work over the same period. • We will invest a total of £2.5m into supporting the residents' involvement framework.
People	• We will improve our recruitment processes to deliver high calibre appointments. • We will build staff capacity to deliver great services, growth and commercial success. • We will improve staff engagement leading directly to improved performance. • We will attract a wider variety of skills through tailored remuneration.	• Our headcount will rise from 1,400 to 2,000 by 2019. • We will maintain an organisational culture that embodies our core behaviours and engenders a 'can do', commercial, customer focused work ethos. Our core behaviours are: • collaboration • ambition • respect • excellence • engagement

Business model

We are a modern social enterprise that provides high quality homes and care to help people live better. One of our key aims is to maintain long term financial viability so we may continue to provide our principal activities (which are set out on page 8). We seek to do this by optimising a return from our commercial activities and by minimising our operating costs, including our overheads. This year has seen further slowdown in the development pipeline across all parts of the construction and development industry. This situation has been exacerbated by the economic and political uncertainty following the referendum decision to leave the EU in the summer of 2016. Although we are confident that we will continue to deliver strongly and are continuing to pursue a number of large scale regeneration and development programmes alongside our existing pipeline, we are looking to further diversify and expand ventures that raise funds to cross-subsidise our social purpose. We are expanding our commercial lettings and property management offer, using our expertise to raise funds for our social purpose. We believe this to be a key factor in which we can maximise future investment for the further development of homes and enrich communities.

We were one of the first housing associations to embrace self-funding of our affordable homes and service through growing commercial ventures in the face of shrinking public funding. We are now less dependent on grant funding than any other housing association in the UK. We continued to generate profits of £34.6m (2016: £34.7m) from private sales, including first tranche shared ownership sales, to cross-subsidise the development of affordable homes. We work with a range of key development partners in joint ventures and other partnership arrangements to ensure a diverse, flexible and effective approach to new development opportunities. We currently have three joint venture (JV) arrangements to develop private homes for sale and have invested £21.7m to date to achieve our aim of developing more homes for people to live in.

The Group is structured so that we can Gift-Aid profits from the non-charitable subsidiaries into the charitable parent company. At the end of the financial year, £31.5m (2016: £30.0m) was Gift Aided for reinvestment to develop more affordable homes or through Arlington Futures to support people to live better.

Development and performance during the financial year and financial position at the year end

2017 financial review and highlights

We are pleased to report a record year with group turnover increasing by £10.7m to £255.6m (2016: £244.9m) generating a surplus before tax of £86.3m (2016: £54.4m). The increased turnover was largely driven by private property sales, with the increased annual surplus including a surplus on fixed asset property sales of £17.6m (2016: £16.5m). Our operating surplus of £80.6m produced an operating margin of 31.5% (2016: £85.9m and 35.1%).

Revenue and cost highlights

We must generate sufficient income to meet our operating costs, loan interest payments and investment in our homes. We have continued to generate sufficient surpluses before sales to cover interest costs.

Other key highlights include:

- surplus on first tranche sales of £7.8m (2016: £10.6m).
- surplus on properties developed for outright sale of £26.8m (2016: £24.1m).
- surplus on staircasing sales of shared ownership properties and RTB’s of £17.6m (2016: £16.5m).
- surplus on non-social housing lettings of £4.4m (2016: £2.2m).
- surplus on commercial properties of £2.9m (2016; £3.4m).
- a total of £31.5m of qualifying charitable donations from subsidiaries (2016: £30.0m). Our policy is to donate distributable profits from subsidiaries at a level that minimises their corporation tax liability.

We will continue to use our unrestricted surpluses to ensure that we achieve the objectives of our corporate plan.

Statement of financial position highlights

We maintain a robust financial position, reflecting a strong statement of financial position and cash reserves. These reserves will provide funds for future growth plans.

Other key highlights include:

- the value of the Group's housing properties at historical cost totalled £1.58bn (2016: £1.54bn)
- properties under construction totalling £149.8m (2016: £150.6m)
- current assets comprising of properties being developed for private sales of £121.2m (2016: £178.7m)
- we have drawn down loans of £993m (2016: £975m).
- we hold £19.1m investments in joint ventures (2016: £22.2m).
- statement of comprehensive income reserves increased by £82.0m to £346.5m (2016: £264.5m).
- decreased actuarial deficits on the defined benefit pension scheme of £0.27m (2016 decrease of £0.75m).

Future prospects

This has been a particularly turbulent year for the housing sector. There have been significant political and economic changes affecting housing associations during the year, including the Brexit vote and introduction of the new *Housing and Planning Act* followed by an unexpected General Election and, to some extent, a softening of the Government's approach to some of the measures introduced by the Act. Despite this ongoing change, our financial performance during 2017 has been robust and we have continued to further expand our offer of high quality housing and services to our customers.

At the time of writing, there is still a high degree of political uncertainty following the election and we have yet another new housing minister in post which clearly brings the potential for more high-level changes in our operating environment. The tragic fire at Grenfell Tower in west London also looks set to have profound implications for all landlords, not least housing associations and other providers of social housing. We will of course adapt as necessary and continue to innovate and strive towards ever greater efficiency and value for money across the business to ensure that we remain commercially focused while relentlessly pursuing our social objectives. Our 2018 budget builds on the success of 2017. Turnover will continue to rise and we forecast that this trend will continue next year as we develop and sell more properties for private sales; this is in accordance with our corporate plan. We plan to handover over 420 affordable homes and 200 privately developed homes next year.

Our five year budget plan includes value for money targets designed to support delivery of the five year corporate plan and take account of the changing landscape. Some of the key budget drivers looked at how we aim to improve on the results of our value for money self-assessment, how we will continue to absorb the impact of the ongoing 1% cut in social rents imposed by government, and how we intend to operate in an ever more uncertain environment.

We also test all of our ambitions using a 30 year business model and we stringently stress test our plan against a multiple combination of risks to ensure we can deliver them. Our identified risks include:

- changes in interest rates
- the impact of extended periods of high or low inflation
- reductions in rental income growth
- delays to development completions and sales
- falls in selling prices of developments for sale
- reduction or unavailability of private finance for the private development programme
- increased development programme
- loss of care contracts.

Our business plan shows that we are future focused and not afraid to take calculated risks where we believe it will achieve our purpose.

We firmly believe that we can and will play a central role in helping to tackle the ever more acute housing crisis. We are still firmly on target to create over 3,600 new homes of all types over the next five years. Our mission to help people 'live better' is underpinned by a culture that has innovation and creativity at its heart.

The next five years are likely to see continued commercial growth as we build our portfolio. This will put the Group in a very strong position to deliver its social purpose and support all types of people to live better.

Principal risks and uncertainties

A diversified organisation like One Housing Limited needs a disciplined approach to risk to ensure that we are achieving our strategic objectives. We manage risk rather than avoid it and we identify, analyse, prioritise and mitigate the risks we face. We do this through our corporate risk register that records and analyses risks according to their potential impact and probability. This section describes our risk management practices for the year ended 31 March 2017.

The Group Board is responsible for ensuring that we have proper arrangements for risk management and internal controls across the Group and for managing risk. The Board reviews financial performance regularly and assesses the strategic risks facing the Group through a structured risk management process. The Board has delegated responsibility for the oversight of high impact or high likelihood risk to the Group Audit & Controls Committee.

This committee also helps the Group Board to oversee the risk management framework. Its role includes the independent oversight of the effectiveness of risk management and internal controls by way of an annual report.

The Group Director of Finance & Resources leads and reviews the corporate risk register with the Executive Team. He also provides quarterly updates on the movement of the high level risk to the Group Audit & Controls Committee and a six monthly review of the corporate risk register to the Group Board. The Group Director of Finance & Resources' oversight also includes reporting to the Group Board and the Group Audit & Controls Committee on any changes to the risk profile, quality assurance of risk management activity and internal controls every six months.

Executive Team oversight includes risk assessment of the corporate plan, partnership and joint venture, contingency and business continuity planning, health and safety arrangements, as part of the business planning process.

Directors' oversight includes ensuring effective risk management exists in their directorates and departments, identification of key business risks in their service area, providing appropriate mitigating actions of these risks within the risk management framework, and enforcement through policies and procedures

Risk managers and owners bring expertise to their business operations and core processes. Both have focused goals and objectives that are aligned to the overall risk management framework. They monitor and ensure mitigating actions are reviewed in a timely way.

Risk management objectives and policies

Risk management is a planned and systematic approach to the identification, evaluation, prioritisation and control of risks and is defined as the chance of something happening that will have an impact (positive or negative) on the achievement of the organisation's objectives. We are committed to ensuring that consideration of risks is a part of our everyday management process across the business and we do this by allowing staff to identify and manage risk at all levels. We encourage innovative solutions which are implemented with an awareness and active management of the risks they carry. Our internal control and corporate governance arrangements include a risk management strategy which aims to:

- deliver our objectives more effectively
- promote service improvement through cost effective actions that manage risk
- minimise and manage unacceptable and avoidable errors and serious incidents
- minimise our exposure to fraud and corruption
- develop a culture across the organisation where risk management is an integral part of key management processes
- discharge our duty of care to our customers and our employees.

Responding to the Grenfell Tower fire

At the time of writing, the whole housing sector, indeed the country as a whole, is trying to come to terms with the huge implications of the tragic fire at Grenfell Tower on 14 June 2017. While the full cause of why the fire spread so rapidly and with such devastating effects is still to be determined, One Housing has committed to continue making fire safety and prevention one of our highest priorities.

Immediately after the fire we wrote to all our residents to share the information we had relating to the Grenfell Tower fire and to seek to reassure them with information about our own systems and processes to help protect them from a fire at their property. We are continuing to provide updates as the situation progresses and are responding to a large volume of enquiries from both residents and our stakeholders. We have committed to a wide-ranging fire prevention campaign with residents in the coming months to help raise awareness of the steps we can take together to reduce the risk of fires.

Behind the scenes we have ensured that all of our fire-risk assessments are up-to-date and embarked on an extensive programme of checking records and physical inspections for our taller buildings and those with exterior cladding. At present this has entailed inspections of over 150 of our blocks (One Housing has residents in 157 blocks of over six storeys (18 meters) of which 17 are over 12 stories). If our inspections and testing highlight any particular risks, we will take the necessary steps to address them. One Direct has also recruited additional operatives to help with our ongoing assessment and risk-reduction works.

We have also shown our willingness to help support those directly affected by the Grenfell Tower, as well other families displaced from their homes as a result of fire remediation works elsewhere. This has included encouraging teams of volunteers from our workforce to provide direct, practical help in the immediate aftermath of the fire and liaising with local authorities to offer our support. One positive outcome of this is that we have worked with Camden Council to temporarily rehouse two households displaced by the urgent cladding removal work at the Chalcot estate.

Relevant to the Group’s corporate plan 2014-19

As we develop our business there are potential risks which we are exposed to. We manage these risks in accordance with our risk appetite. Our risks are registered across the following seven areas which are relevant to our corporate plan.

	Risk categories
1	Liquidity
2	Market led sales
3	Covenant compliances
4	Welfare reform and political risk
5	Compliance with statutory and regulatory requirements
6	Maintenance procurement and compliance with relevant regulations
7	Reputational risk

Risks are categorised as low, medium, high and very high by reference to an agreed scoring process and 'RAG' rated respectively as red, amber and green. The red and amber risks are reported on individually to GACC and categorised as 'high and very high'.

The Board has identified the strategic risks facing the business, which fall within the seven risk categories above. These are regularly monitored and reviewed by GACC with any recommendations for change put to the Board. The Board receives a six monthly update in addition to the formal annual risk report.

	High risk	Action or mitigation
1.	**Liquidity**	No significant risks crystallised in 2016-17. During the year we launched a new investment policy, treasury management policy, and special purpose vehicle policy that set out the risk and reporting framework within which we will make our non-social investment decisions. These risks are managed through strong executive and non-executive oversight. We continue to stress test our financial plan to identify the level of exposure we are willing to take, given our risk appetite. This stress testing extends to the monthly cash flow forecasting and sales reporting to the Development Programme Monitoring Committee. The investment policy identifies minimum performance levels and potential mitigations.
2.	**Market-led sales**	Stress testing is on-going and indicates that before the current programme starts to face problems we would need to see a reduction in sales values of around 30% on current valuations or an extended sales period of nine months with nothing selling on any scheme. Even with the uncertainty caused by Brexit, none of the current market indicators is predicting such an eventuality. If the indicators prove wrong we will consider alternative strategies. The following options are open to us: • conversion to shared ownership or shared equity • conversion to private rental until markets change • block sale to investors • conversion to sub-market products such as affordable rent • in extreme circumstances, mothball schemes until the market recovers The Executive Team will consider some basic trigger points for each scheme at which point we can and will action any of the above options.
3.	**Compliances**	We monitor and respond to legal and regulatory developments in the areas in which we operate. We update our policies to ensure that we comply with changes in legislation and regulation. We carry out risk assessments to assess material changes and the policies and procedures needed to manage them. We provide mandatory training to employees on relevant areas of law and regulation. We require that all of our employees, suppliers and subcontractors comply with applicable laws and regulations. As appropriate and in line with policy, we will ensure that external audits are carried out throughout the year, with actions programmed according to risk and priority.

	High risk	Action or mitigation
4.	**Welfare reform and political risk**	**Welfare reform** Welfare reform remain a risk to the business. The most significant changes during 2016-17 have been the further reduction in the Housing Benefit cap and the start of a roll-out of a full digital Universal Credit service, which means a further reduction of benefits to residents and more residents moving onto Universal Credit. This risk has been mitigated well with little impact on the business. Income collection levels were 101.14% and arrears 3.91%, an improvement in performance from the 2016-17 financial years. In 2017-18 there will be a more widespread roll out of Universal Credit across our stock which may affect the income performance position, but which will help to solve a number of issues including rent verification. We will continue to mitigate this risk through a detailed welfare reform action plan and a project team that updates and monitors this regularly and ensures that we continue to take the necessary actions to mitigate any potential effect on income. **Political risk:** General Elections usually create uncertain environments and require organisations to prepare for a range of outcomes. We have developed positive relationships with senior politicians from both sides of the bench. While elections always create some uncertainty, promisingly both the Conservative and Labour party manifestos had positive housing policy pledges. The Conservatives have pledged to build half a million homes between 2020 and 2022 and said they “will give greater flexibility to housing associations to increase their housing stock, building on their considerable track record in recent years.” They have also said they will support housing associations to build more specialist housing, including housing for older people – which could be an opportunity for One Housing as we have significant experience and success in this area. The Labour party manifesto pledged to reverse the decision to abolish housing benefit for 18-21 year-olds which would no doubt help One Housing mitigate the welfare reform risk. They have also pledged to build at least 100,000 council and housing association homes a year for genuinely affordable rent or sale. Both manifestos pledged to focus on brownfield land for development and protect the greenbelt.
5.	**Compliance with statutory and regulatory requirements**	Statutory requirements are understood and compliance responsibilities identified within all areas of the business.
6.	**Maintenance procurement and compliance with relevant regulations**	There are on-going actions to ensure contracts are compliant with our financial regulations and standing orders, including an independent audit conducted last year. We are currently creating a dynamic framework to align procedures across the Group to further ensure legal compliance and value for money. The highest rated risk areas are fire, gas, electricity, asbestos and water hygiene. We have comprehensive up-to date rolling programmes in place to manage these high risk areas and this is regularly monitored and assurance provided to the Board.

	High risk	Action or mitigation
7.	**Reputational risk**	We send regular communications to all residents, stakeholders and customers. We increasingly use online communication methods to deliver 'live' updates to residents, stakeholders and the media. We carried out a perceptions audit during the year to understand how key external stakeholders view the organisation and, reassuringly, this showed that perceptions have become much more positive overall since this exercise was last carried out in 2011. We have also further expanded and developed our Communications & Marketing team during the year to help us more effectively manage reputational risk.

Financial and non-financial key performance indicators

The table below shows our financial performance for the past four years pre-FRS and our current performance under FRS 102 with 2015 comparatives.

Group financial results - five year summary

	FRS 102			Pre-FRS 102		
Year ended 31 March:	2017	2016	2015	2015	2014	2013
	£m	£m	£m	£m	£m	£m
Statement of comprehensive Income						
Turnover	255.6	244.9	223.3	218.5	159.3	206.4
Cost of sales	(80.2)	(70.7)	(75.6)	(75.6)	(24.8)	(71.9)
Operating costs	(112.4)	(104.8)	(99.3)	(98.6)	(93.7)	(84.6)
Surplus/(deficit) on disposal of fixed assets	17.6	16.5	14.9	15.3	8.9	3.1
Operating surplus	80.6	85.9	63.3	59.6	49.7	53.0
Share of surplus/(deficit) in joint ventures	5.2	0.2	(0.4)	(0.3)	0.1	9.8
Net interest and financing costs	(28.1)	(30.3)	(30.0)	(28.2)	(26.2)	(25.8)
Movement in fair values of financial assets	(11.6)	(11.1)	(62.8)	-	-	-
Movement in fair value of investment properties	40.2	9.7	28.7	-	-	-
Other finance costs	-	-	-	0.1	-	-
Surplus for the year before tax	**86.3**	**54.4**	**(1.2)**	**31.2**	**23.6**	**37.0**
Statement of financial position						
Total fixed assets and investments	1,838.8	1,756.9	1,677.4	1,653.0	1,583.4	1,514.0
Current assets	302.5	294.2	274.9	275.0	264.6	223.2
Total creditors including loans and borrowings	(1,792.9)	(1,784.7)	(1,742.9)	(1,680.5)	(1,659.3)	(1,613.7)
Total reserves	**348.4**	**266.4**	**209.4**	**247.5**	**188.7**	**123.5**

Statistics						
Operating margin (%)	31.5%	35.1%	28.3%	27.3%	31.2%	25.7%
Net margin (%)	33.7%	21.9%	(0.9)%	14.2%	14.5%	17.6%
Interest cover	226%	187%	135%	146%	146%	198%
Gearing	70%	73%	78%	74%	79%	85%
Units in management	15,234	14,657	14,242	14,242	14,156	13,502

Performance indicators for affordable homes

The Group's key indicators are set out below against target.

	2017	2017	2016
Tenant satisfaction	**actual**	**target**	**actual**
General needs tenants who are satisfied with their landlord's service	84.1%	84.0%	85.4%
Leasehold residents who are satisfied with their landlord's service	69.0%	65.0%	65.0%
Overall satisfaction with estate services	85.5%	75.0%	73.0%
Percentage satisfaction with CCC housing services	97.9%	90.0%	85.6%
Percentage of residents satisfied with the repairs and maintenance service	91.6%	90.0%	88.7%
Percentage satisfaction with One Direct's (ODML) repairs helpdesk	93.8%	90.0%	94.6%
Customer Contact Centre			
Percentage of calls answered within 20 seconds by Housing Services	85.1%	82.0%	83.4%
Percentage of calls lost or abandoned by Housing Services	3.2%	4.0%	3.6%
Repairs			
Percentage of out-of-hours and emergency repairs completed on time (within 24hrs)	99.5%	98.0%	96.9%
Percentage of urgent repairs completed on time (within five working days)	98.4%	96.0%	94.2%
Percentage of routine repairs completed on time (within 20 working days)	99.2%	95.0%	97.5%
Percentage of repairs completed 'right first time'	95.4%	75.0%	94.1%
Collecting rents			
General needs residents: percentage of income collected	101.1%	99.4%	100.2%
Leaseholder and shared owners: percentage of income collected	101.9%	99.6%	101.3%
General needs residents: percentage of current arrears	3.9%	4.5%	4.4%
Leaseholder and shared owners: percentage of arrears	6.4%	7.0%	7.0%
Managing empty properties			
General needs: overall re-let time (calendar days)	30.4	28.0	29.4
Minor voids: average turnaround time (general needs works only, less than £5k and ten working days)	9.5	10.0	8.1
Major voids: average turnaround time (20 working days)	18.8	20.0	16.8
Performance indicators for non-social homes			
Percentage of market rent and intermediate rent income collected	103.4%	102.5%	102.6%

The Group has exceeded 15 of its 20 key performance targets this year. We are starting to see the benefits of some of the improved systems and processes with the introduction of Bluebox, RentSense and RedBox software.

Repairs

We are also starting to see the benefits of our internal maintenance service (One Direct) and exceeded the repairs targets we set for ourselves. To improve our focus on value for money we are completing jobs earlier than our previous external contractors and getting the job done right first time, reducing repeat visits.

Resident satisfaction

We have taken significant action during the year to improve tenant satisfaction which included implementing a new survey system that ensures that residents are asked about outstanding issues. Their responses are emailed directly to the responsible person, who then has to respond to the resident within 48 hours. We have been moving from simply monitoring the levels of resident satisfaction to instead addressing issues they have and hence improving their satisfaction.

Collecting rents

We are maximising our income, reducing our arrears and exceeding our targets for both general needs and leaseholder residents. Modernised collection techniques and the implementation of our new RentSense system have led to a significant improvement in performance despite more Universal Credit cases. We have also addressed some difficult historical arrears cases through litigation. In addition, with the introduction of BlueBox software in 2017, we have also improved how we bill service charges to residents and this clarity helps with income collection.

Managing empty properties

Our overall re-let time has worsened in the last year as we have been facing some challenges resulting from the fact that the London Borough of Camden has adopted an entirely new system in this area which is increasing the time needed to provide and approve nominations. We recognise we can still improve our own efficiency even though performance is on target if we exclude data for Camden. We have restructured our Allocations team, replacing some staff, and have started an end-to-end review of the void and lettings process. Discussions and follow-up with our local authority partners will also continue. Minor and major void work turnaround time has increased to improve the quality of the property when allocated and reduce return work after residents have moved in.

Customer Contact Centre:

We introduced a customer relationship management system for our contact centres in 2016 and this has embedded in 2017 with marked improvements in our telephony service for both of our contact centre indicators. We rebranded the Housing Services contact centre in 2017 to Customer Information Hub and we introduced RedBox to record and monitor the quality of our call handing and ensure it is improved. We believe this will improve quality and resolve people's enquiries 'right first time' or see them responded to about their issue leading to increased satisfaction.

Other non-financial performance

We added the following awards to our collection during the year.

Housing Innovation Award 2017	Most innovative supported/sheltered housing scheme - Protheroe House.
Considerate Constructors Award 2016	Bronze in £10-50m category - Pretoria Road (Lorenco House).
In-House Customer Satisfaction Award 2016	Gold award
Building Excellence Awards 2016	Best high volume new housing development - finalist - Batavia Road, New Cross
Housing Innovation Awards 2016	Most innovative housing provider - over 10,000 properties.
Abel Monitor 2016	Top five housing association brands
EAC - National Housing for Older People Awards 2016	Best senior living scheme in London – Esther Randall Court.

Pension costs

Details of the Group's pension fund are disclosed in note 31.

Investment in subsidiaries

During the year, the Association decreased its equity investments in Citystyle Living (Kidwells THA) Limited by £6.8m and in Citystyle Living (Slough Station) Limited by £2.2m.

During the year the Association invested £51k in Renovo Facilities & Services Ltd (REN). It is a joint venture; 51% in favour of OHGL and 49% in favour of Chequers Limited. It was formed to provide facility management services on behalf of the Group.

Two new wholly owned subsidiaries were incorporated during the year with £100 share capital: Citystyle Living (Sutton Court Road) Limited, and Citystyle (North End Farm) Living Limited.

Capital structure and treasury

Our treasury management

We have a detailed treasury strategy and our the Group Board reviews our treasury policies each year to make certain that we always apply best practice and are effectively managing our treasury risks.

Our Corporate Finance team's main roles are to manage treasury risks and make our treasury operations as efficient as possible while successfully managing the various risks we face. The Group Board is responsible for the oversight of the Group's financial risks; these include those pertaining to interest rates, inflation and liquidity risk. Using leading treasury management systems also helps us to apply an efficient and integrated overall approach, while ensuring that our data is accurate and consistent.

In addition, we constantly monitor our performance and undertake regular risk reviews to make sure that we remain financially sound in all treasury matters and to show if any additional risk mitigation actions need be taken, including raising new financing and hedging activity.

Managing debt

We manage all Group debt centrally.

The Group funds itself through free cash flow from operations, long- and short-term committed loan facilities from a range of counterparties, and (on a reducing level) government grants.

The treasury policies and procedures, which the Group Board reviews annually, are designed to deliver and maintain an efficient capital structure while managing the Group's liquidity, interest rate, counterparty, credit, regulatory and re-financing risks.

Most of the Group's debt, 98% (2016: 92%), is borrowed in One Housing Group Limited and is secured on the back of its housing properties, with the remainder of the debt being borrowed in subsidiaries of One Housing Group Limited.

Most of the Group's subsidiaries are development special purpose vehicles (SPVs) or joint ventures used to develop private sale or mixed tenure development schemes. We continue to fund these through scheme specific development finance, with only One Housing Group Limited's equity at risk. The profits of these SPVs are reinvested back into our social housing activities.

Cash flows

Historically, long term bank loans have been the largest source of funding to the sector and we are no different in this respect with 76% (2016: 86%) of current drawn funding being from this source at year-end. All funding in One Housing Group Limited is fully secured and available to be drawn. Funding in the subsidiary companies is secured on the assets of those entities, which in the development SPVs is the land and work in progress.

Our liquidity levels are adequate with available facilities of £68m (2016: £79m) and cash and liquid financial assets of £90m (2016: £80m) as at the year-end, ensuring that our committed financial plan is fully funded in line with our treasury policy.

During the year we took advantage of favourable market conditions to raise a further £85m through the private placement market; this increased our liquidity buffers and met scheduled debt repayments and refinance existing revolving facilities for redrawing later. The private placement note was in the form of a 25-year fixed rate note, with up to 70% of the property security coming from shared ownership properties.

The average life of our fixed debt is 15 years (2016: 16 years). We have a moderate level of short-term refinancing risk, which has been partially alleviated by the above private placement and the treasury strategy is looking to reduce this risk with further debt exercises this year.

Borrowings are shown in Note 28 in the financial statements.

Variable rate borrowing includes callable facilities. The Group is likely to seek additional funding during the year to increase its liquidity to help insulate against market shocks and to provide a liquidity buffer and to continue its strategy of funding its non-social activities with non-recourse finance to One Housing Group Limited.

Liquid resources

Cash and cash equivalents was £99m at year-end (2016: £85m). This relates to cash held within money market funds and bank deposits and has increased during the year due to varying working capital requirements and the debt raising activities. The movement within the year is consistent with the Group's liquidity management policy. In the current environment a level of liquid holdings provides a critical buffer against volatility and unforeseen shocks that may give rise to temporary restrictions on access to working capital.

Liability management

As a result of the Group's active risk management activities, a high percentage of our debt interest profile is fixed, using a mix of interest rate derivatives and fixed-rate debt to minimise exposure to fluctuating interest rates. Our average cost of drawn debt in the year 2017 was 4.11% (2016: 4.13%). At 31 March 2017 78% (2016: 67%) of total debt outstanding was hedged either by fixed interest rates or index-linked loans or swaps.

As at 31 March 2017, the Group had interest rate derivative contracts (interest rate swaps) of £152m (2016: £102m), with a risk-free mark-to-market valuation of £44.0m (2016: £42.7m). These contracts are subject to International Swap Dealer Association (ISDA) Agreements between One Housing Group Limited and the bank counterparties and require the posting of collateral for margin calls.

The exposure has fluctuated significantly during the year. We have increased our property collateral to provide protection against a -1% parallel downward movement in the yield curve and to mitigate the risk of any cash calls and its subsequent adverse impact on liquidity.

The Group actively monitors its exposures to collateral calls on a monthly basis; this includes a range of stress tests.

As at 31 March 2017, the impact of a 1% shift in both short and long-term interest rates would have increased the collateral calls by £15m, which is covered by existing property collateral allocated to this risk.

We closely monitor funding markets and regularly assess our mix of fixed and variable rate facilities.

Debt repayment profile

The profile of debt repayments at 31 March 2017 (excluding fair values, issue costs, discounts and premiums) was:

	Within one year £'000	Between one and two years £'000	Between two and five years £'000	After five years £'000	Total £'000
Bank loans	44,517	62,791	159,623	341,659	**608,590**
Revolving facilities	-	-	10,000	-	**10,000**
Bond	140	22,140	420	39,480	**62,180**
Private placement	-	-	-	135,000	**135,000**
Other loans	461	657	1,791	3,162	**6,071**
Non-funding group	10,643	1,610	5,222	1,080	**18,555**
	55,761	**87,198**	**177,056**	**520,381**	**840,396**

Security

All of One Housing Group Limited's loans and derivative contracts are secured using property as collateral. As at year end the Group had a total of £597m uncharged and £167m excess security charged on facilities, based on observed or average valuations; this provides the Group with a total available security of £764m.

The Group operates a series of risk buffers for its security requirements with facilities having a range of 5%-10% excess security (£67m as at 31 March 2017) to cover operational purposes, £205m risk fund to protect against a negative 10% fall in market property valuations and a further £20m risk fund against the impact of a negative 1% interest rate on its derivative portfolio. This still leaves the Group with £472m of security available to secure new facilities or cover market shocks.

Under the ISDA agreements the Group is required to provide collateral to secure out of the money positions in excess of an aggregate threshold of £5m (2016: £5m). The current collateral calls amount to £44.0m (2016: £42.7m) and are secured using property security of £62m (2016: £41m) by way of the security trustee.

The collateral position has increased by £21m from 2016 to protect against the impact of new derivative trades and the continuing market volatility in interest rates. The Group actively monitors its exposures to collateral calls on a monthly basis, including a range of stress tests.

The Group is currently in the process of reallocating and releasing £82m of security to increase the uncharged pot of security. This is deemed to present the Group with better value for money, flexibility and risk management than leaving the excess security in charge.

Complying with our covenants

We monitor all our financial covenants on a monthly basis based on the financial results of One Housing Group Limited. We monitor a multiple of different definitions across our debt portfolio. Interest cover, which under the tightest definition shows how much of our net interest charge is covered by our pre-interest and pre-sales and Gift Aid, is one of our core key performance indicators. As is typical in the social housing sector, we test and report on these on a one-year and three-year basis. The older historical debt and one loan facility also includes net rental or income tests, which are also monitored on a monthly basis.

In addition, we continue to scenario test and stress test our financial position and forecasts, including multiple-event 'perfect storm' conditions. This is to ensure that, even in the most unlikely combinations of adverse markets conditions or shocks, our business (factoring in our development plans) is not put at risk and we maintain an adequate covenant headroom.

On 31 March 2017 our tightest one and three year interest cover stood at 133% and 187% respectively (2016: 153% and 187%), against lender covenants of 110% and 120%.

Our gearing covenants restricts the amount of debt we can hold as a percentage of our housing assets or "net worth". Again, the Group's facilities contain multiple definitions with the tightest being based on the historic cost of completed housing properties after depreciation and impairment. Based on the tightest covenant the Group had a gearing of 44% (2016: 46%), compared to a covenant ceiling of 55%.

The Group's financial covenants are reported under pre-FRS102 UK GAAP and the Group is looking to renegotiate these definitions to be FRS102 compliant whilst maintaining neutrality for both parties.

Cash flows

The cash flow statement and related notes are on page 46.

Governance

The Board is committed to a high standard of corporate governance and has overall responsibility for the Group's affairs. It seeks to adhere to the principal recommendations of the UK Corporate Governance Code to build trust and transparency, and regularly reviews its activities against this. The Group promotes strong governance towards the shaping of group culture.

Group Board

The Group Board has twelve members, seven of whom are non-executive and five are executive members. The non-executive members embrace a broad range of experience in business, finance, property development, risk management and housing services. The key aspects of the Group's governance framework and members are detailed below.

Governance framework

Group Board

Name	Title
Anthony Mayer	Chair
Carol Yarde	Non-Executive member
Michael Taylor	Non-Executive member
Nigel Fee	Non-Executive member
Vijay Sodiwala	Non-Executive member (SID)
Kevin Brush	Non-Executive member
Roger Davies	Non-Executive member
John Gregory	Interim Chief Executive
Paul Rickard	Group Director of Finance and Resources
Alan Williams	Group Director of Development
Kevin Beirne	Group Director of Housing Care and Support

Group Audit and Control Committee (GACC)

Name	Title
Michael Taylor	Chair: Non-Executive member
Nigel Fee	Non-Executive member
Kevin Brush	Non-Executive member
Carol Yarde	Non-Executive member
Roger Davies	Non-Executive member

Group Appointment and Remuneration Committee (GARC)

Name	Title
Vijay Sodiwala	Chair: Non-Executive member
Michael Taylor	Non-Executive member
Anthony Mayer	Non-Executive member

Development Programme Monitoring Committee (DPMC)

Name	Title
Alan Williams	Group Director of Development
Kevin Beirne	Group Director of Housing Care and Support
Paul Rickard	Group Director of Finance and Resources
John Gregory	Interim Chief Executive

Executive Team (ET)

Name	Title
John Gregory	Interim Chief Executive
Paul Rickard	Group Director of Finance and Resources
Alan Williams	Group Director of Development
Kevin Beirne	Group Director of Housing Care and Support
Matthew Saye	Interim Group Director of Housing

Group Board

The Group Board meets approximately every other month to set and review the strategic direction, financial and operational performance of the Group. It consists of twelve members who are responsible for independent judgement on all issues. The members are informed on appointment of the procedure for obtaining professional advice at the Group's expense.

The Group has six independent non-executive directors and one non-independent non-executive who does not have or does not claim any interest in the society from being a Group Board member.

The Chief Executive, in consultation with the Chair, produces an agenda for each meeting that is supported by papers from the Executive Team and their senior team, who present and answer any questions that arise in the Group Board discussion.

The Group Board members are briefed and aware of their responsibilities on the matters that are reserved for their authority and have regular site visits; presentations and meetings with senior management to ensure that all members are kept informed the Group's activities, objectives and the environment in which we operate.

Authority for implementing the agreed strategy, group business plans, group wide polices and for the general management of the Group is delegated to the Chief Executive and the Executive Team.

All Group Board members have access to the advice and services of the Company Secretary, who is responsible for ensuring that all Group Board procedures and rules and regulations are complied with to ease the process and discussion at meetings as well as advising the Group Board on governance matters.

The Chief Executive, Executive Team and Company Secretary are fully accessible to the Group Board and maintain regular contact with them.

The roles of the Chair and Chief Executive are separate with a clear division of responsibilities between the running of the Group Board and Executive Team.

The operation of the Group Board such as matters reserved for their approval, delegation to committees or task and finish groups and the division of responsibility between Chair and Chief Executive are set out in the Group's governing documents;

- One Housing Group Limited Rules
- Standing Orders
- Financial Regulations
- Terms of Reference for;
    - GACC
    - GARC
    - DPMC
    - Task and Finish Group

The Chair meets with the non-executive directors and without the Executive Team present.

There is regular training throughout the year, conducted both by internal specialist and external consultants. The Group Appointments and Remuneration Committee (GARC) has delegated authority from the Group Board to carry out the process. As part of the annual appraisal the Chair discusses the training needs of the non-executive directors. During 2016-17 this included specific training on governance and treasury, the latter delivered by Grant Thornton. We have also undertaken a skills and year-end assessment of all Group Board members. The outcome of this assessment will shape the forthcoming training schedule for all Group Board members.

Group Board Committees

The Group Board formally delegates specific responsibilities to its committees which each operate under the terms of reference agreed by the Group Board and is supported by the Executive Team as appropriate.

The Chairs' of each of the committees report matters of significance to the Group Board after each meeting and the minutes are presented at each Group Board meeting.

The detailed roles and responsibilities of each committee are set out in their respective terms of reference.

Group Audit and Control Committee

GACC comprises of five non-executive Group Board members and meets quarterly. The external and internal auditors attend key meetings and have direct access to the committee Chair. The GACC Chair and the Group Director of Finance and Resources maintain regular contact throughout the year.

GACC was set up to support the Group Board in discharging its responsibilities particularly maintaining an effective system of internal control. The committee's objective is to give assurance to the Group Board on the following;

- Effectiveness of the system of risk management and internal control: GACC reviews the risk register and the effectiveness of the application of risk management policies and processes. It assesses the effectiveness of the internal control system for financial reporting and the compliance of the care services and CQC regulatory assessments.
- Integrity of the Group's annual report and accounts: GACC reviews major financial reporting judgements and their application to the annual report submission and accounts for One Housing Group Limited and all its subsidiaries.
- The work of the internal audit service: GACC reviews and agrees the annual internal audit programme and ensures co-ordination between the internal and external auditors as well as monitoring and reviewing the effectiveness.
- The external audit by the external auditor: GACC make recommendations on the appointment, compensation and any potential resignation or dismissal of the external auditors. The committee keeps the relationship between the Group and its auditors under review and considers their independence, including the extent of their fees from non-audit services. It reviews the cost effectiveness of the external audit and independence and effectiveness of the external audit taking.
- Such other matters as may be referred to it by the Group Board

The Group Audit and Control Committee have not had to consider any significant issues in relation to these financial statements.

The current auditor's tenure started in 2011-12 when it was last tendered.

The Group Audit and Control Committee has considered auditor objectivity and are assured independence is safeguarded following a review of BDO's activity during the financial year ending 31 March 2017. The fees paid to the auditor for audit services, audit related services and non-audit services have also been reviewed to further support this disclosure.

Chair of GACC

The Chair of GACC qualified as an accountant with CIPFA and has over 40 years' experience in the public sector and local authority finance. He has worked with several London boroughs and has experience in finance, property, ICT and commercial services.

Group Appointments and Remuneration Committee (GARC)

This committee comprises of three Group Board members. It is responsible for the recruitment of the Group Board members, Group Board appraisal system, advice on general corporate governance issues and the pay and remuneration for all Executive Directors and the Chairman.

In relation to the appointment of non-executive directors, we use an external search consultancy which has no connection to the Group and have due regard to diversity, including gender. This is consistent with the work of our Equality & Diversity steering group and Policy.

The committee does not currently have measurable objectives for the implementation of equality and diversity when looking at the appointment of executive and non-executive members. This will be looked at in the forthcoming year as part of our work on equality and diversity, including gender pay gap analysis.

Group Directors' induction and training

We run a bespoke induction programme for new non-executive and executive directors. It takes into account the members' existing knowledge of the business and is based around the specific areas of expertise, skills and experience of each member.

Group Board appointment and evaluation process

GARC has delegated authority from the Group Board for the recruitment and payment of the directors.

In previous years the Group has commissioned an external 360 degree review of the Group Board's effectiveness. The Group Board evaluation process involves;

- the senior independent director undertaking an annual assessment of the Group's Chair
- an annual performance meeting for each non-executive director and the Chief Executive
- the Chief Executive carrying out an annual performance assessment for the executive directors.

Development Programme Monitoring Committee (DPMC)

The members meet to scrutinise and discuss current and future property developments in detail and report to the Group Board in a formal committee report.

Task and Finish Group

The Group Board has the ability to set up Task and Finish Groups with defined remits. They differ from committees in that they have a finite life and a specific, usually project specific, remit.

Raising concerns (whistleblowing)

GACC are responsible for reviewing the Groups whistle blowing procedures and receive updates on relevant concerns raised under the procedure together with management actions taken in response.

Attendance

Name	Group Board	GACC	GARC	DPMC
Number of meetings	**6**	**5**	**when required**	**4**
Anthony Mayer	5	-	/	-
Michael Taylor	6	5	/	-
Nigel Fee	6	4/4	-	-
Kevin Brush	6	5	-	-
Carol Yarde	6	1	-	-
Roger Davies	6	5	-	-
Vijay Sodiwala	6	-	/	-
John Gregory	5	-	-	3/3
Paul Rickard	6	-	-	4
Alan Williams	6	-	-	4
Kevin Beirne	6	-	-	3/3

Subsidiary Company Governance

The Group has a number of subsidiary companies established for specific purposes. Each subsidiary company has its own Board.

Approval

This strategic report was approved by order of the Board

Anthony Mayer
Chair

Mike Taylor
Board member

Louisa Loizou
Secretary

Date: 7 July 2017

Independent auditor's report to the members of One Housing Group Limited for the year ended 31 March 2017

We have audited the financial statements of One Housing Group Limited for the year ended 31 March 2017 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 reserves, the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the association's members, as a body, in accordance with the *Housing and Regeneration Act 2008* and Section 87 of 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 association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the board and auditors

As explained more fully in the statement of Board member responsibilities, the Board members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent association's affairs as at 31 March 2017 and of the group's and parent association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

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 to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the parent association, or returns adequate for our audit have not been received from branches not visited by us; 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.

BDO LLP

Gatwick, West Sussex

United Kingdom

BDO LLP

Date: 1 August 2017

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

One Housing Group Limited

Consolidated and Association statement of comprehensive income
for the year ended 31 March 2017

	Notes	Group 2017 £'000	2016 £'000	Association 2017 £'000	2016 £'000
Turnover	4, 5	**255,589**	244,945	**191,680**	187,489
Cost of sales	4, 5	**(80,182)**	(70,738)	**(12,664)**	(9,920)
Operating costs	4, 5	**(112,400)**	(104,785)	**(112,535)**	(104,514)
Surplus on disposal of fixed assets	11	**17,605**	16,545	**15,628**	13,788
Operating surplus	7	**80,612**	85,967	**82,109**	86,843
Share of surplus in joint ventures	19	**5,208**	201	**-**	-
Other interest receivable and similar income	12	**344**	340	**2,080**	4,110
Interest and financing costs	13	**(28,439)**	(30,759)	**(28,831)**	(30,695)
Movement in fair value of financial instruments	29	**(11,646)**	(11,084)	**(11,646)**	(11,083)
Movement in fair value of investment properties	17	**40,245**	9,743	**27,064**	8,987
Movement in fair value of listed investment	20	**(40)**	-	**(40)**	-
Other finance costs	31	**(23)**	(44)	**(23)**	(44)
Surplus before taxation		**86,261**	54,364	**70,713**	58,118
Taxation on surplus	14	**(4,522)**	1,980	**(147)**	(75)
Surplus for the financial year		**81,739**	56,344	**70,566**	58,043
Actuarial gain on defined benefit pension schemes	31	**270**	746	**270**	746
Total comprehensive income for year		**82,009**	57,090	**70,836**	58,789

All activities relate to continuing operations.

The notes on pages 47 to 96 form part of these financial statements.

One Housing Group Limited

Consolidated and Association statement of financial position for the year ended 31 March 2017

	Notes	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Tangible fixed assets					
Tangible fixed assets: housing properties	15	**1,575,046**	1,541,606	**1,584,611**	1,560,605
Tangible fixed assets: other	16	**12,165**	11,809	**11,489**	10,891
Investment properties	17	**232,429**	181,184	**159,934**	128,242
Investments: subsidiaries	18	**-**	-	**101,469**	111,737
Investments: joint ventures	19	**19,077**	22,163	**-**	-
Investments: listed investments	20	**114**	154	**114**	154
		1,838,831	1,756,916	**1,857,617**	1,811,629
Current assets					
Properties for sale	21	**182,344**	194,267	**64,418**	33,515
Debtors	22	**18,082**	14,396	**88,800**	123,412
Investments		**-**	5,130	**-**	5,130
Cash and cash equivalents		**102,113**	80,364	**85,159**	29,139
		302,539	294,157	**238,377**	191,196
Creditors: amounts falling due within one year	23	**(108,907)**	(165,135)	**(116,349)**	(157,573)
Net current assets		**193,632**	129,022	**122,028**	33,623
Total assets less current liabilities		**2,032,463**	1,885,938	**1,979,645**	1,845,252
Creditors: amounts falling due after more than one year	24	**(1,675,123)**	(1,614,332)	**(1,631,765)**	(1,568,229)
Provision for liabilities	30	**(8,494)**	(4,501)	**(535)**	(246)
Net assets excluding pension liability		**348,846**	267,105	**347,345**	276,777
Pension liability	31	**(389)**	(657)	**(389)**	(657)
Net assets		**348,457**	266,448	**346,956**	276,120
Capital and reserves					
Called up share capital	33	**-**	-	**-**	-
Income and expenditure reserve		**346,509**	264,493	**346,942**	276,099
Restricted reserves		**1,948**	1,955	**14**	21
		348,457	266,448	**346,956**	276,120

The notes on pages 47 to 96 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board on 7 July 2017 and signed on its behalf by:

Anthony Mayer
Chair

Mike Taylor
Board member

Louisa Loizou
Secretary

One Housing Group Limited

Consolidated statement of changes in reserves
for the year ended 31 March 2017

Group	Income and expenditure reserve	Restricted reserve	Total
Year ended 31 March 2017	£'000	£'000	£'000
Balance at 1 April 2016	264,493	1,955	266,448
Surplus for the year	81,739	-	81,739
Other comprehensive income: Actuarial gains on pensions	270	-	270
Reserves transfers: Restricted reserve to income and expenditure reserve	7	(7)	-
Balance at 31 March 2017	346,509	1,948	348,457

Group	Income and expenditure reserve	Restricted reserve	Total
Year ended 31 March 2016	**£'000**	**£'000**	**£'000**
Balance at 1 April 2015	207,353	2,005	209,358
Surplus for the year	56,372	(28)	56,344
Other comprehensive income: Actuarial gains on pensions	746	-	746
Reserves transfers: Restricted reserve to income and expenditure reserve	22	(22)	-
Balance at 31 March 2016	**264,493**	**1,955**	**266,448**

One Housing Group Limited

Association statement of changes in reserves
for the year ended 31 March 2017

Association	Income and expenditure reserve	Restricted reserve	Total
Year ended 31 March 2017	**£'000**	**£'000**	**£'000**
Balance at 1 April 2016	276,099	21	276,120
Surplus for the year	70,566	-	70,566
Other comprehensive income: Acturial gains on pensions	270	-	270
Reserves transfers: Restricted reserve to income and expenditure reserve	7	(7)	-
Balance at 31 March 2017	**346,942**	**14**	**346,956**

Association	Income and expenditure reserve	Restricted reserve	Total
Year ended 31 March 2016	**£'000**	**£'000**	**£'000**
Balance at 1 April 2015	217,276	55	217,331
Surplus for the year	58,043	-	58,043
Other comprehensive income: Acturial gains on pensions	746	-	746
Reserves transfers: Restricted reserve to income and expenditure reserve	34	(34)	-
Balance at 31 March 2016	276,099	21	276,120

One Housing Group Limited

Consolidated statement of cash flow
for the year ended 31 March 2017

	2017 **£'000**	2016 £'000
Cash flows from operating activities		
Surplus for the financial year	**82,009**	57,090
Adjustments for:		
Depreciation of fixed assets: housing properties	**9,498**	13,964
Depreciation of fixed assets: other	**1,185**	795
Amortised grant	**(5,294)**	(3,408)
Share of (surplus) / deficit in joint ventures	**(5,208)**	(201)
Net fair value losses recognised in profit or loss	**(28,559)**	1,341
Interest payable and finance costs	**28,439**	30,759
Interest received	**(344)**	(340)
Taxation expense	**(4,522)**	1,980
Surplus on the sale of fixed assets: housing properties	**(17,605)**	(16,545)
Decrease / (increase) in trade and other debtors	**(3,684)**	(1,164)
(Increase) / decrease in stocks	**8,875**	(25,370)
Increase in trade and other creditors	**(13,807)**	19,122
(Decrease) / increase in provisions	**3,993**	(392)
(Decrease) in pension liability	**(1,330)**	(671)
Cash from operations	**53,646**	76,960
Taxation paid	**5,231**	(2,251)
Net cash generated from operating activities	**58,877**	74,709
Cash flows from investing activities		
Proceeds from sale of fixed assets: housing properties	**40,268**	35,795
Proceeds from sale of fixed assets: other	**-**	246
Purchase of fixed assets: housing properties	**(59,924)**	(99,360)
Purchases of fixed assets: other	**(1,541)**	(2,640)
Purchases of investment properties	**(13,629)**	(5,396)
Investment in joint ventures	**(5,080)**	(4,990)
Proceeds from disposal of joint venture investments	**8,177**	2,748
Distribution of joint venture profits	**5,197**	-
Proceeds from sale of listed investments	**-**	215
Receipt of grant	**4,680**	1,405
Interest received	**477**	506
Purchase of subsidiary undertaking	**-**	(10,750)
Net cash from investing activities	**(21,375)**	(82,221)
Cash flows from financing activities		
Interest paid	**(29,930)**	(30,929)
New loans: bank	**102,618**	84,094
Repayment of loans: bank	**(96,546)**	(69,229)
Repayment of loan security deposits	**(2)**	(164)
Net cash used in financing activities	**(23,860)**	(16,228)
Net (decrease) / increase in cash and cash equivalents	**13,642**	(23,740)
Cash and cash equivalents at beginning of year	**85,307**	109,047
Cash and cash equivalents at end of year	**98,949**	85,307

1. Legal status

The association is registered in the UK with the Financial Conduct Authority under the *Co-operative and Community Benefits Societies Act 2014* and is registered with the Homes and Communities Agency as a registered provider of social housing.

2. Accounting policies

The financial statements have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which for One Housing Group Limited includes the *Co-operative and Community Benefit Societies Act 2014* (and related group accounts regulations), the *Housing and Regeneration Act 2008*, FRS 102 "the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2014, and "Accounting by registered social housing providers" 2014, the Accounting Direction for Private Registered Providers of Social Housing 2015.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies.

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the Group and the parent company would be identical
- no cash flow statement has been presented for the parent company
- disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group as a whole
- no disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the Group as a whole.

The following principal accounting policies have been applied:

Basis of consolidation

The consolidated accounts incorporate the financial statements of the Group, its subsidiaries, and joint ventures. The results of subsidiaries are included in the consolidated statement of comprehensive income from the date of incorporation or acquisition. Subsidiaries acquired during the year are consolidated using the acquisition method. Intra-group balances, transactions, income and expenses are eliminated on consolidation.

Investments in joint ventures are accounted for using the equity method per Financial Reporting Standard 9 "Associates and Joint Ventures". The consolidated statement of comprehensive income includes the Group's share of the undertakings surpluses less deficits while the Group's share of gross assets and liabilities is shown in the consolidated balance sheet.

Business combinations and goodwill

The consolidated financial statements present the results of One Housing Group Limited – Registered provider of social housing and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

Business combinations

Joint ventures:

An entity is treated as a joint venture where the Group is party to a contractual agreement with one or more parties from outside the Group to undertake an economic activity that is subject to joint control.

In the consolidated accounts, interests in joint ventures are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investor's share of other comprehensive income and equity of the associate. The consolidated statement of comprehensive income includes the Group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the Group. In the consolidated statement of financial position, the interests in associated undertakings are shown as the Group's share of the identifiable net assets, including any unamortised premium paid on acquisition.

Any premium on acquisition is dealt with in accordance with the goodwill policy.

Income

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

- rental income receivable (after deducting lost rent from void properties available for letting)
- first tranche sales of low cost home ownership housing properties developed for sale
- service charges receivable
- revenue grants
- proceeds from the sale of land and property.

Rental income is recognised from the point when properties under development reach practical completion and are formally let, income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale.

Service charges

The Group adopts the fixed and variable method for calculating and charging service charges to its tenants and leaseholders respectively. Expenditure is recorded when a service is provided and charged to the relevant service charge account or to a sinking fund. Income is recorded based on the estimated amounts chargeable.

Supported housing schemes

The Group receives Supporting People grants from a number of London boroughs and county councils. The grants received in the period as well as costs incurred by the Group in the provision of support services have been included in the statement of comprehensive income. Any excess of cost over the grant received is borne by the Group where it is not recoverable from tenants.

Management of units owned by others

Management fees receivable and reimbursed expenses are shown as income and included in management fees receivable. Costs of carrying out the management contracts and rechargeable expenses are included in operating costs.

Schemes managed by agents

Income is shown as rent receivable and management fees payable to agents are included in operating costs.

Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiaries operate and generate taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except:

- the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits
- any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met
- where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the Group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred Income Tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Value Added Tax

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

Finance costs

Finance costs are charged to profit or loss 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.

Pension costs

Contributions to the Group's defined contribution pension scheme are charged to profit or loss in the year in which they become payable.

The Group participates in two funded schemes. There is a stated policy for charging the net defined benefit scheme between those group companies that are a party to the scheme and hence a proportion of the defined benefit scheme assets, liabilities, income and costs are recognised by individual group companies in accordance with that policy. However, as One Housing Group Limited is not itself a party to the scheme and none of its own employees are members of that scheme, no proportion of the scheme is recognised in its individual company financial statements.

The difference between the fair value of the assets held in the Group's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the Group's statement of financial position as a pension asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the Group is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the statement of financial position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the statement of financial position date.

Tangible fixed assets - housing properties

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

The cost of housing land and property represents their purchase price and any directly attributable costs of acquisition which may include an appropriate amount for staff costs and other costs of managing development. Directly attributable costs of acquisition includes capitalised interest calculated, on a proportional basis, using finance costs on borrowing which has been drawn in order to finance the relevant construction or acquisition. Where housing properties are in the course of construction, finance costs are only capitalised where construction is on-going and has not been interrupted or terminated.

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

Mixed developments are held within property. plant and equipment (PPE) and accounted for at cost less depreciation. Commercial elements of mixed developments are held as investment properties.

Housing properties in the course of construction, excluding the estimated cost of the element of shared ownership properties expected to be sold in first tranche, are included in PPE and held at cost less any impairment, and are transferred to completed properties when ready for letting.

When housing properties are developed for sale to another social landlord, the cost is dealt with in current assets under housing properties and stock for sale.

Completed housing properties acquired from subsidiaries are valued at existing use value for social housing at the date of acquisition.

Deemed cost on transition to FRS 102

On transition to FRS 102 the Group took the option of carrying out a one-off valuation exercise of selected items of housing properties and using that amount as deemed cost. To determine the deemed cost at 1st April 2014, the Group engaged independent valuation specialist valuer Robert Sterling Surveyors LLP to value housing properties on an EUV-SH basis. Housing properties will subsequently be measured at cost less depreciation.

Any difference between historical cost depreciation and depreciation calculated on deemed cost is transferred between the revaluation reserve and statement of comprehensive income reserve.

Depreciation of housing property

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

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

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

Assets in the course of construction are not depreciated until they are completed and ready for use to ensure that they are depreciated only in periods in which economic benefits are expected to be consumed. The cost of all other housing property (net of accumulated depreciation to date and impairment, where applicable) and components is depreciated over the useful economic lives of the assets.

Depreciation of housing property

Freehold land is not depreciated.

Housing properties are split between the structure and the major components which require periodic replacement. The costs of replacement or restoration of these components are capitalised and depreciated over the determined average useful economic life as follows:

Component	Years
Main structure including roof	150
Envelope (including roof covering and cladding)	50
Common parts (internal and external)	50
External windows and doors	40
Heating and cold water services	40
Central boilers	40
Bathrooms	30
Electrics	30
Lifts	30
Kitchens	20
Individual boilers	20

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

Any difference between the historical annual depreciation charge and the annual depreciation charge on assets carried at deemed cost is transferred to the revaluation reserve for the asset concerned until that reserve is depleted.

Stock swaps

Housing properties acquired from other social landlords in exchange for non-monetary assets, or a combination of monetary and non-monetary assets, are measured at fair value. Where there is government grant associated with housing properties acquired as part of the stock swap, the obligation to repay or recycle the grant transfers to the Group. The fair values of the properties are included within property, plant and equipment and accordingly no grant is disclosed within creditors. In the event of the housing properties being disposed, the Group is responsible for the recycling of the grant. Where there is government grant associated with housing properties disposed of as part of the stock swap, the obligation to repay or recycle transfers to the social landlord to whom they were transferred.

Shared ownership properties and staircasing

Under low cost home ownership arrangements, the Group disposes of a long lease on low cost home ownership housing units for a share ranging between 25% and 75% of value. The buyer has the right to purchase further proportions and up to 100% based on the market valuation of the property at the time each purchase transaction is completed.

Low cost home ownership properties are split proportionately between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover. The remaining element, staircasing element, is classed as property, plant and equipment and included in completed housing property at cost and any provision for impairment. Sales of subsequent tranches are treated as a part disposal of PPE. Such staircasing sales may result in capital grant being deferred or abated and any abatement is credited in the sale account in arriving at the surplus or deficit.

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

For shared ownership accommodation that the Group is responsible for, it is the Group's policy to maintain them in a continuous state of sound repair. Maintenance of other shared ownership properties is the responsibility of the shared owner. Any impairment in the value of such properties is charged to the statement of comprehensive income.

Allocation of costs for mixed tenure and shared ownership developments

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

Tangible fixed assets: other

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

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation of other tangible fixed assets

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

Description	Years
Freehold offices	50
Leasehold office property	Life of lease
Furniture and equipment	5
Motor vehicles	4
Computer equipment	3
Information system	3

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

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

Government grants

Grants received in relation to assets that are presented at deemed cost at the date of transition have been accounted for using the performance model as required by Housing SORP 2014. In applying this model, such grant has been presented as if it were originally recognised as income within the statement of comprehensive income in the year it was receivable and is therefore included within brought forward reserves.

Grant received since the transition date in relation to newly acquired or existing housing properties is accounted for using the accrual model set out in FRS 102 and the Housing SORP 2014. Grant is carried as deferred income in the statement of financial position and released to the statement of comprehensive income on a systematic basis over the useful economic lives of the asset for which it was received. In accordance with Housing SORP 2014 the useful economic life of the housing property structure has been selected (see table of useful economic lives above).

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

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

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

Recycled Capital Grant Fund

On the occurrence of certain relevant events, primarily the sale of dwellings, the HCA and GLA can direct the Association to recycle capital grants or to make repayments of the recoverable amount. The Group adopts a policy of recycling, for which a separate fund is maintained.

If unused within a three year period, it will be repayable to the HCA or GLA with interest. Any unused recycled capital grant held within the recycled capital grant fund, which it is anticipated will not be used within one year is disclosed in the statement of financial position under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

Disposal Proceeds Fund

Receipts from Right to Acquire (RTA) Sales are required to be retained in a ring fenced fund that can only be used for providing replacement housing. The sales receipts less eligible expenses are credited to the Disposal Proceeds Fund. Any sales receipts less eligible expenses held within disposal proceeds fund, which it is anticipated will not be used within one year is disclosed in the statement of financial position under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

Investment properties

Investment properties consist of commercial properties and other properties not held for social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently carried at fair value determined annually by qualified valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in income or expenditure.

Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

Investments in unlisted company shares, which have been classified as fixed asset investments as the Group intends to hold them on a continuing basis, are remeasured to market value at each statement of financial position date. Gains and losses on remeasurement are recognised in profit or loss for the period.

Impairment of fixed assets and goodwill

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

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

Stock

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

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

Debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Recoverable amount of rental and other trade receivables

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

Rent and service charge agreements

The Group has made arrangement with individuals and households for arrears payments of rent and service charges. These arrangements are effectively loans granted at nil interest rate.

Loans, investments and short term deposits

All loans, investments and short term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost), FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the Group has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instrument are stated in the statement of financial position at transaction value. Loans and investments that are payable or receivable within one year are not discounted.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Cash and cash equivalents

Cash and cash equivalents in the Group's consolidated statement of financial position consists of cash at bank, in hand, deposits and short term investments with an original maturity of three months or less.

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

Derivative instruments and hedge accounting

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

Leased assets: lessee

Where assets are financed by leasing agreements that give rights approximately to ownership (finance leases), the assets are treated as if they have been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

The Group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard (1 April 2014) to continue to be charged over the period to the first market rent review rather than the term of lease.

For leases entered into on or after 1 April 2014, reverse premiums and similar incentives received to enter into operating lease agreements are released to profit or loss over the term of the lease.

Leasehold sinking funds

Unexpended amounts collected from leaseholders for major repairs on leasehold schemes and any interest received are included in creditors.

Provision for liabilities

The Group has recognised provisions for liabilities of uncertain timing or amounts including those for major repairs on stock transfers and leaseholders, overage for gap funding and restructuring.

Provisions are measured at the best estimate of the expenditure required to settle the obligation at the statement of financial position date.

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

Onerous leases

Where the unavoidable costs of a lease exceed the economic benefit expected to be received from it, a provision is made for the present value of the obligations under the lease.

Contingent liabilities

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

Reserves

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

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

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

- Whether there are indicators of impairment of the Group's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. The members have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on EUV-SH or depreciated replacement cost. The members have also considered impairment based on their assumptions to define cash or asset generating units;
- The anticipated costs to complete on a development scheme based on anticipated construction cost, effective rate of interest on loans during the construction period, legal costs and other costs. Based on the costs to complete, they then determine the recoverability of the cost of properties developed for outright sale and/or land held for sale. This judgement is also based on the member's best estimate of sales value based on economic conditions within the area of development;
- The critical underlying assumptions in relation to the estimate of the pension defined benefit scheme obligation such as standard rates of inflation, mortality, discount rate and anticipated future salary increases. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expense;
- Whether leases entered into by the Group either as a lessor or a lessee are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis;
- The appropriate allocation of costs for mixed tenure developments, and furthermore the allocation of costs relating to shared ownership between current and fixed assets.
- the exemptions to be taken on transition to FRS102;
- The categorisation of housing properties as investment properties or property, plant and equipment based on the use of the asset.

Other key sources of estimation uncertainty:

Apportionment of costs on a property basis for disposal of properties (see note 11)
When properties have been constructed, scheme costs are apportioned to individual properties based on square footage. The cost remains with the property throughout its life, and is used in estimating surplus on disposal.

Tangible fixed assets (see note 15)
Tangible 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 and residual values are assessed annually and may vary depending on a number of factors.

For housing property assets, the assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components.

Basis of capitalisation (see note 15)

When properties are under construction interest is capitalised on the cumulative cost to date of the scheme, based on the estimated weighted average cost of capital. The calculation of the weighted average cost of capital is revisited on an annual basis.

Investment properties (see note 17)
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.

Investments (see notes 18,19 and 20)
The most critical estimates, assumptions and judgements relate to the determination of carrying value of investments at fair value through profit and loss. In determining this amount, the Group follows the International Private Equity and Venture Capital Valuation Guidelines, applying the overriding concept that fair value is the amount for which an asset can be exchanged between knowledgeable willing parties in an arm's length transaction. The nature, facts and circumstance of the investment drives the valuation methodology.

Rental and other trade receivables (debtors) (see note 22)
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.

4. Turnover, cost of sales, operating costs and operating surplus

Group - particulars of turnover, cost of sales, operating costs and operating surplus

	2017				
	Turnover	Cost of sales	Operating costs	Surplus on disposal of fixed assets	Operating surplus / (deficit)
	£'000	£'000	£'000	£'000	£'000
Social housing lettings	**104,738**	**-**	**(79,682)**	**-**	**25,056**
Other social housing activities					
Supporting people contract income	**24,419**	**-**	**(24,163)**	**-**	**256**
Development income and costs not capitalised	**83**	**-**	**(1,396)**	**-**	**(1,313)**
Shared ownership first tranche sales	**18,043**	**(10,245)**	**-**	**-**	**7,798**
Staircasing activity on low cost home ownership	**-**	**-**	**-**	**14,244**	**14,244**
Right to buy sales	**-**	**-**	**-**	**3,361**	**3,361**
Community regeneration	**-**	**-**	**(1,012)**	**-**	**(1,012)**
	42,545	**(10,245)**	**(26,571)**	**17,605**	**23,334**
Non-social housing activities					
Sales of properties developed for out-right sale	**96,743**	**(69,937)**	**(16)**	**-**	**26,790**
Market rented lettings	**5,609**	**-**	**(1,242)**	**-**	**4,367**
Commercial properties	**5,201**	**-**	**(2,322)**	**-**	**2,879**
Other	**753**	**-**	**(2,567)**	**-**	**(1,814)**
	108,306	**(69,937)**	**(6,147)**	**-**	**32,222**
Total	**255,589**	**(80,182)**	**(112,400)**	**17,605**	**80,612**

	2016 Turnover	Cost of sales	Operating costs	Surplus on disposal of fixed assets	Operating surplus / (deficit)
	£'000	£'000	£'000	£'000	£'000
Social housing lettings	102,577	-	(71,059)	-	31,518
Other social housing activities					
Supporting people contract income	26,544	-	(26,488)	-	56
Development income and costs not capitalised	(70)	-	(854)	-	(924)
Shared ownership first tranche sales	19,972	(9,334)	-	-	10,638
Staircasing activity on low cost home ownership	-	-	-	16,048	16,048
Right to Buy sales	-	-	-	497	497
Community regeneration	-	-	(1,274)	-	(1,274)
	46,446	(9,334)	(28,616)	16,545	25,041
Non-social housing activities					
Sales of properties developed for out-right sale	85,593	(61,404)	(157)	-	24,032
Sles of properties to other registered providers	550	-	(65)	-	485
Market rented lettings	3,392	-	(1,181)	-	2,211
Commercial properties	5,789	-	(2,398)	-	3,391
Other	598	-	(1,309)	-	(711)
	95,922	(61,404)	(5,110)	-	29,408
Total	244,945	(70,738)	(104,785)	16,545	85,967

Association - particulars of turnover, cost of sales, operating costs and operating surplus

	2017				
	Turnover	Cost of sales	Operating costs	Surplus on disposal of fixed assets	Operating surplus / (deficit)
	£'000	£'000	£'000	£'000	£'000
Social housing lettings	102,327	-	(80,274)	-	22,053
Other social housing activities					
Supporting people contract income	24,419	-	(24,163)	-	256
Development income and costs not capitalised	83	-	(1,396)	-	(1,313)
Shared ownership first tranche sales	16,806	(9,367)	-	-	7,439
Staircasing activity on low cost home ownership	-	-	-	12,301	12,301
Right to buy sales	-	-	-	3,327	3,327
Community regeneration	-	-	116	-	116
	41,308	(9,367)	(25,443)	15,628	22,126
Non-social housing activities					
Sales of properties developed for outright sale	3,781	(3,297)	-	-	484
Lettings	3,084	-	(982)	-	2,102
Commercial properties	4,775	-	(2,272)	-	2,503
Gift Aid receipts	31,750	-	-	-	31,750
Management services for group undertakings	3,375	-	(997)	-	2,378
Other	1,280	-	(2,567)	-	(1,287)
	48,045	(3,297)	(6,818)	-	37,930
Total	191,680	(12,664)	(112,535)	15,628	82,109

	2016				
	Turnover	Cost of sales	Operating costs	Surplus on disposal of fixed assets	Operating surplus / (deficit)
	£'000	£'000	£'000	£'000	£'000
Social housing lettings	98,444	-	(70,729)	-	27,715
Other social housing activities					
Supporting people contract income	26,544	-	(26,488)	-	56
Development income and costs not capitalised	(70)	-	(854)	-	(924)
Shared ownership first tranche sales	19,972	(9,334)	-	-	10,638
Staircasing activity on low cost home ownership	-	-	-	13,292	13,292
Right to buy sales	-	-	-	496	496
Community regeneration	-	-	(1,274)	-	(1,274)
	46,446	(9,334)	(28,616)	13,788	22,284
Non-social housing activities					
Sales of properties developed for outright sale	1,044	(586)	-	-	458
Sales of properties to other registered providers	550	-	-	-	550
Lettings	2,664	-	(829)	-	1,835
Commercial properties	3,761	-	(1,779)	-	1,982
Gift Aid receipts	29,902	-	-	-	29,902
Management services for group undertakings	3,943	-	(1,288)	-	2,655
Other	735	-	(1,273)	-	(538)
	42,599	(586)	(5,169)	-	36,844
Total	187,489	(9,920)	(104,514)	13,788	86,843

5. Statement of comprehensive income from social housing lettings

Group - particulars of income and expenditure from social housing lettings

	General housing £'000	Supported housing £'000	Shared ownership £'000	Temporary housing £'000	2017 £'000	2016 £'000
Income						
Rents receivable net of identifiable service charges	**61,852**	**10,758**	**9,020**	**24**	**81,654**	81,580
Service charge income	**6,451**	**4,938**	**6,951**	**3**	**18,343**	16,548
Government grants	**3,505**	**704**	**394**	**-**	**4,603**	4,333
Net rental income	**71,808**	**16,400**	**16,365**	**27**	**104,600**	102,461
Other income	**128**	**-**	**10**	**-**	**138**	116
Turnover from social housing lettings	**71,936**	**16,400**	**16,375**	**27**	**104,738**	102,577
Expenditure						
Management	**(10,075)**	**(4,377)**	**(2,610)**	**-**	**(17,062)**	(16,276)
Service charge costs	**(9,396)**	**(4,928)**	**(5,113)**	**-**	**(19,437)**	(18,193)
Routine maintenance	**(9,419)**	**(2,038)**	**(1,144)**	**(1)**	**(12,602)**	(10,729)
Planned maintenance	**(6,257)**	**(676)**	**(598)**	**(1)**	**(7,532)**	(6,495)
Major repairs expenditure	**(5,029)**	**(521)**	**(290)**	**-**	**(5,840)**	(3,474)
Bad debts	**(452)**	**(126)**	**18**	**-**	**(560)**	(913)
Depreciation of housing properties	**(12,296)**	**(1,573)**	**(7)**	**-**	**(13,876)**	(12,942)
Accelerated depreciation on component write-offs	**(991)**	**(33)**	**-**	**-**	**(1,024)**	(1,241)
Depreciation of other fixed assets	**(38)**	**(213)**	**-**	**-**	**(251)**	(146)
Property lease charge	**(68)**	**(1,427)**	**(3)**	**-**	**(1,498)**	(650)
Operating costs on social housing lettings	**(54,021)**	**(15,912)**	**(9,747)**	**(2)**	**(79,682)**	(71,059)
Operating surplus / (deficit) on social housing lettings	**17,915**	**488**	**6,628**	**25**	**25,056**	31,518
Void losses	**(585)**	**(1,118)**	**(46)**	**(1)**	**(1,750)**	(1,454)

Association - particulars of income and expenditure from social housing lettings

	General housing £'000	Supported housing £'000	Shared ownership £'000	Temporary housing £'000	2017 £'000	2016 £'000
Income						
Rents receivable net of identifiable service charges	**61,797**	**10,758**	**7,618**	**24**	**80,197**	78,893
Service charge income	**6,441**	**4,938**	**6,085**	**3**	**17,467**	15,224
Amortised government grants	**3,541**	**704**	**286**	**-**	**4,531**	4,220
Net rental income	**71,779**	**16,400**	**13,989**	**27**	**102,195**	98,337
Other income	**124**	**-**	**8**	**-**	**132**	107
Turnover from social housing lettings	**71,903**	**16,400**	**13,997**	**27**	**102,327**	98,444
Expenditure						
Management	**(10,508)**	**(5,025)**	**(2,766)**	**-**	**(18,299)**	(17,255)
Service charge costs	**(9,308)**	**(4,928)**	**(4,646)**	**-**	**(18,882)**	(17,168)
Routine maintenance	**(9,400)**	**(2,038)**	**(1,004)**	**(1)**	**(12,443)**	(10,563)
Planned maintenance	**(6,253)**	**(676)**	**(571)**	**(1)**	**(7,501)**	(6,470)
Major repairs expenditure	**(5,016)**	**(521)**	**(277)**	**-**	**(5,814)**	(3,426)
Bad debts	**(452)**	**(126)**	**-**	**-**	**(578)**	(901)
Depreciation of housing properties	**(12,404)**	**(1,573)**	**(7)**	**-**	**(13,984)**	(12,909)
Accelerated depreciation on component write-offs	**(991)**	**(33)**	**-**	**-**	**(1,024)**	(1,241)
Depreciation of other fixed assets	**(38)**	**(213)**	**-**	**-**	**(251)**	(146)
Property lease charge	**(68)**	**(1,427)**	**(3)**	**-**	**(1,498)**	(650)
Operating costs on social housing lettings	**(54,438)**	**(16,560)**	**(9,274)**	**(2)**	**(80,274)**	(70,729)
Operating surplus / (deficit) on social housing lettings	**17,465**	**(160)**	**4,723**	**25**	**22,053**	27,715
Void losses	**(574)**	**(1,118)**	**(38)**	**(1)**	**(1,731)**	(1,420)

6. Housing stock

Homes managed:

	Group		Association	
	2017	2016	**2017**	2016
	No.	No.	**No.**	No.
Social housing				
General needs housing				
Social	**7,827**	7,982	**7,826**	7,975
Affordable	**543**	383	**543**	383
Leaseholder	**2,944**	2,631	**2,191**	1,885
Shared ownership	**1,924**	1,877	**1,580**	1,533
Supported housing	**1,649**	1,450	**1,649**	1,450
Rent to HomeBuy	**13**	31	**12**	28
Total social housing	**14,900**	14,354	**13,801**	13,254
Non-social housing				
Market rent	**334**	303	**176**	159
Total non-social housing	**334**	303	**176**	159
Total	**15,234**	14,657	**13,977**	13,413
Housing under development	**779**	844	**779**	844
Homes owned but not managed	**990**	929	**990**	929

7. Operating surplus/(deficit)

The surplus for the year is stated after charging:

	Group		Association	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Depreciation on housing properties				
- annual charge	**10,917**	14,200	**10,903**	14,175
- accelerated depreciation on component replacements	**(1,419)**	(236)	**(1,419)**	(243)
Depreciation on other tangible fixed assets	**1,185**	795	**856**	751
Operating lease charges	**554**	515	**105**	124
Auditors' remuneration (excluding VAT):				
fees payable to the Group's auditor for the audit of the Group's annual accounts	**132**	125	**72**	71
fees for tax advice	**2**	2	**2**	2
fees for other assurance services	**-**	2	**-**	2
Defined contribution pension costs	**394**	339	**326**	293

8. Employee information

The aggregate staff cost and average full-time equivalent number of employees, including executive officers, during the year was:

	Group		Association	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Wages and salaries	**36,575**	34,680	**31,079**	30,496
Social security costs	**3,433**	3,192	**2,862**	2,770
Cost of defined benefit schemes	**1,720**	3,328	**1,720**	3,328
Cost of defined contribution schemes	**394**	339	**326**	293
	42,122	41,539	**35,987**	36,887

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

	Group		Association	
	2017	2016	**2017**	2016
	Number	Number	**Number**	Number
Administration	**109**	103	**109**	103
Care	**626**	630	**626**	630
Developing or selling housing stock	**40**	37	**40**	37
Managing or maintaining housing stock	**332**	283	**169**	167
	1,107	1,053	**944**	937

9. Board members and executive officers

The executive officers are defined as the members of the Board of management, the Chief Executive and the Executive Team are disclosed on page 4.

Aggregate emoluments in respect of the executive officers, including the Chief Executive, were as follows:

	Group		Association	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Executive directors emoluments	**1,161**	1,107	**1,161**	1,107
Compensation for loss of office	**376**	-	**376**	-
Contributions to defined benefit pension schemes	**5**	35	**39**	35
Contributions to money purchase schemes	**39**	-	**5**	-
	1,581	1,142	**1,581**	1,142

Emoluments paid to the Chief Executive, who was also the highest paid director, were £222k (2016: £242k). In addition, compensation for loss of office of £250k was payable. The Chief Executive was an ordinary member of the Social Housing Pension Scheme but no further contributions were made to the scheme during the year (2016: £nil).

There were four directors in the Group's defined benefits pension scheme (2016: 4).

Remuneration paid to staff (including Executive Team) earning over £60,000:

	Group		Association	
	2017	2016	**2017**	2016
	number	number	**number**	number
£60,000 - £70,000	**14**	14	**10**	10
£70,001 - £80,000	**3**	8	**3**	8
£80,001 - £90,000	**10**	4	**10**	4
£90,001 - £100,000	**8**	9	**7**	9
£100,001 - £110,000	**3**	2	**3**	2
£110,001 - £120,000	**2**	1	**1**	-
£120,001 - £130,000	**2**	-	**2**	-
£130,001 - £140,000	**-**	2	**-**	-
£160,001 - £170,000	**-**	2	**-**	2
£170,001 - £180,000	**2**	2	**2**	2
£180,001 - £190,000	**1**	-	**1**	-
£190,001 - £200,000	**1**	-	**1**	-
£210,001 - £220,000	**1**	-	**-**	-
£240,001 - £250,000	**-**	1	**-**	1
£470,001 - £480,000	**1**	-	**1**	-
	48	45	**41**	38

10. Non-executive Board members

Board member	Remuneration	Expenses	Member of GACC	Member of GARC
Anthony Mayer	20,000	7,200		Y
Vijay Sodiwala	15,000	396		Y
Carol Yarde	12,000	-	Y	
Mike Taylor	15,000	-	Y	Y
Nigel Fee	12,000	511	Y	
Kevin Brush	12,000	-	Y	
Roger Davis	12,000	2,777	Y	

11. Surplus on sale of fixed assets

Group	Shared ownership	Other housing properties	Total	Total
	2017	**2017**	**2017**	2016
	£'000	**£'000**	**£'000**	£'000
Housing properties:				
Disposal proceeds	**27,196**	**7,769**	**34,965**	37,361
Cost of disposal	**(12,917)**	**(4,443)**	**(17,360)**	(20,816)
Surplus on disposal of other tangible fixed assets	**14,279**	**3,326**	**17,605**	16,545

Association	Shared ownership	Other housing properties	Total	Total
	2017	2017	2017	2016
	£'000	£'000	£'000	£'000
Housing properties:				
Disposal proceeds	**25,280**	**7,769**	**33,049**	29,626
Cost of disposal	**(12,978)**	**(4,443)**	**(17,421)**	(15,838)
Surplus on disposal of other tangible fixed assets	**12,302**	**3,326**	**15,628**	13,788

12. Interest receivable and income from investments

	Group		Association	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Bank and other interest	**344**	340	**192**	255
Interest receivable from group undertakings	**-**	-	**1,888**	3,855
	344	340	**2,080**	4,110

13. Interest payable and similar charges

	Group		Association	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	**34,394**	34,819	**32,818**	31,932
Interest payable to group undertakings	**-**	-	**15**	15
Loan arrangement and facility fees	**1,461**	2,161	**1,280**	1,196
Net interest on defined benefit liability	**39**	76	**39**	76
	35,894	37,056	**34,152**	33,219
Interest capitalised on construction of housing properties	**(7,455)**	(6,297)	**(5,321)**	(2,524)
	28,439	30,759	**28,831**	30,695
Capitalisation rate used to determine the finance costs capitalised during the period	**4.11%**	4.13%	**4.11%**	4.13%

14. Taxation

	Group 2017 £'000	2016 £'000	Association 2017 £'000	2016 £'000
UK Corporation Tax				
Current tax on surplus/ (deficit) for the year	**8,226**	75	**147**	75
Total current tax	**8,226**	75	**147**	75
Deferred tax				
Origination and reversal of timing differences (note 32)	**(3,704)**	(1,422)	**-**	-
Changes to tax rates	**-**	(633)	**-**	-
Taxation on surplus/ (deficit)	**4,522**	(1,980)	**147**	75

The tax assessed for the year differs to the standard rate of Corporation Tax in the UK applied to surplus/ (deficit) before tax. The differences are explained below. Current year group taxation charge includes reversal of charges arising in Citystyle Living Limited and Citystyle (Bangor Wharf) Limited in 2016.

	Group 2017 £'000	2016 £'000	Association 2017 £'000	2016 £'000
Surplus on ordinary activities before tax	**86,261**	54,364	**70,713**	58,118
Surplus multiplied by 19% (2016: 20%) standard rate of UK Corporation Tax	**16,390**	10,873	**13,435**	11,624
Effects of:				
exemption of charitable activities	**(13,598)**	(11,218)	**(16,217)**	(15,563)
movement in fair value of financial instruments	**(2,213)**	2,217	**(2,213)**	2,217
movement in investment properties	**7,647**	(1,797)	**5,142**	1,797
Current tax charge for the year	**8,226**	75	**147**	75

15. Tangible fixed assets: housing properties

Group	Housing property		Shared ownership		
	under construction	completed and available for letting	under construction	completed and available for letting	2017 Total
	£'000	£'000	£'000	£'000	£'000
Cost/valuation					
At 1 April 2016	87,566	1,365,813	63,043	142,496	**1,658,918**
Additions: construction	47,096	(231)	8,910	1,327	**57,102**
Additions: works to existing properties	-	-	-	9	**9**
Additions: components	-	2,813	-	-	**2,813**
Tenure change	-	(8,547)	-	11,176	**2,629**
Completions in year	(46,673)	46,673	(10,164)	10,164	**-**
Disposals	-	(3,177)	-	(13,030)	**(16,207)**
Component write-offs	-	(3,195)	-	-	**(3,195)**
Transfer to current assets	-	-	-	(9,997)	**(9,997)**
Transfer from current assets	-	11,835	-	1,210	**13,045**
Adjustment to first tranche percentage	-	-	-	(1,073)	**(1,073)**
At 31 March 2017	**87,989**	**1,411,984**	**61,789**	**142,282**	**1,704,044**
Depreciation					
At 1 April 2016	-	(116,836)	-	(476)	**(117,312)**
Charged in the year	-	(10,917)	-	-	**(10,917)**
Accelerated depreciation	-	1,419	-	-	**1,419**
Component write-offs	-	(3,195)	-	-	**(3,195)**
Disposals	-	1,007	-	-	**1,007**
At 31 March 2017	**-**	**(128,522)**	**-**	**(476)**	**(128,998)**
Net book value					
At 31 March 2017	**87,989**	**1,283,462**	**61,789**	**141,806**	**1,575,046**
At 31 March 2016	87,566	1,248,977	63,043	142,020	1,541,606

Association	Housing property under construction £'000	Housing property completed and available for letting £'000	Shared ownership under construction £'000	Shared ownership completed and available for letting £'000	2017 Total £'000
Cost/Valuation					
At 1 April 2016	**90,520**	1,388,973	20,495	177,748	**1,677,736**
Additions: construction	**48,619**	926	8,910	1,327	**59,782**
Additions: components	**-**	2,813	-	-	**2,813**
Tenure change	**-**	(6,440)	-	9,069	**2,629**
Completions in year	**(49,418)**	49,418	(10,164)	10,164	**-**
Disposals	**-**	(3,177)	-	(12,048)	**(15,225)**
Component write-offs	**-**	(3,195)	-	-	**(3,195)**
Transfers to group undertakings	**(1,336)**	-	(4,896)	-	**(6,232)**
Transfers from group undertakings	**-**	2,698	-	5,121	**7,819**
Transfer to current assets	**-**	-	-	(11,584)	**(11,584)**
Adjustment to first tranche percentage	**-**	-	-	(1,007)	**(1,007)**
At 31 March 2017	**88,385**	**1,432,016**	**14,345**	**178,790**	**1,713,536**
Depreciation					
At 1 April 2016	**-**	(117,116)	-	(15)	**(117,131)**
Charged in the year	**-**	(10,903)	-	-	**(10,903)**
Accelerated depreciation	**-**	1,419	-	-	**1,419**
Component write-offs	**-**	(3,195)	-	-	**(3,195)**
Disposals	**-**	885	-	-	**885**
At 31 March 2017	**-**	**(128,910)**	**-**	**(15)**	**(128,925)**
Net book value					
As at 31 March 2017	**88,385**	**1,303,106**	**14,345**	**178,775**	**1,584,611**
As at 31 March 2016	90,520	1,271,857	20,495	177,733	1,560,605

Housing properties comprise:	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Freeholds	**1,440,481**	1,421,045	**1,461,421**	1,440,044
Long Leaseholds	**131,936**	120,561	**120,561**	120,561
	1,572,417	1,541,606	1,581,982	1,560,605

If housing property had been accounted for under historical accounting rules, the properties would have been measured as follows:

	Group		Association	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Historic cost	1,713,536	1,677,731	1,713,536	1,677,731
Accumulated depreciation	(128,925)	(117,116)	(128,925)	(117,116)
	1,584,611	1,560,615	1,584,611	1,560,615

	Group		Association	
	2017	2016	**2017**	2016
Interest capitalisation:	**£'000**	£'000	**£'000**	£'000
Interest capitalised in the year	**5,253**	2,485	**5,253**	2,485
Cumulative interest capitalised	**54,881**	49,627	**54,881**	49,627
	60,134	52,112	**60,134**	52,112
Rate used for capitalisation	**4.11%**	4.13%	**4.11%**	4.13%

	Group		Association	
	2017	2016	**2017**	2016
Works to properties:	**£'000**	£'000	**£'000**	£'000
Improvements to existing properites capitalised	**2,822**	6,708	**2,813**	6,708
Major repairs expenditure to income and expenditure account	**7,532**	3,446	**7,501**	3,446
	10,354	10,154	**10,314**	10,154

	Group		Association	
Total Social Housing Grant received or receivable to date is as follows:	**2017**	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Capital grant: housing properties	**718,369**	777,980	**718,369**	749,164
Recycled Capital Grant Fund	**36,827**	32,564	**28,135**	24,243
Disposals Proceeds Fund	**5,901**	4,078	**5,901**	4,078
Revenue grant: I&E	**-**	3,404	**-**	-
Revenue grant: reserves	**-**	-	**-**	(212)

Finance leases

The net book value of housing properties for the Group includes an amount of £nil (2016 - £nil) in respect of assets held under finance leases and hire purchase contracts. The company had no assets held under such leases at either year end.

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.

Impairment

The Group considers individual schemes to represent separate cash generating units (CGU's) when assessing for impairment in accordance with the requirements of FRS102 and SORP 2014. During the current year, the Group and association have recognised an impairment loss of nil (2016 - £nil) in respect of general needs housing stock.

Properties held for security

OHG – Registered social housing provider had property with a net book value of £1.18bn pledged as security at 31 March 2017.

16. Other tangible fixed assets

Group	Freehold offices £'000	Leasehold offices £'000	Furniture & equipment £'000	Computer equipment £'000	Information systems £'000	Motor vehicles £'000	2017 Total £'000
Cost							
At 31 March 2016	9,006	433	2,330	3,019	5,024	84	**19,896**
Additions	-	-	898	244	399	-	**1,541**
Reclassifications	-	(9)	182	-	(18)	-	**155**
Disposals	-	-	-	-	-	-	**-**
At 31 March 2017	**9,006**	**424**	**3,410**	**3,263**	**5,405**	**84**	**21,592**
Depreciation							
At 31 March 2016	(1,636)	-	(1,738)	(1,727)	(2,838)	(148)	**(8,087)**
Disposals	-	-	-	-	-	-	**-**
Reclassifications	-	-	(240)	-	-	85	**(155)**
Charge for year	(186)	-	(158)	(835)	-	(6)	**(1,185)**
At 31 March 2017	**(1,822)**	**-**	**(2,136)**	**(2,562)**	**(2,838)**	**(69)**	**(9,427)**
Net book value							
As at 31 March 2017	**7,184**	**424**	**1,274**	**701**	**2,567**	**15**	**12,165**
As at 31 March 2016	7,370	433	592	1,292	2,186	(64)	**11,809**

Association	Freehold offices £'000	Leasehold offices £'000	Furniture & equipment £'000	Computer equipment £'000	Information systems £'000	Motor vehicles £'000	2017 Total £'000
Cost							
At 31 March 2016	9,006	433	2,140	2,247	5,024	84	**18,934**
Reclassifications	-	(9)	182	-	(18)	-	**155**
Additions	-	-	896	159	399	-	**1,454**
At 31 March 2017	**9,006**	**424**	**3,218**	**2,406**	**5,405**	**84**	**20,543**
Depreciation							
At 31 March 2016	(1,636)	-	(1,694)	(1,727)	(2,838)	(148)	**(8,043)**
Reclassifications	-	-	(240)	-	-	85	**(155)**
Charge for year	(186)	-	(114)	(550)	-	(6)	**(856)**
At 31 March 2017	**(1,822)**	**-**	**(2,048)**	**(2,277)**	**(2,838)**	**(69)**	**(9,054)**
Net book value							
As at 31 March 2017	**7,184**	**424**	**1,170**	**129**	**2,567**	**15**	**11,489**
As at 31 March 2016	7,370	433	446	520	2,186	(64)	10,891

17. Investment properties

Group	Market rented £'000	Commercial £'000	Total £'000
At 1 April 2016	**144,434**	**36,750**	**181,184**
Additions	**9,433**	**4,748**	**14,181**
Tenure change	**(2,281)**	**-**	**(2,281)**
Disposals	**(900)**	**-**	**(900)**
Revaluations	**10,983**	**29,262**	**40,245**
At 31 March 2017	**161,669**	**70,760**	**232,429**

Association	Market rented £'000	Commercial £'000	Total £'000
At 1 April 2016	**91,218**	**37,024**	**128,242**
Additions	**2,161**	**4,748**	**6,909**
Tenure change	**(2,281)**	**-**	**(2,281)**
Revaluations	**(2,198)**	**29,262**	**27,064**
At 31 March 2017	**88,900**	**71,034**	**159,934**

The Group's investment properties are valued annually on 31 March at fair value, determined by an independent, professionally qualified valuer. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual. Details on the assumptions made and the key sources of estimation uncertainty are given in note 3.

In valuing investment properties, a discounted cash flow methodology was adopted with the following key assumptions:

Discount rate	7.5%
Annual inflation rate	2.0%
Level of long term annual rent increase	11.7%

The surplus on revaluation of investment property arising of £40,245k (Association - £27,064k) has been credited to the statement of comprehensive income for the year.

18. Investments: subsidiaries

Association investments in subsidiaries:	2017	2016
	£'000	£'000
At 1 April	**111,737**	79,521
Additions	**33**	48,016
Disinvestment	**(10,301)**	(15,800)
At 31 March	**101,469**	111,737

The principal undertakings in which the Association has an interest in are as follows:

Name	Ordinary share capital held	Nature of business	Nature of entity
TPHA Limited	100%	Provision of low cost home ownership	Registered provider of social housing
Arlington Futures	n/a	Provision of community support services	Registered charity
CHA Ventures Limited	100%	Property development	Incorporated company
Citystyle Living Limited	100%	Rental of properties at market rent	Incorporated company
East End Lettings (2) Limited	100%	Rental of properties at market rent	Incorporated company
One Direct Maintenance Limited	100%	Property maintenance services	Incorporated company
Pembury Road Care Limited	100%	Development of a care home	Incorporated company
Citystyle Living (Acton Town Hall) Limited	100%	Property development for outright sale	Incorporated company
Citystyle Living (Bangor Wharf) Limited	100%	Property development for outright sale	Incorporated company
Citystyle Living (Belmont) Limited	100%	Property development for outright sale	Incorporated company
Citystyle Living (Close) Limited	100%	Property development for outright sale	Incorporated company
Citystyle Living (Goldhawk Road) Limited	100%	Property development for outright sale	Incorporated company
Citystyle Living (High Road Haringey 624 THA) Limited	100%	Property development for outright sale	Incorporated company
Citystyle Living (Kidwells THA) Limited	100%	Property development for outright sale	Incorporated company
Citystyle Living (Polo) Limited	100%	Property development for outright sale	Incorporated company
Citystyle (Site A Nunhead Lane) Living Limited	100%	Property development for outright sale	Incorporated company
Citystyle Living (Slough Station) Limited	100%	Property development for outright sale	Incorporated company
Citystyle Living (St Ann's) Limited	100%	Property development for outright sale	Incorporated company
Citystyle Living (Thurlow Park) Limited	100%	Property development for outright sale	Incorporated company
Citystyle Living (Victoria Quarter) Limited	100%	Property development for outright sale	Incorporated company
Citystyle Living (Wenlock Road) Limited	100%	Property development for outright sale	Incorporated company
Citystyle Living (North End Farm) Limited	100%	Dormant	Incorporated company
Citystyle Living (Stone) Limited	100%	Dormant	Incorporated company
Citystyle Living (Sutton Court Road) Limited	100%	Dormant	Incorporated company

All subsidiaries are incorporated or registered in England.

19. Investments: joint ventures

The group holds an indirect interest in the following joint ventures:

Name	Ordinary share capital held	Nature of business	Nature of entity
New Ladderswood LLP	50%	Property development	Limited liability partnership
Dollar Bay Developments LLP	50%	Property development	Limited liability partnership
New Granville LLP	50%	Property development	Limited liability partnership

The equity value of investments was:

	2017 £'000	2016 £'000
At 1 April	**22,163**	19,720
Additions	**5,080**	4,990
Disposals	**(8,177)**	(2,748)
Share of profit / (deficit) for the year	**5,209**	201
Distributions received in the year	**(5,198)**	-
At 31 March	**19,077**	22,163

20. Investments: listed investments

	31 March 2017 Cost £'000	31 March 2017 Fair value £'000	31 March 2016 Cost £'000	31 March 2016 Fair value £'000
UK Treasury Gilts 8%	**93**	**114**	133	154
	93	**114**	133	154

UK Treasury Gilts are charged to Housing Securities Limited to provide additional interest cover on borrowings in excess of £20,000,000. They are stated at value as at 31 March 2017.

21. Properties for sale

Group	First tranche shared ownership properties 2017 £'000	Outright market sales 2017 £'000	Total 2017 £'000	Total 2016 £'000
Properties for sale:				
Work in progress	**16,154**	**121,201**	**137,355**	188,652
Completed properties	**3,772**	**41,129**	**44,901**	5,459
	19,926	**162,330**	**182,256**	194,111
Materials	**-**	**-**	**88**	156
	19,926	**162,330**	**182,344**	194,267

Association	First tranche shared ownership properties	Outright market sales	Total	Total
	2017	2017	2017	2016
	£'000	£'000	£'000	£'000
Properties for sale:				
Work in progress	16,154	43,582	59,736	30,411
Completed properties	3,772	910	4,682	3,104
	19,926	44,492	64,418	33,515
	19,926	44,492	64,418	33,515

22. Debtors

	Group		Association	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Rent arrears	12,902	12,154	12,677	11,905
Less provision for bad and doubtful debts	(6,209)	(5,832)	(6,059)	(5,665)
	6,693	6,322	6,618	6,240
Amounts due from Group companies	-	-	73,202	111,069
Other debtors	6,484	5,499	4,096	3,623
Prepayments and accrued income	3,026	626	3,005	531
Loan security deposits	1,728	1,726	1,728	1,726
Amounts due from leaseholders	151	223	151	223
	18,082	14,396	88,800	123,412

23. Creditors: amounts falling due within one year

	Group		Association	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Bank overdraft	**3,164**	187	**3,098**	55
Housing and short term loans	**54,813**	96,546	**43,851**	52,993
Trade creditors	**967**	2,561	**818**	3,793
Social Housing Grant repayable	**779**	-	**779**	-
Amounts due to group undertakings	**-**	-	**33,925**	48,146
Other taxation and social security	**2,973**	1,095	**1,270**	768
Other creditors	**5,961**	5,267	**5,627**	4,731
Accruals and deferred income	**32,453**	52,022	**19,708**	40,266
Rent and service charges paid in advance	**4,825**	4,381	**4,572**	4,156
Property deposits and sinking fund	**1,804**	1,952	**1,533**	1,541
SHPS pension deficit contribution	**1,168**	1,124	**1,168**	1,124
	108,907	165,135	**116,349**	157,573

The discount rate used in calculating the SHPS pension deficit contribution provision changed from 2.06% at 31 March 2016 to 2.50% at 31 March 2017, as a result the creditor has decreased.

24. Creditors: amounts falling due after more than one year

	Group		Association	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Loans and borrowings	**937,933**	878,482	**930,027**	870,270
Deferred capital grant (note 25)	**672,627**	679,195	**648,272**	653,395
RCGF (note 26)	**36,827**	32,563	**28,135**	24,242
DPF (note 27)	**5,901**	4,078	**5,901**	4,078
Sinking fund balances	**13,573**	11,889	**11,168**	8,119
Other creditors	**1,266**	-	**1,266**	-
SHPS pension deficit contribution	**6,996**	8,125	**6,996**	8,125
	1,675,123	1,614,332	**1,631,765**	1,568,229

25. Deferred capital grant

	Group	Association		
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
At 1 April	**679,195**	**688,305**	**653,395**	**661,720**
Grants received during the year	**4,177**	**420**	**4,177**	**420**
Grants utilised	**362**	**373**	**362**	**373**
Grants transferred to RCGF and DPF	**(5,813)**	**(6,634)**	**(5,466)**	**(4,873)**
Grant transfer to RP's on disposal	**-**	**(71)**	**-**	**(71)**
Released to income during the year	**(5,294)**	**(3,408)**	**(4,196)**	**(4,384)**
Adjustment	**-**	**210**	**-**	**210**

	Group	Association		
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
At 31 March	**672,627**	**679,195**	**648,272**	**653,395**

26.Recycled capital grant fund

Group		**2017**			2016	
	HCA	**GLA**	**Total**	HCA	GLA	Total
Funds pertaining to activities within areas covered by	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000
At 1 April	**570**	**31,993**	**32,563**	426	25,568	25,994
Inputs to fund:						
Grants recycled from deferred capital grants	**58**	**4,827**	**4,885**	142	6,655	6,797
Interest accrued	**2**	**115**	**117**	2	144	146
Recycling of grant:						
New build	**-**	**(738)**	**(738)**	-	(374)	(374)
Repayment of grant to the HCA/GLA	**-**	**-**	**-**	-	-	-
At 31 March	**630**	**36,197**	**36,827**	570	31,993	32,563
Amounts three years or older where payment may be required	**-**	**-**	**-**	-	-	-

Association		**2017**			2016	
	HCA	**GLA**	**Total**	HCA	GLA	Total
Funds pertaining to activities within areas covered by	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000
At 1 April	**15**	**24,227**	**24,242**	-	19,439	19,439
Inputs to fund:						
Grants recycled from deferred capital grant	**26**	**4,517**	**4,543**	15	5,042	5,057
Interest accrued	**-**	**88**	**88**	-	107	107
Transfer from other group members	**-**	**-**	**-**	-	13	13
Recycling of grant:						
New build	**-**	**(738)**	**(738)**	-	(374)	(374)
Repayment of grant to the HCA/GLA	**-**	**-**	**-**	-	-	-
At the end of the year	**41**	**28,094**	**28,135**	15	24,227	24,242
Amounts three years or older where payment may be required	**-**	**-**	**-**	-	-	-

27. Disposal proceeds fund

	Group		Association	
	GLA	GLA	**GLA**	GLA
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
At 1 April	**4,078**	3,374	**4,078**	3,374
Inputs to fund:				
Net PTRB receipts	**-**	684	**-**	684
RTA receipts	**1,330**	-	**1,330**	-
SHB receipts	**477**	-	**477**	-
Interest accrued	**16**	20	**16**	20
Use/allocation of funds:				
Repayment of grant to the HCA/GLA	**-**	-	**-**	-
At 31 March	**5,901**	4,078	**5,901**	4,078
Amounts three years or older where payment may be required	**-**	-	**-**	-

The fund has no balances with the Homes and Communities Agency (2016: £nil).

28. Loans and borrowings

Group	**Bank overdrafts**	**Bank loans**	**Other loans**	**Total**
	2017	**2017**	**2017**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
In one year or less, or on demand	**3,164**	**54,209**	**604**	**57,977**
In more than one year but not more than two years	**-**	**50,852**	**25,544**	**76,396**
In more than two years but not more than five years	**-**	**120,752**	**2,478**	**123,230**
In more than five years	**-**	**537,697**	**200,610**	**738,307**
	3,164	**763,510**	**229,236**	**995,910**

Group	**Bank overdrafts**	**Bank loans**	**Other loans**	**Total**
	2016	**2016**	**2016**	**2016**
	£'000	**£'000**	**£'000**	**£'000**
In one year or less, or on demand	**187**	**95,978**	**568**	**96,733**
In more than one year but not more than two years	**-**	**44,922**	**600**	**45,522**
In more than two years but not more than five years	**-**	**123,261**	**24,820**	**148,081**
In more than five years	**-**	**594,240**	**90,639**	**684,879**

Group	Bank overdrafts	Bank loans	Other loans	Total
	2016	2016	2016	2016
	£'000	£'000	£'000	£'000
	187	858,401	116,627	975,215

Association	Bank overdrafts	Bank loans	Other loans	Total
	2017	2017	2017	2017
	£'000	£'000	£'000	£'000
In one year or less, or on demand	3,098	43,247	604	46,949
In more than one year but not more than two years	-	49,242	25,544	74,786
In more than two years but not more than five years	-	119,672	2,478	122,150
In more than five years	-	532,481	200,610	733,091
	3,098	744,642	229,236	976,976

Association	Bank overdrafts	Bank loans	Other loans	Total
	2016	2016	2016	2016
	£'000	£'000	£'000	£'000
In one year or less, or on demand	55	52,425	568	53,048
In more than one year but not more than two years	-	44,291	600	44,891
In more than two years but not more than five years	-	121,628	24,820	146,448
In more than five years	-	588,292	90,639	678,931
	55	806,636	116,627	923,318

During the year, the Association borrowed £85m funds from M&G Limited. The carrying amount of the £854m is repayable in April 2041. Issue costs of £995k were incurred, which have been deducted from the initial carrying value and will be charged to the statement of comprehensive income as part of the interest charge calculated using the amortised cost method.

Loans are secured by specific charges on the housing properties of the Group.

The loans bear interest at fixed rates ranging from 2.4% to 11.16% or at variable rates calculated at a margin above the London Inter Bank Offer Rate.

The mark to market values of free standing SWAPs as at 31 March 2017 was £44m (2016 - £43m) .

None of the loans are repayable on demand. £571m (2016: £504m) of the outstanding loans are payable by instalments.

At 31 March 2017 the Group had undrawn loan facilities of £56m (2016 - £79m).

29. Financial instruments

	Group	Association		
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Financial assets				
Financial assets measured at historical cost				
Trade receivables	**6,693**	6,322	**6,618**	6,240
Other receivables	**11,389**	8,074	**82,182**	117,172
Investments in short term deposits	**-**	5,130	**-**	5,130
Cash and cash equivalents	**102,113**	80,364	**85,159**	29,139
Financial assets measured at fair value through profit or loss	**-**	-	**-**	-
Derivative financial instruments	**-**	-	**-**	-
Financial assets that are debt instruments measured at amortised cost	**-**	-	**-**	-
Loans receivable	**-**	-	**-**	-
Total financial assets	**120,195**	99,890	**173,959**	157,681
Financial liabilities				
Financial liabilities measured at amortised cost				
Loans payable	**921,767**	656,294	**902,905**	647,723
Financial liabilities measured at historical cost				
Trade creditors	**967**	2,561	**818**	3,793
Other creditors	**53,127**	64,904	**71,680**	99,663
Derivative financial instruments designated as hedges of variable interest rate risk	**70,973**	275,596	**70,973**	275,596
Total financial liabilities	**1,046,834**	999,355	**1,046,376**	1,026,775

£110m of nominal loans measured at fair value in the previous year have been measured at amortised cost following the removal of the lenders option.

To hedge the potential volatility in future interest cash flows arising from movements in LIBOR, the group has entered into cancellable standalone floating to fixed interest rate swaps with a nominal value of £152m equal to initial borrowing and similar terms as the loans. The interest re-pricing dates are identical to those of the variable rate loans. These result in the group paying 3.15% on average and receiving LIBOR (though cash flows are settled on a net basis). This effectively fixes the total interest cost on loans and interest rates swaps at 3.15% per annum.

The derivatives are accounted for as a hedge of variable rate interest rate risks, in accordance with FRS 102 and had a fair value of £71m (2016: £148m) at the statement of financial position date. The change in fair value in the period was £11m with the entire charge being recognised in the statement of comprehensive income as the swaps are cancellable and cannot be hedged.

30. Provision for liabilities

Group	Deferred taxation £'000	Other £'000	Total £'000
At 1 April 2016	**4,255**	**246**	**4,501**
Charged to income and expense			
Additions	**-**	**535**	**535**
Utilised in year	**-**	**(246)**	**(246)**
Origination and reversal of timing differences	**3,704**	**-**	**3,704**
At 31 March 2017	**7,959**	**535**	**8,494**

Association	Other £'000	Total £'000
At 1 April 2016	**246**	**246**
Charged to income and expense		
Additions	**535**	**535**
Utilised in year	**(246)**	**(246)**
At 31 March 2017	**535**	**535**

Other provisions consist of amounts provided in respect of disputes.

31. Pension obligations

Social Housing Pension Scheme (SHPS)

The company participates in the 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:

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

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.

London Borough of Tower Hamlets

The LGPS is a multi-employer defined benefit scheme. Contributions to the scheme are determined by a qualified actuary on the basis of valuations, using the projected unit method. The latest formal valuation of the Fund for the purpose of setting employers' actual contributions was as at 31 March 2016.

On 5 December 2005 Island Homes Housing Association Limited (IH), a subsidiary of OHGL, acquired 1,984 properties from the London Borough of Tower Hamlets as an estate transfer. IH continued to participate in the LGPS administered by the London Borough of Tower Hamlets in accordance with the Local Government Pension Scheme regulations 1997, as amended. On 5 September 2012, IH transferred its engagements to OHGL, and participation in the scheme continues.

At the date of stock transfer in 2005, which included the transfer of staff, this was viewed as a cessation event. Accordingly, a valuation of the respective assets and liabilities was performed by a qualified independent actuary, Hymans Robertson in relation to the staff transferred. This valuation is performed on an annual basis with the results shown below

Financial assumptions

	2017	2016
	%	%
Discount rate	**2.6**	3.5
Salary increase rate	**2.2**	3.7
Pension increase rate	**2.4**	2.2

Mortality assumptions
The average future life expectancies at age 65 are summarised below.

	2017 years	**2016 years**
Current pensioners		
male	**22.1**	22.2
female	**24.1**	24.2
Future pensioners		
male	**23.9**	24.3
female	**25.8**	26.4

Future pensioners assume the average age of members at the last formal valuation date was 45.

Reconciliation of present value of plan liabilities	**2017 £'000**	2016 £'000
At 1 April	**7,269**	7,965
Current service cost	**65**	90
Interest cost	**253**	255
Employee contributions	**13**	16
Benefits paid	**(155)**	(120)
Remeasurement - change in financial assumptions	**1,203**	(800)
Remeasurements - experience	**(1,180)**	(137)
At 31 March	**7,468**	7,269
Composition of plan liabilities		
Schemes wholly or partly funded	**7,468**	7,269

Reconciliation of fair value of plan assets	2017 £'000	2016 £'000
At 1 April	**6,612**	6,594
Interest income on plan assets	**230**	211
Employee contributions	**13**	16
Employer contributions	**86**	102
Benefits paid	**(155)**	(120)
Remeasurements - return on assets	**293**	(191)
At 31 March	**7,079**	6,612

Net pension scheme liability	2017 £'000	2016 £'000
Fair value of plan assets	**7,079**	6,612
Present value of plan liabilities	**(7,468)**	(7,269)
	(389)	(657)

Amounts recognised in comprehensive income	2017 £'000	2016 £'000
Included in administrative expenses:		
Current service cost	**65**	90

Amounts included in other finance costs	2017 £'000	2016 £'000
Included in administrative expenses:		
Net interest cost	**(23)**	(44)

Analysis of actuarial loss recognised in other comprehensive income	2017 £'000	2016 £'000
Actual return less interest income included in net interest income	**293**	(191)
Remeasurements - change in financial assumptions	**(1,203)**	800
Remeasurements - experience	**1,180**	137
	270	746

Composition of plan assets	2017 %	2016 %
Equities	**64**	68
Bonds	**26**	15
Property	**9**	11
Cash	**1**	6
Total plan assets	**100**	100

Defined contribution scheme

A defined contribution scheme is operated by the Group on behalf of employees. The assets of the scheme are held separately from those of the Association in an independently administered fund. The pension charge represents contributions payable by the Group to the fund and amounted to £394k (2016: £303k). Contributions totalling £41k (2016: £27k) were payable to the fund at the year end and are included in creditors.

32. Deferred taxation

	Group		Association	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Deferred tax liabilities				
Investment property revaluations	**3,704**	(2,055)	**-**	-
	3,704	(2,055)	**-**	-

33. Share capital

	2017	2016
	£	£
Allotted, issued and fully paid shares of £1 each		
At 1 April	**7**	7
Issued in year	**-**	-
Redeemed/cancelled in the year	**-**	-
At 31 March	**7**	7

The share capital of the association consists of shares with a nominal value of £1 each, which carry no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. When a shareholder ceases to be a member, that share is cancelled and the amount paid thereon becomes the property of the association. Therefore, all shareholdings relate to non-equity interests.

34. Contingent liabilities

At 31 March 2017, the Group and Association had contingent liabilities in respect of litigation and claims arising in the ordinary course of business of £1,770k (2016: £975k).

SORP 2014, S17.30-32 states that where there are exchanges of housing properties between social landlords for non-monetary or monetary values or a combination of both, then the value of the transaction must be the fair value.

Where there is government grant associated with the housing properties, then the obligation to recycle or repay the grant is transferred and assumed to be in the fair value of the properties. Therefore no additional adjustment is required as was the case under SORP 2010. This accounting treatment gives rise to a contingent liability as the liability to recycle or to repay the grant crystallises on the future sale or staircasing of properties that were included in the stock transaction between the social landlords.

As a result, the sale of housing properties to the Association from its subsidiary TPHA Limited (which is a social landlord) in November 2015 has given rise to a contingent liability of £12.5m. Subsequent sales and staircasing will result in any grants attached to the properties being recycled and the total surplus/deficit from these properties being decreased or increased respectively. An annual impairment review will have to be done on these properties.

35. Operating leases

The Group and the association had minimum lease payments under non-cancellable operating leases as set out below:

	Group		Association	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Amounts payable as lessee				
Not later than one year	**2,719**	1,099	**2,527**	793
Later than one year and not later than five years	**20,007**	8,810	**19,781**	8,279
Later than five years	**198,170**	45,547	**198,170**	45,547
	220,896	55,456	**220,478**	54,619

	Group		Association	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Amounts receivable as lessor				
Not later than one year	**9,632**	11,000	**8,117**	9,521
Later than one year and not later than five years	**42,022**	46,627	**35,411**	40,175
Later than five years	**225,778**	219,217	**190,257**	184,550
	277,432	276,844	**233,785**	234,246

Amounts receivable as a lessor are in respect of leases from rental incomes due on shared ownership and commercial properties. The average lease is assumed to be 40 years with rent increases at RPI + 0.5% per annum.

36. Capital commitments

	Group		Association	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Commitments contracted but not provided for				
Construction	**249,078**	186,101	**184,421**	135,208
Joint ventures	**15,149**	69,733	**-**	-
Commitments approved by the Board but not contracted for				
Construction	**89,805**	153,491	**43,566**	131,384
Joint ventures	**11,132**	29,048	**-**	-
	365,164	438,373	**227,987**	266,592

Capital commitments for the group and association will be funded as follows:

	Group		Association	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Social housing grant	**12,069**	5,221	**12,069**	5,221
New loans	**187,177**	159,167	**50,000**	59,000
Sales of properties	**63,805**	194,003	**80,759**	173,288
Existing reserves	**102,113**	79,982	**85,159**	29,083
	365,164	438,373	**227,987**	266,592

Construction includes obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements for all investment property accounted for at fair value through profit or loss.

Joint ventures include commitments relating to joint ventures, including its share in the capital commitments that have been incurred jointly with other joint venture partners, as well as its share of the capital commitments of the joint ventures themselves.

37. Related party disclosures

The ultimate controlling party of the Group is One Housing Group Limited. There is no ultimate controlling party of One Housing Group Limited.

Transactions

The Association provides management services and other services working capital to its subsidiaries. The Association also receives charges from its subsidiaries. The quantum and basis of those charges is set out below.

Payable to the Association:

2017	Sales	Development staff-time	Maintenance services	Management fees	Interest	Gift Aid	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
By regulated entities								
TPHA Limited	-	-	-	65	17	2,894	13	2,989
Social housing total	**-**	**-**	**-**	**65**	**17**	**2,894**	**13**	**2,989**
By non-regulated entities								
Arlington Futures	-	-	-	-	-	-	5	5
CHA Ventures Limited	-	1,200	-	-	793	5,943	-	7,936
Citystyle Living (Belmont) Limited	-	-	-	-	111	-	-	111
Citystyle Living (Close) Limited	-	-	-	305	452	-	-	757
Citystyle Living (Goldhawk Road) Limited	-	-	-	152	-	-	13	165
Citystyle Living (Kidwells) Limited	-	-	-	-	-	140	3	143
Citystyle Living (Polo) Limited	-	-	-	50	-	376	-	426
Citystyle Living (Slough Station) Limited	-	-	-	-	-	19	-	19
Citystyle Living (Thurlow Park Limited	-	-	-	16	-	-	1	17
Citystyle Living (Wenlock Road) Limited	-	-	-	436	-	21,200	46	21,682
Citystyle Living Limited	-	-	-	206	-	906	67	1,179
East End Lettings (2) Limited	-	-	-	19	514	-	-	533
One Direct Maintenance Limited	-	-	-	997	-	-	-	997
Non-social housing total	**-**	**1,200**	**-**	**2,181**	**1,870**	**28,584**	**135**	**33,970**
Grand total	**-**	**1,200**	**-**	**2,246**	**1,887**	**31,478**	**148**	**36,959**

2016	Sales	Development staff-time	Maintenance services	Management fees	Interest	Gift Aid	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
By regulated entities								
TPHA Limited	-	-	-	747	721	8,300	27	9,795
Social housing total	-	-	-	**747**	**721**	**8,300**	**27**	**9,795**
By non-regulated entities								
CHA Ventures Limited	-	900	-	-	630	2,318	-	3,848
Citystyle (Site A Nunhead Lane) Living Limited	-	-	-	-	51	-	-	51
Citystyle Living (Acton Town Hall) Limited	-	-	-	-	195	-	-	195
Citystyle Living (Bangor Wharf) Limited	-	-	-	-	522	-	-	522
Citystyle Living (Belmont) Limited	-	-	-	-	70	-	-	70
Citystyle Living (Close) Limited	-	-	-	656	1,220	14,226	32	16,134
Citystyle Living (Kidwells) Limited	-	-	-	286	-	4,007	59	4,352
Citystyle Living (Polo) Limited	-	-	-	38	65	37	-	140
Citystyle Living (Slough Station) Limited	-	-	-	5	-	88	1	94
Citystyle Living (St Ann's) Limited	-	-	-	-	293	-	-	293
Citystyle Living Limited	-	-	-	161	-	1,127	67	1,355
East End Lettings (2) Limited	-	-	-	17	89	-	-	106
One Direct Maintenance Limited	-	-	-	1,216	-	-	-	1,216
Non-social housing total	**-**	**900**	**-**	**2,379**	**3,135**	**21,803**	**159**	**28,376**
Grand total	**-**	**900**	**-**	**3,126**	**3,856**	**30,103**	**186**	**38,171**

Payable by the Association:

2017	Sales	Property disposals at EUV SH	Maintenance services	Management fees	Property Rental	Interest	Gift Aid	Other	Total
	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
To regulated entities									
Social housing total	-	-	-	-	-	-	-	-	-
To non-regulated entities									
Arlington Futures	-	-	-	-	-	15	-	-	15
CHA Ventures Limited	44,459	-	-	-	-	-	-	-	44,459
Citystyle Living (Polo) Limited	-	426	-	-	-	-	-	-	426
One Direct Maintenance Limited	-	-	27,068	-	-	-	-	-	27,068
Non-social housing total	**44,459**	**426**	**27,068**	**-**	**-**	**15**	**-**	**-**	**71,968**
Grand total	**44,459**	**426**	**27,068**	**-**	**-**	**15**	**-**	**-**	**71,968**

2016	Sales	Property disposals at EUV SH	Maintenance services	Management fees	Property Rental	Interest	Gift Aid	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
To regulated entities									
TPHA Limited	-	36,225	-	-	-	-	-	-	36,225
Social housing total	-	**36,225**	-	-	-	-	-	-	36,225
To non-regulated entities									
Arlington Futures	-	-	-	-	-	15	-	-	15
CHA Ventures Limited	51,003	-	-	-	-	-	-	-	51,003
Citystyle Living (Kidwells) Limited	-	-	-	-	426	-	-	-	426
One Direct Maintenance Limited	-	-	19,766	-	-	-	-	-	19,766
Non-social housing total	**51,003**	**-**	**19,766**	**-**	**426**	**15**	**-**	**-**	**71,210**
Grand total	**51,003**	**36,225**	**19,766**	**-**	**426**	**15**	**-**	**-**	**107,435**

Transactions with subsidiaries use the following basis of allocation:

Property development fees:

CHA Ventures Limited applies a mark-up of 7.5% on development administrative services supplied to the Association.

Maintenance Services

One Direct Maintenance Limited provides repair, maintenance, void, improvement, refurbishment and major capital works services to OHGL and its subsidiaries at cost.

Development staff-time:

The Association charges for development staff-time at a flat rate for the year to each subsidiary with development activities.

Management fees:

The Association provides management and administrative services to subsidiaries. The most significant element of this is staff costs, including director's emoluments, as the subsidiaries do not have their own employees. For developing a mark up of 1.5% on cost of sale is made by OHG. For subsidiaries whose purpose is not to develop properties for outright sale, costs are apportioned as follows:

Basis of apportionment	***Cost centres***
Units and turnover	Finance
	Chief Executive's Office
	Communications
ICT usage	ICT
Staff and turnover	Facilities
	Human resources
Occupied desk space	Office costs
Maintenance costs	Property services
General needs costs	Service improvement
	Community investment
Units developed and developed for sale	Development
Staff time	Landlord services
	Contract services
	Portfolio management
	Customer Contact Centre

Interest:
Interest is charged by the Association to subsidiaries at agreed rates of interest on loan balances. Interest is paid by the Association to Arlington Futures on balances held on behalf of Arlington Futures.

Gift Aid:
Distributable profits of subsidiaries are Gift Aided to the Association at appropriate levels to minimise corporation tax liabilities.

Other:
Legal – the Association provides conveyancing and related services for property sales across the Group. A flat rate is charged to subsidiaries for standard work, and an appropriate rate for non-standard work.

Leases - Citystyle Living Limited leases a number of units from the Association. The amounts charged by the Association equates to the income stream of those units.

Donations - occasionally, the Association makes donations to Arlington Futures, a registered charity, at an amount deemed appropriate at the time.

Balances

At the year-end, balances between regulated and non-regulated entities were:

31 March 2017	One Housing Group Limited			TPHA Limited		
	Assets	Liabilities	Total	Assets	Liabilities	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Social housing						
One Housing Group Limited	-	-	**-**	1,019	(272)	747
TPHA Limited	272	(1,019)	**(747)**	-	-	-
Social housing total	**272**	**(1,019)**	**(747)**	**1,019**	**(272)**	**747**
Non-social housing						
Arlington Futures	106	(2,000)	**(1,894)**	-	-	-
CHA Ventures Limited	42,049	(3,099)	**38,950**	-	-	-
Citystyle (Site A Nunhead Lane) Living Limited	216	-	**216**	-	-	-
Citystyle Living (Acton Town Hall) Limited	1,174	-	**1,174**	-	-	-
Citystyle Living (Bangor Wharf) Ltd	-	(7,519)	**(7,519)**	-	-	-
Citystyle Living (Belmont) Limited	1,007	-	**1,007**	-	-	-
Citystyle Living (Close) Limited	1	(400)	**(399)**	-	-	-
Citystyle Living (Goldhawk Road) Limited	393	-	**393**	-	-	-
Citystyle Living (High Road Haringey 624 THA) Limited	5,015	-	**5,015**	-	-	-
Citystyle Living (Kidwells THA) Limited	140	(1,000)	**(860)**	-	-	-
CSL (Polo) Limited	882	-	**882**	-	-	-
Citystyle Living (Slough Station) Limited	19	-	**19**	-	-	-
Citystyle Living (St Ann's) Limited	628	-	**628**	-	-	-
Citystyle Living (Thurlow Park) Limited	546	-	**546**	-	-	-
Citystyle Living (Victoria Quarter) Limited	4,526	-	**4,526**	-	-	-
Citystyle Living (Wenlock Road) Limited	3,607	(17,200)	**(13,593)**	-	-	-
Citystyle Living Limited	1,932	(1)	**1,931**	-	-	-
East End Lettings (2) Limited	10,198	(7)	**10,191**	-	-	-
One Direct Maintenance Limited	-	(1,681)	**(1,681)**	-	-	-
Pembury Road Care Limited	491	-	**491**	-	-	-
Non-social housing total	**72,930**	**(32,907)**	**40,023**	**-**	**-**	**-**
Grand total	**73,202**	**(33,926)**	**39,276**	**1,019**	**(272)**	**747**

At the year-end, balances between regulated and non-regulated entities were:

31 March 2016	One Housing Group Limited	TPHA Limited				
	Assets	Liabilities	Total	Assets	Liabilities	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Social housing						
One Housing Group Limited	-	-	**-**	156	(199)	(43)
TPHA Limited	199	(156)	**43**	-	-	-
Social housing total	**199**	**(156)**	**43**	**156**	**(199)**	(43)
Non-social housing						
Arlington Futures	-	(2,015)	**(2,015)**	-	-	-
CHA Ventures Limited	75,963	(37,881)	**38,082**	-	-	-
Citystyle (Site A Nunhead Lane) Living Limited	110	(3)	**107**	-	-	-
Citystyle Living (Acton Town Hall) Limited	297	(4)	**293**	-	-	-
Citystyle Living (Bangor Wharf) Ltd	543	(8)	**535**	-	-	-
Citystyle Living (Belmont) Limited	347	-	**347**	-	-	-
Citystyle Living (Close) Limited	21,792	-	**21,792**	-	-	-
Citystyle Living (Goldhawk Road) Limited	403	(144)	**259**	-	-	-
Citystyle Living (Kidwells THA) Limited	5,202	(95)	**5,107**	-	-	-
CSL (Polo) Limited	621	-	**621**	-	-	-
Citystyle Living (Slough Station) Limited	166	(2)	**164**	-	-	-
Citystyle Living (St Ann's) Limited	504	(2)	**502**	-	-	-
Citystyle Living (Thurlow Park) Limited	551	(1)	**550**	-	-	-
Citystyle Living (Wenlock Road) Limited	668	(2)	**666**	-	-	-
Citystyle Living Limited	1,636	(26)	**1,610**	-	-	-
East End Lettings (2) Limited	2,557	(7)	**2,550**	-	-	-
One Direct Maintenance Limited	-	(1,506)	**(1,506)**	-	-	-
Pembury Road Care Limited	477	-	**477**	-	-	-
Non-social housing total	**111,837**	**(41,696)**	**70,141**	**-**	**-**	**-**
Grand total	**112,036**	**(41,852)**	**70,184**	**156**	**(199)**	**(43)**

38. Capital and reserves

The statement of comprehensive income reserve for the Group includes £143.1m (2016: £102.9m) in respect of investment properties that have been revalued and were previously disclosed separately in a revaluation reserves.

The Association's statement of comprehensive income reserve includes £104.5m (2016: £77.4m) in respect of investment properties.

39. Events post statement of financial position date

On 15 June 2017, OHGL formed Citystyle Living (Shakespeare Orchard) Limited (10820790), a wholly owned subsidiary that will develop and sell property on the open market.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

Head office
100 Chalk Farm Road
London NW1 8EH
Te;: 020 8821 5100

onehousing.co.uk

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