



Annual Report & Financial Statements

Year ended 31 March 2018

CONTENTS

Board, Executive Directors & Advisors	3
Chair's Report	4
Our Year on a Page	5
Strategic and Financial Report	6
Board Members and Executive Management Profiles	19
Corporate Governance and Board Committees	21
Risks	25
Statement of the Responsibilities of the Board	30
Independent Audit report	31
Statement of Comprehensive Income	35
Statement of Financial Position	36
Statement of Changes in Reserves	37
Consolidated Statement of Cash flows	38
Notes to the Financial Statements	39

BOARD, EXECUTIVE DIRECTORS & ADVISORS

Charitable Registered Society	30939R
Regulator Social Housing registration number	L4279
Registered Office	8 Waldegrave Road Teddington Middlesex TW11 8GT
Board	Suzanne Avery Angelika Chaffey (Vice Chair) David Done OBE Jenine Langrish – from 24 April 2018 Christopher Ling – from 20 March 2018 Peter Marsh John Newbury (Chair) Ian Nunn – deceased 26 July 2017 Toby D'Olier Stephen Speak Nigel Taylor Ursula Wyman – resigned 31 December 2017
Chief Executive & Secretary	David Done OBE
Executive Directors	Philip Day (Executive Director of Finance) – to 27 July 2017 Corinna Bishopp (Executive Director of Finance & Operations) – from 3 July 2017 Amina Graham (Executive Director of Corporate Services) – to 25 May 2018 Neil Tryner (Interim Executive Director of Corporate Services & Customer Services) – appointed 28 May 2018 Tim Willcocks (Executive Director of Development) – appointed 14 June 2018
Auditors	BDO LLP 2 City Place Beehive Ring Road Gatwick West Sussex RH6 0PA
Legal Status	The Association is registered under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing (RSH) as a housing provider.



CHAIR'S REPORT

RHP's vision continues to be one of the best service providers in the country and an excellent employer. Our strategy is to lead innovation in housing whilst focusing on 4 key pillars that are essential to our success: Modernising the landlord service; Being an excellent employer; Building new homes; and Maintaining financial strength.

2017/18 saw the successful launch of our new self-service, digital housing platform, RHPi, transforming the relationship with our customers and the way services are delivered in housing. This fully digital service has been rolled out to all digitally enabled customers and at the end of the year c.70% of our transactions were carried out online. This new approach to delivery of services has ensured customers have access to a faster, more convenient and efficient service whilst maintaining excellent levels of customer satisfaction.

This drive for digital transformation has contributed to further reduction in our cost base, releasing capacity to fund building more homes and delivering value for money for our customers. We have seen a 20% reduction in our call volumes and reduced our operating cost per unit by 16% in the last 2 years. Benchmarking for 2016/17 indicates that even for the last financial year our unit cost was the lowest for our size of housing association in the London region and we fully expect this benchmark performance will have continued into 2017/18.

Our financial management and performance has again been recognised by our rating agency Standard & Poor's and we retained our AA- credit rating in December 2017. Operating margin for 2017/18 has remained above 38% despite the continued rent reduction regime. The Group delivered an operating surplus of £21.2m and invested £15.8m into maintaining and improving our existing homes to keep them in good condition.

As a result of a review of our fixed asset base, we have adopted a more prudent approach to capitalising our asset components resulting in a minor prior year adjustment to our financials. We remain confident that our financial controls, risk management of our treasury and controls over our operating costs remain strong.

The tragic events at Grenfell in June 2017 have had a lasting and substantial effect on all housing providers, not least RHP. We are proud of our historic and continued focus on health and safety, however, the events at Grenfell required that all housing providers take an urgent and detailed reassessment of all property stock to ensure that we reassess the risks in light of the recent events. We have allocated significant spend in 2018/19 and the following year on fitting sprinkler systems in all of our high rise and retirement housing schemes and this work is already underway. We are proud to have been awarded the British Safety Council's highest accolade, the 'Sword of Honour' in October 2017, recognising the work we do on health and safety.

We have responded to the UK housing crisis and are investing substantial resource into building new homes. Since 2013 we have built 323 new homes including 90 this financial year and have 260 in our pipeline programme. This includes the successful completion of the first phase of our largest development scheme to date, a 99 home regeneration scheme at Fountains Close. We also completed two new schemes at Mill Farm and Stirling Road.

Of vital importance to our continued success is our drive to ensure we are an excellent employer. We are very proud to have been awarded IIP Platinum in 2017/18. We achieved 7th in the 'Great Place to Work' awards as a result of our efforts. We provide an excellent working environment and flexible working to suit our employees' varied lives. This ensures that we are attracting the best and brightest people who continue to innovate and provide new solutions and ever improving services.

The positive feedback from our customers, employees and organisations from the wider business world and the financial markets demonstrates that there is support for our strategy and our innovative approach which differentiates us from others both within and outside of our sector.

We have started work on development of our new 5 year strategy for 2018 – 2023. We believe our existing strategic aims continue to be highly relevant in the current environment and our ambitions remain as high as ever.

I remain confident that the RHP Group is very well positioned to meet the many challenges and grasp the opportunities that are ahead of us. On behalf of the Board I would like to thank our employees and other stakeholders for their commitment, energy and great ideas as it is through their efforts that RHP continues to go from strength to strength.

 John Newbury
Group Chair

YEAR IN REVIEW

GROUP TURNOVER OF £55.9m

GROUP OPERATING SURPLUS OF £21.2m

OPERATING COST PER UNIT £3,065
not including depreciation & one off items

AA- CREDIT RATING
with standard and poor's

HCA GOVERNANCE VIABILITY RATING OF G1/V1

70% of customer transactions online

90 New Affordable Homes Completed

260 New Homes Secured Under Contract

£15.8m spent maintaining & improving our existing homes

Achieved IIP PLATINUM

AWARDED BRITISH SAFETY COUNCIL Sword of Honour

rhp

STRATEGIC & FINANCIAL REPORT

OUR GROUP STRUCTURE

The RHP Group consists of 3 entities with RHP, the parent company, being a Registered Charitable Community Benefit Society and a provider of affordable housing. RHP has two subsidiaries; Co-op Homes (South) Ltd which is also a Registered Charitable Community Benefit Society and owns a small portfolio of homes and provides a comprehensive management service to Co-ops predominantly in London and the South East, and RHP Finance plc which was established to raise funds from the capital markets for the Group.



PARENT COMPANY

Charitable Registered Society 30939R
RSH No. L.4279 | Established in 2000



Wholly owned subsidiary

Co-op Homes (South) Ltd

Co-operative & Community Benefit Society
No. 25197R | RSH No. C3675
Acquired by RHP in 2006



Wholly owned funding vehicle

RHP Finance PLC

Company registration 09331195
Formed 2014

WHERE WE OPERATE

RHP operates principally in the 3 London Boroughs of Richmond, Kingston and Hounslow in West and South West London. The following map illustrates the spread of our existing properties. As part of our strategy to develop more homes, we have started to pursue opportunities in the additional London Boroughs of Ealing, Hillingdon and Wandsworth.



A SOCIAL BUSINESS

RHP Group does not distribute its profits to shareholders. All surpluses from our core social housing activities are used to improve our services and provide capacity for us to build more new homes for current and future generations and to service debt.

All profits that we make from commercial activities such as the letting of office space, shops and garages and surpluses from the sale of tranches of shared ownership properties are re-invested to cross subsidise our development of new, affordable homes for rent and shared ownership.

WHAT WE DO

Our key activities focus upon West and South West London, providing housing for rent, principally for individuals and families who are unable to rent or buy on the open market, and providing retirement housing for people who need additional housing related support. We have recently started building homes for intermediate home ownership as part of our ongoing development programme.

The Group owns or manages 10,320 properties, this includes 1,994 properties where a long lease has been sold (originally under Right to Buy) and 51 shared ownership properties. 91% of the Group's income is derived from social housing lettings. The Group also owns 1 office building, 23 shops and 997 garages.

WHY WE DO IT

The UK is in the middle of a chronic housing shortage. This is particularly acute in South West London, our area of operation. Demand outstrips supply for all forms of housing to meet the needs of people at all income levels. Property prices and market rental levels are some of the highest in the country which creates significant affordability challenges for local people. With population growth in Kingston, Richmond and Hounslow over the next 10 years expected to be amongst the largest in London, we anticipate that demand for appropriate housing, that is affordable to local people, will grow further. Therefore, our social purpose is to use our financial strength to provide good quality homes and additional new homes at prices that people can afford.

We also believe that all customers should receive exceptional levels of customer service and should be able to access their housing provider in a way that is convenient to them. In order to ensure this was made possible, we launched our fully digital service, which enables the customer to access our services 24/7 and on any device. We appreciate some of our customers are not able to access digital services and we do continue to provide more traditional methods of contacting us. Following the launch of our digital platform, 70% of our transactions in 2017/18 were online. This substantially reduces the cost of doing business while improving service access and responsiveness and enabling us to invest more money in building new homes and further improving our services.

"OUR VISION IS TO BE ONE OF THE BEST SERVICE PROVIDERS IN THE COUNTRY AND AN EXCELLENT EMPLOYER."





MODERNISING THE LANDLORD SERVICE

There has been a dramatic shift in the last two years in the way we deliver services at RHP, moving away from a traditional housing management model to a modern digitally enabled service that is focused on improving the customer experience by making it easy to access key services any time, any place and on any device. In recognition of the progress made, we've won a number of prestigious industry wide awards including the UK Business Awards Not-for-profit category and Best small and medium organisation at the Business Culture Awards, as well as being highly commended at the Digital Experience Awards.



Our new service offer (RHPi) is clearer and simpler for our customers:

- For new tenants, the focus is on providing a good quality home at an affordable rent for 5 years, supported by a fully digital housing service.
- For existing tenants, the biggest changes are the move to an online service and the introduction of a more limited essential only repairs service. In making these changes we have been careful to maintain effective arrangements for non-digital customers so that they can access our services they need in a way that suits them.
- We invest 'upfront' in empty homes at the point of re-let with the aim of minimising reactive maintenance spend over the 5-year term of the tenancy. Since launch, we have let nearly 500 homes under this new 'fit for five' standard.

- We have established a different type of relationship with customers where they take greater responsibility for their homes and lives. In adopting this approach, we have stopped doing activities such as dealing with low level neighbour disputes where our ability to affect change is limited.

RHPi has enabled us to deliver a modern housing service at lower cost - where the customer remains at the heart of what we do. In making the shift to a digitally based service we have seen a significant increase in self-serve transactions and a reduction in overall contact. We now provide customers with greater choice, convenience and control in how they interact with us - offering digital services 24/7 for the most frequently used transactional services and assisted support available 8am-8pm Monday to Friday.

The implementation of RHPi has enabled reduced operating costs in three key areas: reducing our establishment in line with a new simpler operating model; cutting the volume of responsive repairs; and moving customer interactions online with a lower cost per contact. We have also modernised our approach to measuring customer satisfaction – moving away from the use of perception based overall satisfaction surveys to transactional surveys at the point of service delivery. Having quick feedback from service users, in this way, enables us to respond better to things that aren't working. The early results are encouraging with strong results for repairs, caretaking and contact with our Customer Success Centre.



We monitor and measure our performance on a monthly basis against targets and also measure against benchmarks where available:

KPIs	31 March 2016	31 March 2017	31 March 2018
Reduction in volume of repairs from pre-RHPi	N/A	N/A	15%
Reduction in calls to RHP from the previous year	4%	16%	20%
Customer interactions online	N/A	53%	70%
Tenants with online accounts	32%	68%	79%
Tenant satisfaction	78%	80%	84%
Homeowner satisfaction	64%	63%	79%
Tenant satisfaction with caretaking	85%	84%	87%
Tenant satisfaction with repairs service	84%	76%	90%
Repair jobs completed on time.	99%	99%	98%
Occupancy rate	98.9%	99.9%	99.4%
Rent collected from current and former tenants as % rent due	99.8%	99.2%	99.5%

The introduction of our new business model has had a substantial impact on our operating efficiency with a reduction in volumes of repairs of 15% and a 20% reduction in calls as a result of a significant shift to our digital platforms. 70% of our customer transactions were online in 2017/18 but most importantly, customer satisfaction has remained high through this transition. We monitor the above measures closely through the year to enable us to be agile and adjust our service quickly if required.

Our customers are, however, finding the cost of living squeeze on incomes increasingly difficult, resulting in challenges in rent collection. We are focusing on supporting our customers through this tougher economic climate particularly during the migration to Universal Credit in Richmond and Kingston boroughs from June 2018. We anticipate this may have a significant impact on rent collection, however we have plans in place to manage the impact on our cashflow and prepare our customers for this transition.



BEING AN EXCELLENT EMPLOYER

A successful digital business is driven by having great people, not just great technology and so as our business continues to evolve, we continue our relentless pursuit of being an inspirational place to work and keeping people at the heart of our strategy. With this in mind we have refreshed our values, behaviours and skills framework; modernised our approach to performance management; revamped our approach to wellbeing; invested in creating a brilliant working environment; and continued to offer an engaging programme of learning and development activities.

We continue to create the climate for our people to succeed and have had considerable success in building a strong employer brand in and out of the sector. We have maintained UK leading levels of employee engagement; been ranked No7 in the 2018 'Great Place to Work Survey'; topped the Dolphin Index as the most innovative social landlord for 3 years running; won a number of national cross sector awards; and gained Investors in People accreditation at Platinum level.

In the same way we have modernised our service for customers, we have modernised our service for our employees making it easier for them to do business with us any time, any place and from any device.

The fundamental changes made to our operating model, as a result of introducing RHPi, is a good example of our people adapting well to the changes in the business and their roles. Over the last two years we have significantly reduced through natural attrition, the overall full time equivalent number of employees from 239 to 210. We identified areas where we have skills and capacity gaps and in 2017/18 we appointed a number of experienced people into new roles in the development team to help RHP fulfil its ambition to build more homes more quickly. In 2018/19 we anticipate increasing headcount in areas such as procurement, development and supporting customers in their transition to Universal Credit.



As we digitalised our business, we upskilled our customer facing teams to deliver brilliant customer service across multiple channels and provided digital skills training for our Caretakers.

Whilst we have continued to drive innovation throughout the organisation there is still more to do to normalise innovation as part of our ways of working from employee level upwards.

KPIs	Actual 31 March 2016	Actual 31 March 2017	Actual 31 March 2018
Employees satisfied with working at RHP	96%	95%	93%
Short term sickness absence	1.0%	1.1%	1.1%
Employee voluntary turnover	9.9%	11.4%	9.8%
Annual investment in learning and development	£175,000	£170,000	£173,000
Top 20 Great Place to Work	N/A	1st	7th



EQUAL OPPORTUNITIES

The Group is committed to promoting equality of opportunity in its employment practices from recruitment and selection, through learning and development, promotion and performance review to retirement. The Group will fairly consider any employment applications made by disabled people. We will also make every effort to continue to employ individuals who become disabled during their employment.

In the last year, the percentage of employees from a black or minority ethnic background was 17%, the percentage of female employees was 55%, and the percentage of employees who declare they have a disability was 11%. We regularly monitor our gender pay equality and are confident our levels of pay are fair with no gender pay gap. For 2017 our data shows that on average women earn 4.1% more per hour than men.

EMPLOYEE INVOLVEMENT

Our aim is to recruit, retain and develop employees who share our passion for delivering great service to our customers. There is a culture of shared leadership, innovation and continual personal development across the Group.

We continue to aspire to be one of the best workplaces in the UK as we believe that this ensures that our employees remain engaged, committed and motivated to achieve our goals.

The Group considers that employee involvement is essential to its success and uses a wide range of methods to inform, consult and involve its employees including through our Engagement Champions, a group made up of employees from across the organisation.



"WE CONTINUE TO ASPIRE TO BE ONE OF THE BEST WORKPLACES IN THE UK AS WE BELIEVE THAT THIS ENSURES THAT OUR EMPLOYEES REMAIN ENGAGED, COMMITTED AND MOTIVATED TO ACHIEVE OUR GOALS."

BUILDING NEW HOMES

Our development strategy is simply about delivering high quality new homes. Over the past five years RHP has added 509 homes to its stock, 186 of which were acquired from other providers and 323 were newly built homes. RHP has undertaken a range of different development projects, including office to residential conversion, land acquisition, s106 and package deals with contractors.

In 2017/18 we completed 3 new developments including new homes at Stirling Road, Mill Farm and the first phase of a regeneration project at Fountains Close.

We have ambitious plans as we move into 2018/19 and we have invested in our development team to meet those ambitions. We have a strong pipeline of new schemes as we aim towards 1000 new homes over the next five years.

Early in 2017/18 we were delighted to be confirmed as an 'approved provider' with the GLA and received an allocation of close to £18m of grant funding in the 2016-21 Homes for Londoners funding programme. Alongside this we continue to work closely with our key local partners to deliver much needed homes in partnership with them.



Our focus remains on our core operating area of Richmond, and we have a healthy pipeline of homes here. In addition, we have schemes on site or in contract in Hounslow and Kingston, have started work on our first schemes in Hillingdon, and will soon commence work on our first homes in Ealing.

During the past year we have carried out an innovative piece of customer research. 'Uncovering a forgotten generation'. This looked at single people across London, currently renting, sharing or still at home with parents, and struggling to find a better housing solution. We estimate that there are 330,000 people facing this challenge, and as we grow our development programme, we aim to deliver around half of our new homes to meet this middle market.

Precision manufactured homes still form a key part of our plans. We aim to be on site with our first factory built homes in 2018/19, homes that are quick to deliver, high quality, easy to maintain, energy efficient and most of all, great homes to live in.

KPIs	2013/14	2014/15	2015/16	2016/17	2017/18
New homes completed	39	97	58	39	90
Homes acquired	-	-	-	186	-
Homes under contract added to pipeline	-	-	114	199	174



MAINTAINING FINANCIAL STRENGTH

Our strategy has been and continues to be to protect the financial strength of the Group by driving down operating costs and by making effective use of our asset base to free up capacity to invest in building more homes.

Continuing to be a financially strong and stable Group, working within sound financial metrics, is crucially important in helping us to manage risk, adapt to changes in our operating environment, and take advantage of new opportunities. It also enables us to raise finance at competitive rates for funding our development aspirations.

The Board is pleased to report another year of strong performance for the Group in the year to 31 March 2018.

GROUP FINANCIAL RESULTS – 5 YEAR SUMMARY

The table below provides a 5 year summary of results for the RHP Group.

GROUP	2018	2017	2016	2015	2014
Turnover	55,909	55,771	53,496	52,806	47,967
Operating costs and cost of sales	(35,003)	(33,436)	(31,816)	(32,748)	(31,431)
Gain on sale of fixed assets	257	284	101	220	179
Operating surplus	21,163	22,619	21,781	20,278	16,715
Net interest charge	(8,602)	(8,698)	(9,175)	(7,196)	(6,129)
Movements in fair value	1,231	39	(668)	161	-
Surplus for the year	13,792	13,960	11,938	13,243	10,586
Actuarial gain/(loss) on pensions	727	(1,284)	731	(850)	-
Total comprehensive income	14,519	12,676	12,669	12,393	10,586
Operating margin	38%	41%	41%	38%	34%
* (excluding one-off adjustments)	41%				
EBITDA-MRI margin	38%	41%	31%	31%	27%
* (excluding one-off adjustments)	41%				
Operating cost per unit	£3,235	£3,047	£3,662	£3,666	£3,732
* (excluding one-off adjustments)	£3,065				

*The one-off adjustments relate to the impairment of £1.2m as a result of the contractor failure at Staines Road and the review of our development programme which resulted in the write off of abortive costs of £0.5m.

Group surplus of £13.8m (2017: £14.0m) represents a 25% (2017: 25%) overall margin on turnover of £55.9m. RHP's subsidiary, Co-op Homes (South) Limited has contributed £1.1m (2017: £0.9m) to this overall surplus.

The Group's operating surplus of £21.2m (2017: £22.6m), operating margin of 38% (2017: 41%) and EBITDA-MRI margin, which measures our profitability after taking into account major repairs expenditure of 38% (2017: 41%) all demonstrate that the core business is performing strongly and can comfortably cover the level of investment required to keep our homes in good condition.

Two factors have affected our overall results in 2017/18. Our contractor insolvency at Staines Road and subsequent additional expenditure to bring the scheme to completion has resulted in a one off impairment of £1.2m. We have also undertaken a detailed review of our development programme to identify any abortive costs, and this has resulted in a further one off adjustment in the year of £0.5m.

These 2 factors have affected our overall performance. Excluding the above one-off items, our operating margin was a strong 41% in line with previous years and our EBITDA-MRI margin was also 41%.

As a result of the tragic events at Grenfell, the Board has committed to investing further in the safety and security of our customers. We have performed a detailed review of our stock following this tragedy and in 2018/19 we have committed to the investment in sprinkler systems in our tower blocks and retirement housing. This will impact our EBITDA-MRI Margin % in 2018/19, however we believe this investment is of critical importance.

Our pension actuarial gain is supported by external valuations and reflects a change in assumptions about future pension liabilities including a change from RPI to CPI to assess future inflation.

SOCIAL HOUSING LETTINGS

The operating surplus that we have generated from our social housing lettings activity was:

£21.8m (2017: £20.7m)

Group turnover from social housing lettings rose by £0.8m to £50.7m, largely due to growth in property numbers as newly developed and acquired properties are let. The increase in income from these activities has more than offset the reduction in rental income associated with the 1% reduction in rents which was applied during the year in line with the rent standard set out by the RSH, the social housing regulator.

We continue to focus on targeting reductions in controllable operating costs per unit in order that we can invest more in the development of new homes. At Group level, our management costs per unit of our social housing lettings are £1,561 compared to £1,661 in the previous year. These figures compare favourably with averages for housing providers who operate in London, however we strive to do more whilst maintaining excellent quality service as a result of further automation and sustaining current levels of costs while delivering more homes.

This has been offset by continued investment in our property portfolio and our major repairs expenditure increased by £1.1m in the year reflecting our commitment to ensure our properties are maintained to a high standard.

OPERATING COSTS

Our operating cost per unit measure used to track our performance on an ongoing basis within the business is based on overall costs for servicing our entire property portfolio including our leaseholders. Our focus as a business in the last few years has been to eliminate or reduce all unnecessary or non-value added activity. The detail of this is presented in the other elements of our strategy including our drive to encourage activity online. We also have tight controls in place on the management of costs and detailed monitoring of budgets to support this aim.

FINANCING COSTS

The level of interest payable by the Group remained consistent with prior year.

An increase in fair value of £1.2m (2017: increase of £0.2m) associated with the £25m cancellable element of our Dexia loan facility has been recognised in the current year financial results as required by FRS 102. This movement reflects the fact that prevailing interest rates have risen during the year but remain significantly lower than the fixed rate originally agreed on these loans.

We have accounted for our Dexia loan (not including the cancellable fixed-rate loans) as a basic financial instrument. This is on the basis that we consider any fixed rate debt with two-way early redemption indemnity clauses to be held for the long term as per our treasury strategy and to be non-speculative.

"OUR FOCUS AS A BUSINESS IN THE LAST FEW YEARS HAS BEEN TO ELIMINATE OR REDUCE ALL UNNECESSARY OR NON-VALUE ADDED ACTIVITY."



STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION (£'000)	2018	2017	2016	2015	2014*
Housing Properties at cost less depreciation	327,430	296,196	267,710	252,392	227,077
Social housing and other grants	-	-	-	-	(26,783)
Investment properties, other tangible and intangible fixed assets	15,012	14,673	15,190	15,200	13,750
Net current assets	16,351	34,396	46,827	61,527	7,586
Total assets less current liabilities	358,793	345,265	329,727	329,119	221,630
Debt due after 1 year	256,642	256,586	254,930	262,773	164,228
Provision for liabilities	102	106	106	3,009	-
Net pension liability	3,794	4,435	3,229	4,544	3,359
Total net assets	98,255	84,138	71,462	58,793	54,043
Income & expenditure reserve	98,255	84,138	71,462	58,793	54,043
Total reserves	98,255	84,138	71,462	58,793	54,043

*not restated under FRS 102 and Accounting Direction 2015.

Our statement of financial position reflects sound long term investment decisions, our considered approach to growth in recent years, a focus on ensuring that the Group has a strong liquidity position and the operation of a robust risk management framework.

The Group now owns and manages 8,326 homes with the value of the Group's housing properties at historic cost increasing by £31.2m over the last year to £327.4m. £34.4m (2017: £16.2m) was spent on the development of new affordable housing with £4.9m invested in capital works to our existing properties. The estimated Existing Use Value for Social Housing (EUV-SH) of our homes is now £548m.

We have reviewed the value of our properties and fixed assets, and considered any changes in the economic environment, their projected income or any other influences which might affect their carrying value, this has resulted in the following adjustments. Due to our re-assessment of the application of our capitalisation policy, we have made a prior year adjustment to our fixed assets of £0.4m and a current year adjustment of £0.5m. Additionally, one of our developments (Staines Road in Hounslow) suffered a contractor failure in the year, unfortunately resulting in the need to procure a new contractor, and additional costs to bring that development to completion. We have further reflected an impairment in the accounts of £1.2m.

Our track record of strong financial and operational performance and our positive response to the external operating environment has been reflected in our strong underlying AA- credit rating with Standard and Poor's and a top VI viability rating with our regulator, RSH. These ratings continue to provide endorsement of our approach and a great platform for us to plan ahead to deliver a greater programme of new homes over the coming years.

HOUSING ASSETS

HOUSING PROPERTIES OWNED AT YEAR END:	2018	2017	2016	2015	2014
Total social housing stock owned at year end (number of dwellings) including 51 shared ownership properties (2016: 45)	7,296	7,246	7,130	7,087	7,013
Leaseholder properties serviced	1,994	1,995	1,928	1,921	1,913

TREASURY MANAGEMENT

Our Treasury Management activities focus upon ensuring that the Group has sufficient available liquidity to fund its operations for a minimum of 2 years, ensuring continued compliance with all loan covenants, managing the risk of adverse movements in interest rates and ensuring that any cash held is invested safely so that the capital is preserved. Treasury management and associated policies are governed by the Group Investment Committee (GIC).

A summary of RHP's loan portfolio as at 31 March 2018 is as follows:

LENDER	Amount drawn	Fair Value	Total Facility	Facility Expiry
RBS	-	-	£20.0m	Sept 2018
Lloyds (replaces previous £20m RCF)	-	-	£40.0m	July 2022
MUFG	-	-	£35.0m	May 2024
Dexia	£74.0m	£78.5m	£74.0m	June 2029
Listed bond (RHP Finance plc)	£140.0m	£144.1m	£140.0m	Feb 2048
Total	£214.0m	£222.6m	£309.0m	-

In respect of the listed bond, the amount drawn reflects the net proceeds received. A total of £35m of the bond has been retained for future issue.

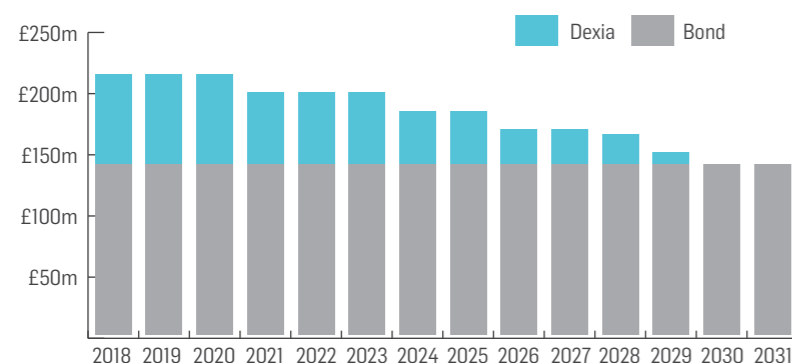
£75m of new revolving credit has been secured with two counterparties during the year which addresses a future refinancing risk as our existing facilities were due to expire in 2018.

The value of total loans and borrowings recognised in Note 21 of the financial statements includes the £4.5m Mark-to-Market adjustment of two Dexia fixed cancellable tranches net of £0.8m unamortised Bond issue fees.

With a sector leading credit rating of AA- from S&P, long term funding from the capital markets and available shorter-term credit facilities, RHP has a strong platform from which to deliver its service and development aspirations over the next 5 years.

DEBT STRUCTURE AND AVAILABLE LIQUIDITY

The charts below provide details of RHP's currently available liquidity and the debt repayment profile of the current drawn debt.



The next scheduled repayment of drawn debt is in July 2020 (Dexia - £15m) which will be funded through operating cashflows and revolving credit facilities.

CASH MANAGEMENT

Detailed 3 year rolling cashflow forecasts are prepared and reviewed each month, these are reviewed quarterly by our Group Investment Committee and the Board.

Longer term forecasts are also prepared in line with our business plan assumptions and these are reviewed by the Board at least twice per year.

COUNTERPARTY RISK

At 31 March 2018 all cash investments are held with counterparties who meet the criteria set out in our Treasury Management Policy which requires that the Group seek to minimise the risk of financial loss or liquidity exposure resulting from the insolvency of any counterparty.

Counterparty risk from our development partners is actively monitored through checks with reputable agencies in addition to requiring various bonds and retentions depending on the contractor's profile.

INTEREST RATE RISK

The Group borrows from banks at both fixed and floating rates of interest with the levels agreed by the Board. At the year-end 95% of the Group's borrowings including the listed bond were at fixed rates (2017: 95%). The fixed rates of interest for RHP range from 2.13% to 6.2%, while the fixed rates for Co-op Homes range from 1.45% to 10.5%.

The Group has not entered into any standalone interest rate swaps and so does not have any mark to market exposure.

INTRAGROUP LOANS

The net proceeds from the 2015 bond issue of £140m were on-lent by RHP Finance plc to RHP on 5 February 2015. The bond has a par value of £140m and was issued with a discount at 99%. At the year-end RHP owed RHP Finance plc £138.6m under this loan.

There also exists an inter-company loan facility totalling £8.5m between RHP and its subsidiary Co-op Homes. As at 31 March 2018, £1.9m of this loan was outstanding.

LOAN COVENANT COMPLIANCE

The Group's loan covenants are based primarily on interest cover, asset cover and gearing ratios. Covenants are monitored monthly with performance reported to the Board quarterly and were comfortably met throughout the year and at the year-end for all loan facilities.

REPORTING ON TREASURY ACTIVITIES

The Board and the Group Investment Committee monitor treasury management and investment policy through a quarterly reporting cycle, together with interim reporting where risks emerge in between meetings. The Treasury Policy and Strategy and the Investment Policy are reviewed annually but are reviewed more frequently when there are signs of a significant change in economic conditions.

RESERVES

The Board has reviewed the reserves of the Group, taking into consideration the nature of the income and expenditure streams, and has concluded that the level of reserves shown at 31 March 2018 is commensurate with the performance and investment profile of a charitable housing provider.

VALUE FOR MONEY

The Regulator of Social Housing published a new Value for Money Standard and supporting Code of Practice which came into effect from 1 April 2018.

RHP has a strong and continuing focus at an operational and board level within our strategic goals on ensuring it delivers Value for Money and our focus on modernising the landlord service and digitisation of the customer experience has delivered substantial cost savings releasing funding to build new homes as evidenced in a significant reduction in operating cost per unit from 2015/16.

We measure and report against our own value for money metrics that are key to our success on a regular basis against target within our ongoing management and governance reporting and compare our performance to benchmarks where available.

Value for money is embedded within our strategic goals and drives our core decision making. We discuss this further and our plans for continual improvement throughout the strategic sections earlier in this report. We have highlighted the key points below:

KPIs	2017/18 Actual	2016/17 Actual	2016/17 London Peer Group**	2015/16 Actual
Financial performance				
Operating margin (social housing lettings only)	43.0%	41.6%	32%	43.3%
Operating margin (overall)	37.4%	40.0%	31%	40.5%
* (excluding one-off adjustments)	40.4%			
Headline social housing cost per unit	£3,569	£3,480	£4,688	£4,350
* (excluding abortive costs)	£3,508			
Earnings before interest, tax, depreciation, amortisation, major repairs included (EBITDA MRI)	215%	235%	231%	154%
Interest cover				
* (excluding one-off adjustments)	233%			
Financial strength				
Gearing	51.8%	52.9%	38%	53.3%
Return on capital employed (ROCE)	5.9%	6.6%	3.6%	6.6%
* (excluding one-off adjustments)	6.4%			
Delivery of new homes				
Reinvestment	10.4%	10.1%	-	6.6%
New supply delivered (social housing units)	1.1%	2.0%	1.3%	0.7%

*The one-off adjustments relate to the impairment of £1.2m as a result of the contractor

**Sector scorecard



FINANCIAL PERFORMANCE

Our overall operating margin and headline social housing cost per unit have both been affected by our one off adjustments in 2017/18 of £1.7m. We have presented our results above including and excluding these one-off items.

Our operating margin compares very well with our peers across London and the UK as a whole, as a result of a well-established and consistent business strategy. We continue to target margins of 40% in order that we can maximise the funds available to support development of new homes, manage the risks to our business and be best placed to attract well priced new funding into RHP.

In recent years we have focused closely on the underlying costs associated with delivering our services. Our corporate strategy over the last few years has focused on a reduction in operating cost per unit and social housing cost per unit from a position which already compared extremely well against the average levels for housing providers who work predominantly in London. This reduction has been achieved as a result of 3 main activities:

- Our strategy of moving as many of our transactional services online as possible over the last 3 years, coupled with the launch of the digital self-serve systems for new customers from April 2017.
- Increased flexibility in the way that our employees work and in the work that our employees do. This has enabled a gradual and managed reduction in the number of people working within RHP. We have reduced our full time equivalent employee base from 239 to 210 during the last 2 years.
- A renewed focus upon our core activities as a landlord with discretionary activities reduced in scale, stopped or delivered in a different way.

FINANCIAL STRENGTH

Our gearing ratio is higher than many other providers due to our LSVT origins, however continues to reduce as we build more homes and repay our original loan portfolio.

As with financial performance, our return on capital employed calculation is affected by our one off in year adjustments, however on an adjusted basis, is slightly lower than in previous years due to a growing development portfolio.

We continually review our financial strength through our business plan which models our business on a prudent 30 year look forward basis. We ensure comfortable headroom on our banking covenants as a result of assessing our performance on significantly more stringent internal hurdle rates.

DELIVERY OF NEW HOMES

We operate across West and South West London where property values are high and there is an acute shortage of land upon which to build new homes. We therefore recognise our responsibility to ensure that we are making best use of the assets and land that we already own. RHP has therefore developed a comprehensive asset management strategy which is reviewed and updated annually. The key questions that we continually review through our approach is should we hold, sell, refurbish or redevelop in order to make the best contribution to achieving our corporate strategy. Our approach in this area has the potential to positively impact upon our capacity to deliver additional new homes.

The location of our properties and the degree of property price inflation over the last 15 years means that there is a significant difference between the estimated open market value of our properties of over £3bn and their value in existing use of £548m. Similarly, the differential between market rents and social rents is significant across all of our operating area. There is potential to release some of this latent value to support provision of new affordable housing in the future, particularly through the de-regulatory measures introduced through the Housing and Planning Act.

Our development ambitions remain high and 2018/19 will see continued growth in our property portfolio as result of our development strategy. We have invested in 2017/18 in further skilled and experienced development professionals who will continue to drive this increase in development activity, alongside a review of our risk and governance management framework to ensure the risks associated with this increased development are well managed.

We are not currently investing in building non-social housing units and as such have not reported against this metric.



BOARD MEMBERS PROFILES



John Newbury – Board member

John had a senior local government career in the West Midlands, Newcastle-upon-Tyne, and London including as Director of Housing Services for Hammersmith & Fulham Council. John then established Newbury King Consultants which was later acquired by Mouchel, and John became Mouchel's Director of Housing & Regeneration. John lives in South London from where he runs a consultancy business.

Declared Interests: John is a non-executive director of Livery and a director and part owner of Wenbury Limited, a management consultancy. John is also a director of RHP Finance plc.



Angelika Chaffey – Board member

Angelika has been a tenant of RHP since 2003 and joined the Board in June 2010. She has previously worked in the media as a journalist and editor and is now working for the NHS as Mindfulness Trainer.



Suzanne Avery – Board member

Suzanne has over 20 years' extensive experience at the forefront of the real estate and housing finance sectors, formerly as Managing Director of the London Real Estate Finance Group & Sustainability at RBS, where she built a significant business which was awarded some of the largest and most complex UK real estate debt and capital markets transactions. She is now engaged in a range of corporate initiatives in the UK and internationally.

Declared Interests: Having held various board appointments over the last decade in healthcare and property related sectors including at A2 Dominion. Suzanne is currently Trustee of LandAid, senior advisor with Centrus, a Church Commissioner and Non Executive Director of LondonMetric Property Plc.



Toby D'Olier – Board member

Toby has been a RHP homeowner for eight years. He joined the Board in September 2013. He has spent ten years working in radio for Global Radio, as well as the BBC and others as an executive producer and manager. He is now self employed as a videographer, Sound engineer and editor, producing corporate video, podcasts and radio shows for a wide variety of clients.

Declared Interests: Toby is a member of the Kew Society, who campaign to preserve the character of Kew and the surrounding area



Jenine Langrish – Board member

Jenine spent around 25 years working in the City, mainly as a UK equity fund manager responsible for looking after charitable funds. More recently she has held a number of non-executive roles with a variety of not for profit organisations. This included 9 years on the board of Town and Country Housing Group, a housing association based in Tunbridge Wells, where she chaired their Investment and Finance committee. She is also a member of the Risk and Audit Committee of a Tower Hamlets based housing association, Gateway Housing. Jenine has lived in the Borough of Richmond for over 30 years and is delighted to be on the board of RHP, her local housing association. She is an enthusiastic member of a number of local organisations, and chairs a coalition called MASC (Make Air Safe and Clean) which brings together local groups campaigning for clean air in South West London.



Chris Ling – Board member

Chris is a highly experienced Finance Director with over 20 years of senior finance roles across a wide range of companies and industries. Since July 2017 Chris has been the Finance Director of Interserve's Support Services division. Prior to that he spent nearly seven years with Centrica where he was Financial Controller and Finance Director of both British Gas Residential Energy and Business Energy. He is a Chartered Accountant and holds a degree in Physics from Imperial College, London.

Declared Interests: Chris is a Director of several subsidiaries of Interserve.



Peter Marsh – Board member

Peter joined the Board of RHP in June 2011. Peter is the Managing Director of Peter Marsh Consulting Ltd who are strategic client advisors, project managers and cost consultants who work with further education colleges, universities and local authorities for the delivery of new and refurbished education and civic buildings in London and the south east. He has previously served as the Deputy Principal of three further education colleges, was the Chief Executive of the Tenant Services Authority and prior to that, the Deputy Chief Executive and the Director of Resources at the Housing Corporation.

Declared Interests: Peter is joint owner of Peter Marsh Consulting Limited.



Stephen Speak – Board member

Stephen joined the RHP Board in June 2013. His background is in audit and finance and he has been a director of multiple businesses over the years, including Bank of China International in Hong Kong. Currently he is a director of an internet retailer and of RHP Finance plc while also providing ad-hoc consulting services on a self-employed basis. He has lived in Richmond since 1988 and been actively involved with numerous community organisations and charities. He was elected a Councillor for the London Borough of Richmond in 2012 and served on Richmond Council's Cabinet from 2014-2018.

Declared Interests: Stephen is a director of RHP Finance plc.



Nigel Taylor - Board member

Nigel joined the RHP Board in July 2015. A local resident, he has dedicated thirty years service to the property and construction industries. Nigel is Chief Executive of Carlton Facilities and Building Services, having previously held senior positions with Carillion, Wimpey and Edmund Nuttall. He is a Fellow of the Royal Institution of the Chartered Surveyors, a Royal Engineer in the Engineer and Logistics Staff Corps (V) and senior adviser to the Board of the Forward Institute.

Declared Interests: Nigel is a Major in the Engineer and Logistics Staff Corps (V), a senior adviser to the Forward Institute, a Director of Carlton's subsidiary businesses and joint owner of a family-owned company, Taylor Bates Limited.

CORPORATE GOVERNANCE & BOARD COMMITTEES

CORPORATE GOVERNANCE AND BOARD COMMITTEES

The RHP Board, which is our ultimate governing body, sets the overall aims and objectives of the RHP Group and ensures that RHP and its subsidiaries are meeting these and keeping within their legal and ethical obligations. The Board is also responsible for protecting and ensuring the financial wellbeing of the Group.

Co-op Homes (South) Limited is a subsidiary of RHP. RHP has the right to appoint members to the Board of Co-op Homes and thereby exercises control over it as a subsidiary.

RHP Finance plc is a 100% owned subsidiary of RHP and was incorporated in November 2014. Its purpose is the raising of funds for the Group from the capital markets through an own name bond issue. The 4 Directors of RHP Finance plc were appointed by the Board of RHP and consist of 2 RHP Non-Executive Directors, the Group Chief Executive and the Executive Director of Finance.

The detailed arrangements by which RHP exercises control and oversight of Co-op Homes and RHP Finance plc is set out in the Group Management and Control Framework which has been adopted by both the Boards of RHP Finance plc and Co-op Homes. This framework covers governance controls, operational controls, financial controls and Group internal controls.

Through a quarterly meeting cycle, the work of the RHP Board is supported by committees (which also meet four times per year, apart from Governance & Remuneration which meets at least twice a year), a structure which allows in-depth scrutiny of important strategic issues. The committees are:

- Service Delivery Committee (SDC).
- Group Audit Committee (GAC).
- Group Investment Committee (GIC).
- Governance & Remuneration Committee (G&RC).

Following the end of the financial year, we set up 2 additional subsidiaries within the group. RHP Property Limited and RHP Develop Limited. These are not yet operational, however will assist the Group in our growing development programme in terms of managing risk and maximising financial efficiency. These subsidiaries will be subject to the same rigorous governance structure as the overall Group.

THE EXECUTIVE GROUP AND MANAGEMENT TEAM

The RHP Group is managed by an Executive Group, comprising the Chief Executive, the Executive Director of Development, the Executive Director of Finance and the Executive Director of People and Business Services (previously Corporate Services). The Executive Group is supported by a Leadership Team which consists of service directors and a number of Heads of Service. These groups meet regularly to review performance and delivery of the Group's objectives.

For salary disclosure purposes, the Chief Executive and Executive Directors are referred to as directors; however, with the exception of the Chief Executive who is a Board member, they are not regarded as directors for legal purposes.



GDPR

The new GDPR legislation came into effect from 25 May 2018. We have been working across the Group to ensure we implement the changes required to comply with the legislation, however although we will have made substantial progress towards completion of our detailed action plan, we have further work to undertake.

CODE OF GOVERNANCE

During the year the Governance and Remuneration Committee carried out a review of our governance arrangements and assessed its compliance with the National Housing Federation (NHF) Code of Governance (2015) which was adopted from April 2016.

The Committee reported to the full Board, which is pleased to confirm full compliance with the code.

During the year the Board of Co-op Homes (South) Limited carried out a review of its governance arrangements and assessed its compliance with the National Housing Federation (NHF) Code of Governance (2015). The Board confirms compliance with the code.

ANTI-FRAUD, MONEY LAUNDERING AND ANTI-BRIBERY

The Board has confirmed its zero tolerance policy to fraud, bribery, money laundering or corruption of any kind. The Group continually reviews its Anti-Fraud and Bribery Policy and carries out training sessions to ensure a culture of fraud, bribery and money laundering risk awareness is in place in the organisation, and that employee responsibilities are clear.

A fraud register is maintained and is reviewed by the Group Audit Committee on a quarterly basis. Any fraud or attempted fraud is reviewed according to the Group's Anti-Fraud and Bribery policy and reported to Group Audit Committee and subsequently to the Board, with plans and actions for areas sensitive to fraud. We undertook a detailed investigation of work carried out following the insolvency of the contractor at our Staines Road development in the year and discovered one incident of falsification of signatures on completion of works statements. We did not suffer any direct financial loss as a result of this fraud, however we have determined further action to be taken as a result of this discovery.

INTERNAL CONTROLS ASSURANCE

The Board has overall responsibility for the system of internal control and risk management across the Group and for reviewing its effectiveness. The Group Audit Committee is responsible on behalf of the Board for monitoring this system and reporting on its effectiveness.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. It can only provide reasonable, and not absolute, assurance against material misstatement or loss.

"THE BOARD HAS CONFIRMED ITS ZERO TOLERANCE POLICY TO FRAUD, BRIBERY, MONEY LAUNDERING OR CORRUPTION OF ANY KIND. THE GROUP CONTINUALLY REVIEWS ITS ANTI-FRAUD AND BRIBERY POLICY AND CARRIES OUT TRAINING SESSIONS TO ENSURE A CULTURE OF FRAUD, BRIBERY AND MONEY LAUNDERING RISK AWARENESS IS IN PLACE IN THE ORGANISATION, AND THAT EMPLOYEE RESPONSIBILITIES ARE CLEAR."



KEY ELEMENTS OF THE GROUP'S INTERNAL CONTROL FRAMEWORK INCLUDE:

- Board approved terms of reference and delegated authorities for Group Audit, Group Investment, Governance & Remuneration and Service Delivery Committees.
- Clearly defined management responsibilities for the identification, evaluation and control of significant risks. The executive directors regularly consider reports on these risks and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks.



The framework is made up of:

- Internal audit assurance. The Group's internal audit function is delivered through a specialist third party organisation which has a direct reporting line to the Group Audit Committee. The internal audit programme is designed to review key areas of risk.
- External audit assurance. The work of the external auditor provides further independent assurance of the internal control environment, as described in their audit report. The Group also receives a key issues memorandum which identifies any internal control weaknesses. The Board and the Group Audit Committee consider this memorandum and ensure that any recommendations are implemented.
- Robust strategic and business planning processes, with detailed financial budgets and forecasts. These are reviewed and approved by the Board and actual performance versus budget/forecast is monitored throughout the year by the executive directors, the Board and the Group Investment Committee.
- Regular reporting to the executive directors, the Group Investment Committee and the Service Delivery Committee on key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes. These reports and the outcomes of these reviews are reported to the Board at each meeting throughout the year.

- Formal recruitment, retention, training and development policies for all employees.
- Established authorisation and appraisal procedures for all significant new initiatives and commitments.
- A Treasury Management Policy, which is subject to review on an annual basis.
- A Board approved Whistle-blowing Policy.
- A Board approved Anti-Fraud, Anti-Bribery and Anti-Money Laundering Policy, covering prevention, detection and reporting of fraud, and the recovery of assets.
- Policies on payments & expenses to employees and Board members.

The Board cannot delegate ultimate responsibility for the system of internal control, but has delegated authority to the Group Audit Committee to regularly review the effectiveness of the system of internal control. The Board receives quarterly reports from the Group Audit Committee together with minutes of Group Audit Committee meetings.

The Group Audit Committee and Board have received the Chief Executive's annual review of the effectiveness of the system of internal control for the Group, and the annual report of the internal auditor. In their annual report, the internal auditors confirmed that the Group's systems of internal control continue to demonstrate the existence of a strong internal control environment.

The Board has reviewed the effectiveness of the system of internal control, including risk management, for the year to 31 March 2018 and up to the date of signing these financial statements. It has not identified any weaknesses sufficient to cause material misstatement or loss which require disclosure in the financial statements.



BOARD MEMBERS AND EXECUTIVE DIRECTORS

The present Board members and the executive directors of the Association are set out on page 3.

The Board members are drawn from a wide background bringing together professional, commercial and local experience. Our Board is committed to RHP's culture, ethos, values and objectives.

As at 31 March 2018, the Board comprises of 9 members, including the Chief Executive, with all members selected based upon the skills and experience that they can contribute.

The policy for selecting and appointing Board members and for admitting new shareholders is contained within RHP's Standing Orders and Delegated Authority Policy, Recruitment and Selection of Board Members policy, and Shareholder Membership Policy.

The Group has insurance policies that indemnify its Board members and executive directors against liability when acting for the Group.

The table below provides details of the meeting attendance of the Group Board during the year to 31 March 2018.

	Board	Group Investment Committee	Group Audit Committee	Governance and Remuneration Committee	Service Delivery Committee
No. of Meetings	4	4	4	3	4
Suzanne Avery	4/4	1/4	3/4	-	-
Angelika Chaffey (Vice Chair)	3/4	-	-	3/3	4/4
David Done OBE	4/4	-	-	-	-
Christopher Ling (from 20/3/18)	1/1	-	-	-	-
Peter Marsh	4/4	4/4	-	-	2/4
John Newbury (Chair)	4/4	3/4	-	3/3	-
Ian Nunn (deceased 26/7/17)	-	-	1/1	2/2	-
Toby D'Olier	4/4	-	3/4	-	3/4
Stephen Speak	4/4	4/4	3/4	-	-
Nigel Taylor	4/4	2/4	-	-	-
Ursula Wyman (resigned 31/12/17)	2/3	-	-	2/2	-

EXECUTIVE GROUP – CONTRACTS OF EMPLOYMENT

The Chief Executive and other executive directors all have notice periods of six months and are employed on the same terms as other employees.

There is a Governance and Remuneration Committee consisting of five Board members, including the Chair and Deputy Chair of the Board. The role of this Committee is to determine a comprehensive Remuneration Policy for the RHP Group that is appropriate to its needs and objectives, to set the Chief Executive's remuneration package and to oversee those of the other executive directors.

When determining the remuneration levels of the executive directors, the Committee pays close attention to terms and conditions in the sector. Basic salaries are set with regard to each executive director's responsibilities and pay levels for comparable positions. At the end of each year the executive directors, in common with all employees, are eligible for a bonus of up to 10% of their salary depending upon an assessment of both their individual, and the company's performance.

PENSIONS

All executive directors, including the Chief Executive, are members of the Social Housing Pension Scheme, a defined benefit pension scheme. The executive directors participate in the scheme on the same terms as all other eligible employees. The Group contributes to the scheme on behalf of its employees.

RISKS

RHP's Board, Executive Group and Management Team remain vigilant in assessing and mitigating our corporate risks, with a strong framework of management and control in place. Group Audit Committee receives regular reports on our corporate risks, ensuring that the Board obtains robust assurance that our risks are being managed and mitigated effectively, and that an appropriate framework is in place for doing so. This is also used to determine the internal audit programme undertaken by KPMG.

The principle risks to the Group and how they are mitigated are as follows:



RISK AREA – HEALTH & SAFETY RELATED RISKS

RISK DETAIL

A significant health and safety failure by RHP which leads to the death or serious injury of a customer, employee, supplier or member of the public would have serious implications for the Group. Depending upon the nature of the incident such an event would likely result in regulatory action being taken against RHP, action by the H&S Executive who could impose a significant fine and reputational damage amongst customers and external stakeholders.

COMMENTS & RISK MITIGATION

We have provided a detailed and robust response to the tragic events at Grenfell with further fire risk assessment activity and a programme of retro fitting of sprinklers. We are keeping a close watch on any changes in legislation and regulation following the Grenfell review and will implement any required actions as quickly as possible.

We have a dedicated health and safety team in place which provides guidance and support to the Group. An employee Health and Safety Committee meets quarterly with the Leadership Team and Executive Group receiving a quarterly report, the Risk Committee receiving a report at each of its meetings and the Board receiving an annual report. A comprehensive rolling cycle of statutory servicing takes place using appropriately accredited contractors with performance tracked through our performance reporting framework on a monthly basis.

We ensure the safety of our customers and our employees through a rigorous process of health and safety management and training.

Our procurement processes ensure that all contractors demonstrate competence in Health and Safety practices before appointment. Our internal audit programme covers key areas each year where we have a duty of care to our customers including fire and gas safety, water testing, asbestos recording and handling, safety on construction sites and electrical safety.



RISK AREA – EXTERNAL POLITICAL, POLICY AND ECONOMIC ENVIRONMENT

RISK DETAIL

An uncertain and rapidly changing political and policy environment due to Brexit and an increasing political focus on housing makes it more problematic for organisations to make long term investment decisions. Although we have recently received confirmation on the post 2020 rent regime, housing is high on the political agenda and continuing changes are likely.

Current and prospective funders respond to uncertainty in the political and policy environment by increasing the costs for new funds or by reducing their appetite for lending/investing in the housing sector.

Recent changes in deregulation and golden share arrangements will also have an impact on RHP.

COMMENTS & RISK MITIGATION

The Board receives briefings on the external policy environment on a timely basis with the Group Investment Committee (GIC) considering how emerging policies might impact upon plans to deliver new homes.

RHP's annual treasury strategy considers the funding needs of the business in the context of wider market conditions with funds put in place well in advance of need in order to provide certainty for the development programme. We are commencing a capacity review of our funding to ensure early preparation for the requirements of the existing and future development programme.

We are considering our response to deregulation and the impact on the Golden Share arrangement.



RISK AREA – ASSET RELATED RISKS

RISK DETAIL

Ensuring we have a complete and frequently updated assets and liabilities register is critical in terms of regulatory compliance.

Our key asset is that of our stock portfolio. A robust understanding and close management of our portfolio including a cost effective maintenance and stock investment programme are critical to ensuring adherence to the Home and other consumer standards and health and safety compliance.

COMMENTS & RISK MITIGATION

We have an "Assets and liabilities data room" and policies and procedures to support ensuring it is kept up to date. In addition, the assets and liabilities data room has undergone a successful review by internal audit in Q4.

A refreshed asset management strategy and newly formed steering group have provided further focus on effective management of this area. This includes stock condition, capital replacement programme, data quality, effective management of voids and consideration of a disposals strategy.

These tools will continue to be used to implement our proposed approach to selective property disposal, ensuring assets are only disposed of where this releases substantial capacity for developing new homes.



RISK AREA – INCOME RELATED RISKS

RISK DETAIL

The recent return to CPI+1% rent increases beyond 2020 have reduced the level of income pressure that the 1% per year rent reductions announced in July 2015 put all RPs under. We do however need to carefully manage the uncertainty resulting from the full roll out of Universal Credit in June 2018 for Kingston and Richmond boroughs and focus on cost reduction and liquidity management is of continued great importance to the Group.

The roll out of Universal Credit in these boroughs is expected to have a significant impact upon levels of arrears with 2018/19 and 2019/20 expected to be the years when the greatest impact is felt.

The announcement of the removal of supported housing funding from April 2018 could have resulted in a loss of c.£0.5m income, however we have secured ongoing income to enable us to continue to provide these services and are expecting our income levels to be sustained.

As a result of recent stamp duty changes and uncertainty in interest levels, the top end of the housing market has seen a reduction in prices. Although demand is currently still strong in shared ownership sales, we need to keep a watchful eye on the market to ensure we mitigate any risk.

COMMENTS & RISK MITIGATION

A detailed action plan for arrears and Universal Credit has been prepared and is being delivered. A relentless focus on reducing arrears and continually improving our service to customers wanting to pay their rent are key to managing this risk.

We have achieved preferred partnership status and access to the Trusted Partnership Portal to enable more active management and tracking of all Universal Credit cases. Where possible we apply for the housing benefit element of any Universal Credit claim to be paid directly to RHP. Further detailed work is underway to ensure readiness for full roll out in June 2018.

A robust process of cashflow forecasting is in place which covers the short, medium and long term requirements in order that liquidity requirements can be actively managed. Our treasury management policy requires cash or available loan facilities for committed activities to be in place 2 years in advance of anticipated need with cashflow forecasts being reported monthly to the Executive Group and quarterly to the Board.

For developments where shared ownership forms part of the tenant mix, we perform additional sensitivity testing on the impact of a downturn in the market and detail mitigation strategies on a development by development basis.



RISK AREA – COST RELATED RISKS INCLUDING PENSION COSTS AND INFLATION RATES

RISK DETAIL

Costs of construction of new homes and underlying CPI have continued to increase, and the Bank of England recent rate increase is part of their active management of the impact of this on the economy. Although there is some optimism in economic forecasts that this will slow, we need to be mindful of this on our overall profitability.

Our exposure to increasing liabilities and costs associated with defined benefit pension schemes with the LGPS and SHPS makes the schemes difficult for the Group to maintain. The results of the latest triennial valuation of the SHPS scheme are due imminently.

COMMENTS & RISK MITIGATION

We have taken significant steps as a group to reduce our cost base to mitigate the impact of the rent reduction but also ensure we are lean and agile. Work continues to reduce costs further through further automation, the use of collaborative procurement framework agreements and the employment of a procurement manager.

The continually changing economic environment and pressures as a result of Grenfell have resulted in challenges to our delivery of our cost reduction target, however these are being monitored and managed closely and reported regularly to the Board through key performance indicators and management accounts.

The Board has agreed to review its Pension Strategy every 3 years, or sooner, as required. The next review is planned at the point that the next valuation of the SHPS scheme is announced.



RISK AREA – REPUTATIONAL RISK INCLUDING THOSE ASSOCIATED WITH THE FAILURE OF A DEVELOPMENT SCHEME, A SIGNIFICANT HEALTH AND SAFETY FAILURE, A POORLY MANAGED STOCK INVESTMENT PROGRAMME AND THE ROLL-OUT OF A NEW SERVICE MODEL

RISK DETAIL

A significant health and safety failure, failure of a development scheme or adverse publicity regarding our new service offer or our stock investment programme could cause reputational damage to RHP Group. Depending upon the nature of the event this may lead to regulatory action being taken against the Group and the organisation becoming less attractive to funders and partners.

COMMENTS & RISK MITIGATION

Health and Safety activities are managed very closely with assurance provided to the Executive and Board through a range of measures.

Our internal audit programme regularly reviews our internal controls across our business which in 2017/18 included:

- Health and Safety
- Development
- Asbestos safety
- Gas safety
- Data quality

Our development programme is managed by a skilled in-house team with the support of technical advisors as required. Procurement of contractors and consultants is robust, and our internal audit programme covers an aspect of our development function each year. Progress with our development programme is reported to our Executive Group monthly and our Group Investment Committee and Board on a quarterly basis.



RISK AREA – FINANCE AND FUNDING RISKS INCLUDING THOSE ASSOCIATED WITH BREACHES OF FUNDER COVENANTS

RISK DETAIL

Failure to comply with banking covenants for existing debt and an inability to be able to secure new funding well in advance of need are key risks for the Group as this would inhibit our ability to build new homes.

The Bank of England are actively managing the risk of increasing inflation and in November 2017 increased interest rates. There are indications that interest rates will rise further in 2018.

COMMENTS & RISK MITIGATION

Compliance with funder covenants are closely monitored and are reported within the monthly management accounts.

Our restructured debt portfolio and high cash balances ensure that we have sufficient liquidity at low rates of interest to deliver our committed development ambitions. New revolving credit facilities were put in place in 2017 ensuring our development ambitions (committed and uncommitted) are supported through to 2021.

Our strong underlying credit rating and broader investor base now provide greater diversification of funding options for the organisation going forward.

The Board receive regular economic analysis and will take this into account as it develops its future funding strategy during 2018/19.



RISK AREA – DATA PROTECTION AND IT SECURITY RISKS

RISK DETAIL

On 25 May 2018, the General Data Protection Regulation (GDPR) came into force, replacing the Data Protection Act 1998. This is the most significant change in data protection law in the last 20 years and will change the way organisations are able to capture, use and share personal data both within their business and externally. The fines and penalties associated with non-compliance are substantial.

As our service delivery model moves to one which is focussed through digital channels there are a number of inherent risks, the most significant being:

Failure of our IT systems could lead to service unavailability for customers.

Penetration of our IT systems by a third party could lead to data loss or theft.

COMMENTS & RISK MITIGATION

We are underway with the required changes in order to ensure compliance on or shortly after enactment, however need to remain focused on delivery into 2018/19. A recent report was provided to Group Audit Committee on our progress and updates will continue to be provided through to full compliance.

Regular third party penetration testing of our networks is performed and reported to the Group Audit Committee.

A framework of service level agreements is in place with key suppliers and system providers to ensure there is an appropriate response in the event of failure of any part of our network.

A robust business continuity plan is in place which is regularly tested. Regular training on data protection is provided to employees and managers with specific focus on those areas where personal customer and employee data is held.



RISK AREA – RISKS OF LOSS OF OUR ORGANISATIONAL CULTURE

RISK DETAIL

There are a number of changes to RHP's business and its delivery model which have been introduced over the last 12 months and this will continue over the next year. Any period of change leads to a degree of uncertainty amongst employees with the risk that RHP's culture and high levels of employee engagement are threatened.

Due to the recent employee turnover within the Executive Group we are undertaking a recruitment exercise. Failure to be able to attract and retain high quality employees will inhibit RHP's ability to deliver on its strategic targets.

COMMENTS & RISK MITIGATION

We regularly test levels of employee engagement through an annual employee engagement survey and more frequent pulse checks. The results of these are then used to inform our activities aimed at protecting and enhancing our corporate culture and employee engagement levels.

Our learning and development activities and approach to recruitment aim to develop talent internally with opportunities created to enable professional and personal development.

The clear "golden thread" from our strategic goals, annual priorities and individual objectives ensures that all employees have a clear connection with what the organisation is trying to achieve. Our individual and corporate bonus arrangement is clearly linked to achievement of both individual and corporate objectives.

RHP regularly keeps its approach to recruitment and retention under review through its Governance and Remuneration Committee which meets twice a year.

STATEMENT OF THE RESPONSIBILITIES OF THE BOARD

The Group Board is responsible for preparing the strategic report and the financial statements in accordance with applicable law and regulations.

The Co-operative and Community Benefit Society Act 2014 requires the Board to prepare financial statements for each financial year. Under that law the Board has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws) including the financial reporting standard 'FRS 102'.

Under the Co-operative and Community Benefit Society Act 2014 the Board must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the Group and Association for that period. In preparing these financial statements, the Board is required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgments and accounting estimates that are reasonable and prudent.
- State whether applicable UK Accounting Standards and the Housing SORP 2014, Statement of Recommended Practice Registered Housing for registered social housing providers, have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the 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. The Board is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on RHP's website in accordance with UK legislation governing the preparation and dissemination of financial statements. This may vary from legislation in other jurisdictions. The Group Board's responsibilities extend to the maintenance and integrity of the corporate and financial information included on the Group's website.

DONATIONS

The Group made no charitable or political donations during the year under review (2016: nil).

GOING CONCERN

After making enquiries the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

The Group Board approves the RHP Group financial plan which is submitted annually to the Regulator in the form of a Financial Forecast Return (FFR). The Group Board is satisfied that the plan is robust and can maintain covenant compliance throughout. The plan can withstand composite risk events occurring without breaching lender covenants which confirms the future viability of the Group.

STATEMENT OF COMPLIANCE

The strategic report has been prepared in accordance with applicable reporting standards and legislation. The Group Board also confirms that the Group has complied with the RSH Governance and Financial Viability Standard.

AUDITOR

All of the current Board members have taken the steps that they ought to have taken to ensure they are aware of any information needed by the Group's auditor for the purposes of their audit, and to establish that the auditor is aware of that information. The Board members are not aware of any relevant audit information of which the auditor is not aware.

ANNUAL GENERAL MEETING

The annual general meeting will be held on Thursday 12 July 2018 at Waldegrave Road, Teddington.

The report of the Board was approved by the Board on 5 July 2018 and signed on its behalf by:



John Newbury
Group Chair

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RICHMOND HOUSING PARTNERSHIP LIMITED

OPINION

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

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2018 and of the Group's and the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

BASIS FOR OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

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

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

KEY AUDIT MATTERS

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

RECOVERABLE AMOUNT OF HOUSING PROPERTIES UNDER DEVELOPMENT

A number of mixed tenure developments were under construction at the year end; a small number of properties were completed and available for sale. For all schemes under development at year-end management has performed an assessment of their recoverable amount, whether through sale or use, using external valuations.

Due to the level of judgement involved in estimating recoverable amounts, whether through sale or use, and costs to complete partially built properties we consider the recoverable amount of properties under development to be a significant risk and therefore a key audit matter.

Our response to the key audit matter:

We have obtained management's assessment of the recoverable amount of housing properties under development. This assessment sets out expected sales proceeds and expected costs to complete the properties, both of which involve judgement.

For a sample of the expected proceeds from the sale of such properties we have agreed the amounts involved to third party valuations. We have identified the third party valuer and checked that their expertise and work was suitable for our purposes.

For a sample of properties under development, we obtained details of the expected costs to complete from the scheme budget for that development and agreed the budgeted contract cost of the development to the actual contract and we compared the incurred expenditure to the budgeted amount to ensure that the budget reflects actual costs.

The sample was chosen from the population of items that included (but was not limited to) developments for which impairment had already been identified by management.

OUR APPLICATION OF MATERIALITY

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

We determined materiality for the financial statements as a whole to be £5,626,000 (2017 - £5,330,000) which represents 1.5% of total assets (2017 - 1.5% of total assets).

We also apply a specific materiality level for all items comprising operating profit (including related disclosures) as that term is defined for the purposes of the entities lending covenants. This therefore involves adjusting operating profit for depreciation, amortisation, impairment, gift aid receipts and the net profit/loss on non-outright sale properties. The specific materiality level that we applied was £2,070,000 (2017 - £1,011,000), which is 7.5 % of adjusted operating profit. (2017 - 3.5%).

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

Materiality for the parent company was set at £5,342,000 (2017 - £5,145,000) with a specific materiality set at £1,956,000 (2017 - £961,000).

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at 75% (2017 - 65%) of materiality or specific materiality depending on the financial statement area being audited. In setting the level of performance materiality. We considered a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.

We agreed with the Audit Committee that misstatements in excess of £113,000 for areas considered using financial statement materiality and £41,000 for areas considered using specific materiality (2017 - £107,000 / £20,000), which were identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

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

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

CLASSIFICATION OF COMPONENTS

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

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

OTHER INFORMATION

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

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

We have nothing to report in this regard.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

RESPONSIBILITIES OF THE BOARD

As explained more fully in the board members responsibilities statement set out on page 30, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

OTHER MATTERS

Following the recommendation of the audit committee, we were appointed by the board on 16 March 2017 to audit the financial statements for the year ending 31 March 2017 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the years ending 31 March 2017 to 31 March 2018.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

USE OF OUR REPORT

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

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

Date: *E. Kulczycki*

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

STATEMENTS & NOTES

Statement of Comprehensive Income

For the year to 31 March 2018

	Note	GROUP		ASSOCIATION	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
Turnover	2	55,909	55,771	52,933	52,871
Cost of sales	2	-	(996)	-	(996)
Operating costs	2	(35,003)	(32,440)	(33,198)	(30,558)
Gain on sale of fixed assets	2,5	257	284	257	284
Operating surplus	2	21,163	22,619	19,992	21,601
Interest receivable and other income	7	127	396	154	343
Interest payable	8	(8,729)	(9,094)	(8,700)	(8,973)
Movement in fair value of investment properties	15	27	(171)	57	(171)
Movement in fair value of financial instruments	21	1,204	210	1,204	210
Surplus before tax		13,792	13,960	12,707	13,010
Taxation	11	-	-	-	-
Surplus for the year		13,792	13,960	12,707	13,010
Actuarial gain/(loss) on pensions	9	727	(1,284)	727	(1,284)
Total comprehensive income for the year		14,519	12,676	13,434	11,726

The consolidated results relate wholly to continuing activities.

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 31 March 2018

FIXED ASSETS	Note	GROUP		ASSOCIATION	
		2018 £'000	RESTATED 2017 £'000	2018 £'000	RESTATED 2017 £'000
Tangible fixed assets – housing properties	12	327,430	295,644	307,023	275,375
Other tangible fixed assets	13	7,580	7,834	7,021	7,371
Intangible fixed assets	14	484	365	484	365
Investment properties	15	6,948	6,474	7,503	6,920
Investments in subsidiaries	16	-	-	13	13
		342,442	310,317	322,044	290,044
CURRENT ASSETS					
Properties held for sale	17	6,223	3,099	6,223	3,099
Trade and other debtors	18	3,983	3,463	5,754	6,110
Cash and cash equivalents		21,198	38,011	20,894	37,726
		31,404	44,573	32,871	46,935
Creditors: amounts falling due within one year	19	(15,563)	(10,667)	(14,580)	(10,009)
Net current assets		15,841	33,906	18,291	36,926
Total assets less current liabilities		358,283	344,223	340,335	326,970
Creditors: amounts falling due after more than one year	20	(256,132)	(255,946)	(244,975)	(244,403)
Provision for liabilities	26	(102)	(106)	-	-
Net pension liability	9	(3,794)	(4,435)	(3,794)	(4,435)
Total net assets		98,255	83,736	91,566	78,132
RESERVES					
Share capital	27	-	-	-	-
Income and expenditure reserve		98,255	83,736	91,566	78,132
Total reserves		98,255	83,736	91,566	78,132

The notes on pages 39 to 66 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of directors on 5 July 2018 and signed on its behalf by:

John Newbury
Chair



Stephen Speak
Chair of Group Audit Committee



David Done OBE
Chief Executive



Statement of Changes in Reserves

For the reporting date to 31 March 2018

GROUP	Income and expenditure reserve £'000
Balance at 31 March 2016	71,462
Prior year adjustment (Note 32)	(402)
Restated balance at 31 March 2016	71,060
Surplus for the year	13,960
Actuarial loss on defined benefit pension scheme	(1,284)
Balance at 31 March 2017	83,736
Surplus for the year	13,792
Actuarial gain on defined benefit pension scheme	727
Balance at 31 March 2018	98,255

ASSOCIATION	Income and expenditure reserve £'000
Balance at 31 March 2016	66,808
Prior year adjustment (Note 32)	(402)
Restated balance at 31 March 2016	66,406
Surplus for the year	13,010
Actuarial loss on defined benefit pension scheme	(1,284)
Balance at 31 March 2017	78,132
Surplus for the year	12,707
Actuarial gain on defined benefit pension scheme	727
Balance at 31 March 2018	91,566

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	2018 £'000	2017 £'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating surplus for the year	21,163	22,619
Depreciation charges and impairment	7,393	6,094
(Increase) in properties for sale	(2,975)	(2,550)
(Increase) / decrease in debtors	(520)	245
Difference between net pension expense and cash contribution	(400)	(456)
Release of social housing grant	(341)	(383)
Increase / (decrease) increase in creditors	3,663	(927)
Dilapidations released	(4)	-
Profit from sale of housing properties	-	726
Net cash generated from operating activities	27,979	25,368
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase and improvement of housing properties	(37,980)	(33,925)
Social Housing grant received	2,965	2,873
Purchase of other fixed assets	(627)	(420)
	(35,642)	(31,471)
CASH FLOW FROM FINANCING ACTIVITIES		
Interest received	127	396
Interest paid	(9,256)	(9,431)
Repayments of borrowings	(21)	(16,679)
	(9,150)	(25,714)
Net change in cash and cash equivalents	(16,813)	(31,817)
Cash and cash equivalents at the beginning of the year	38,011	69,828
Cash and cash equivalents at the end of the year	21,198	38,011

The notes on pages 39 to 66 form part of these financial statements.

Notes to the Financial Statements for the reporting date 31 March 2018

1a. ACCOUNTING POLICIES

LEGAL STATUS

RHP is a Community Benefit Entity, registered in the United Kingdom under the Co-operative and Community Benefit Societies Act 2014 (No 03939R) and with the Regulator of Social Housing (L4279).

BASIS OF PREPARATION

The financial statements are prepared in accordance with Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice: Accounting by Registered Social Landlords issued in January 2014 (SORP 2014), and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

The Board is satisfied that the current accounting policies are the most appropriate for the Group.

The financial statements are presented in Sterling (£).

PARENT COMPANY DISCLOSURE EXEMPTIONS

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

The requirement to present a statement of cash flows and related notes.

BASIS OF CONSOLIDATION

The consolidated financial statements of RHP group incorporate the financial statements of RHP, Co-op Homes, another community benefit entity and RHP Finance plc, a public limited company registered on the London Stock Exchange.

GOING CONCERN

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

TURNOVER

Turnover comprises rental income receivable in the year, net of rent and service charge losses from voids, proceeds from shared ownership first tranche sales, sales of properties built for sale and other services included at the invoiced value (excluding VAT) of goods and services supplied in the year and revenue grants receivable in the year.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale. Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met. Government grants are accounted for using the accrual method and non-government grants are accounted for using the performance method. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

TAX

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements

VAT

RHP and Co-op Homes are registered as a VAT group. A large proportion of RHP's income comprises rental income, which is exempt for VAT purposes and gives rise to a partial exemption calculation. Expenditure is therefore shown inclusive of VAT. Recoverable VAT arising from partially exempt activities is credited to the consolidated statement of comprehensive income.

EMPLOYEE BENEFITS

The Group participates in two funded multi-employer defined benefit schemes, the Social Housing Pension Scheme (SHPS) and the London Borough of Richmond Pension Fund (LBRPF).

There are 3 schemes provided by SHPS, final salary defined benefit (now closed to new entrants), career average (CARE) and defined contribution; the latter two schemes are still open to new members. The scheme actuary has advised it is not possible to identify the share of underlying assets and liabilities belonging to the Group. The Group applies defined contribution accounting for the SHPS pension scheme by means of the Multi-employer Exemption. As a result, the amount charged to operating expenditure represents the contributions payable to the scheme in respect of the accounting period.

To the extent that payment plans relate to funding a deficit, the contributions are recognised as a liability payable arising from the agreement with the multi-employer plan and results in a charge to operating expenditure.

Notes to the Financial Statements for the reporting date 31 March 2018

1a. ACCOUNTING POLICIES (continued)

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

HOLIDAY ACCRUAL

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the 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.

HOUSING PROPERTIES

Housing properties which are either constructed or acquired are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest capitalised during the development period, directly attributable administration costs and expenditure incurred in improving or reinvesting in existing properties.

Housing properties for rent are split between land, structure and major components with a substantially different economic life.

Housing properties in the course of construction are stated at cost and are not depreciated. They are transferred to completed properties when they are ready for letting or sale. Shared ownership properties are split between current and fixed assets on the basis of the first tranche portion. The first tranche portion is accounted for as a current asset. The fixed asset portion is split between land and structure as the rights and obligations towards improving the property reside with the resident.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements. Only the direct overhead costs associated with new developments or improvements are capitalised.

Gains and losses on disposals of housing properties are determined by comparing the proceeds with the carrying amount and incidental costs of sales and recognised within gain/loss on disposal of fixed assets in the consolidated statement of comprehensive income.

Interest on borrowings is capitalised to housing properties during the course of construction up to the date of completion of each scheme. For the period ending 31 March 2018, interest has been capitalised at an average rate of 4.11% (2017: 4.11%) which reflects the weighted average effective interest rate on the Group's borrowing.

DEPRECIATION OF HOUSING PROPERTIES

Freehold land is not depreciated. Depreciation is charged on a straight-line basis over the expected economic useful lives of each component part of housing properties.

The Group's housing properties held on leases are amortised over the life of the lease or their estimated useful lives in the business if shorter. The Group depreciates the major components of its housing properties over the following periods:

Structure	100 yrs	Lifts	25 yrs
Kitchen	20 yrs	Roofs	50 yrs
Bathroom	30 yrs	Windows	30 yrs
Central Heating	15 yrs	Door	20 yrs
Electrical	40 yrs	Water tanks	40 yrs

DONATED LAND

Land donated by local authorities and others is added to cost at the market value of the land at the time of the donation.

OTHER TANGIBLE FIXED ASSETS

Depreciation is provided on a straight-line basis on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives which are as follows:

Office Building	100 yrs	Computers and office equipment	3-7 yrs
Furniture, fixtures & fittings	8 yrs	Motor vehicles	3 yrs

No depreciation is provided on freehold land.

Gains or losses arising on the disposal of other tangible fixed assets are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised as part of the surplus / deficit for the year.

Notes to the Financial Statements for the reporting date 31 March 2018

1a. ACCOUNTING POLICIES (continued)

INTANGIBLE FIXED ASSETS

Depreciation is provided on a straight-line basis on the cost of software to write them down to their estimated residual values over the expected useful lives which are as follows:

Software	3-7 yrs
-----------------	---------

INVESTMENT PROPERTIES

Investment properties consist of commercial properties (shops) and other properties (rental space in main office building), not held for the social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently at fair value as at the year end, with changes in fair value recognised in the statement of comprehensive income.

INVESTMENT IN SUBSIDIARIES

RHP holds 50,000 £1 ordinary shares in RHP Finance plc, part subscribed at 25p.

There is an inter-company loan facility totalling £8.5m between RHP and Co-op Homes. The facility is revolving in nature and is secured via a floating charge across the assets of Co-op Homes. The facility has a fixed term to 2031.

PROPERTIES FOR SALE

Shared ownership first tranche sales, and property under construction are valued 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 price after allowing for all further costs of completion and disposal.

FINANCIAL INSTRUMENTS

In respect of the Group's financial instruments, the Group has adopted FRS102 Financial Instruments Measurement and disclosures (Sections 11 and 12).

Financial Instruments are initially recorded at transaction price less issue costs. Subsequent measurement depends on the designation of the instrument as follows: Bonds, loans, short term borrowings and overdrafts are held at amortised cost where they meet the relevant criteria of section 11 of FRS102.

Within our loan portfolio with Dexia, there are options to cancel the interest rates on two tranches of the loan to RHP at certain fixed points in the future; as a result, this means they do not meet the requirements of section 11.9 of FRS 102. These two tranches are accounted for as non-basic financial instruments with requirement to fair value the instrument at each accounting year end, recognising any movement in value through the Statement of Comprehensive Income.

CASH

Cash and cash equivalents in the Group's Consolidated Statement of Financial Position consists of cash at bank, in hand, and deposits accounts with instant access.

SOCIAL HOUSING GRANT

Social housing grant (SHG) is receivable from the Greater London Authority (GLA). Grants received for housing properties are recognised as income over the useful life of the housing property structure and, where applicable, its individual components (excluding land).

SHG due from the GLA or received in advance is included as a current asset or liability.

SHG is subordinated to the repayment of loans by agreement with the GLA. SHG released on sale of a property may be repayable but is normally available to be recycled and is either credited to a Recycled Capital Grants Fund and included in the balance sheet in creditors, or credited to the Statement of Comprehensive Income.

OTHER GRANTS

Other grants include grants from local authorities. Grants in respect of revenue expenditure are credited to other comprehensive income when performance conditions are met or entitlement occurs.

PROVISIONS

Co-op Homes leases for temporary social housing properties contain repair covenants relating to the upkeep of the properties. These lease covenants can give rise to dilapidation works or claims during or at the end of the related lease.

Co-op Homes accounts for these costs in accordance with FRS 102 (provisions and contingencies) which requires a provision to be recognised when there is an obligation at the reporting date regarding works or repairs at the related property.

Notes to the Financial Statements for the reporting date 31 March 2018

1b. ACCOUNTING POLICIES

SIGNIFICANT JUDGEMENTS AND ESTIMATES

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

IMPAIRMENT

In considering whether there is an impairment of the group's tangible and intangible assets, 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 larger cash generating unit, the viability and expected future performance of that unit.

Due to the insolvency of the developer on our scheme at Staines Road, we have carried out an impairment review in accordance with FRS102. The impairment was carried out on the units according to their tenure as management have determined that this was the smallest identifiable group of assets within the scheme. Each tenure was deemed to be a cash generating activity in accordance with FRS102.

The recoverable amount of an asset is considered by FRS102 to be the higher of its value in use and its fair value less costs to sell. Management have considered the determination of these amounts and concluded that for the affordable rented units this is the indicative EUV-SH valuation, and for the shared ownership units this is the MV-VP valuation. These were determined by instructing JLL to perform a valuation of the scheme.

The carrying amount of the asset was determined by revising the investment appraisals for each tenure including the additional costs required to complete the schemes as determined by the new contractor. This was then compared to the recoverable amount and it was determined that the recoverable amount of the shared ownership was higher than the carrying value, however the EUV-SH of the rented units was lower than the carrying amount, resulting in an impairment charge of £1.2m.

LOAN CLASSIFICATION

We have accounted for the Dexia loan (not including the cancellable element) as a basic financial instrument. This is on the basis that we consider any fixed rate debt with two-way early redemption indemnity clauses to be held long term as per our strategy and to be non-speculative.

Dexia (the lender) has an option to cancel the interest rates on two tranches of the loan to RHP at certain fixed points in the future; as a result, this means they do not meet the requirements of section 11.9 of FRS 102.

The bond is also classified as a basic financial instrument as per Section 11, Financial Reporting Standard 102 (FRS 102). The bond will be held long term, is non-speculative, and has a

positive fixed interest rate.

After the amounts are recognised at the initial transaction price, these loans are measured at fair value for future reporting dates. The fair value of these instruments was £29.5m at 31 March 2018.

USEFUL LIVES OF DEPRECIABLE ASSETS

Management reviews its estimates of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to decent home standards which may require more frequent replacement of key components.

FAIR VALUE MEASUREMENT – INVESTMENT PROPERTIES

Applying section 16.2 Financial Reporting Standard 102 (FRS 102), tenants of the main head office and of the small portfolio of commercial units are held for rental and are therefore classified as investment properties.

After recognising the properties at their initial cost, each reporting period requires the properties to be measured at fair value. Management instruct a reputable valuation firm to carry out their assessment of value with any movement being recognised in other comprehensive income. The fair value of investment properties was £6.9m at 31 March 2018.

SHARED OWNERSHIP

Our shared ownership viability assessments generally assume a first tranche of 30%. We also complete a sensitivity analysis on each property to ensure that the homes are affordable. This means that in higher value areas we may need to reduce the assumed first tranche sale in order to ensure that the homes meet the affordability criteria of the relevant local authority or the GLA's income caps.

The resulting reduction in income is modelled to ensure that the scheme remains viable within RHP's approved financial parameters and if not we will amend our offer for the scheme before it is submitted to the developer/landowner.

Notes to the Financial Statements (continued)

2. PARTICULARS OF TURNOVER, COST OF SALES, OPERATING EXPENDITURE AND OPERATING SURPLUS

GROUP	YEAR TO 31 MARCH 2018			2017
	Turnover £'000	Operating expenditure £'000	Operating Surplus/ (deficit) £'000	Operating Surplus/ (deficit) £'000
Social Housing Lettings (Note 3)	50,667	(28,861)	21,806	20,739
Other Social Housing Activities				
Leasehold services	1,608	(1,610)	(2)	(174)
Leasehold major repairs	1,101	(817)	284	(48)
First tranche shared ownership sales	-	-	-	86
Development	-	(2,027)	(2,027)	-
Garages	920	(179)	741	539
Management fees	845	(706)	139	34
Other	66	(163)	(97)	795
Gain on sale of fixed assets (Note 5)	-	-	257	284
Non-social housing activities				
Commercial	702	(640)	62	364
	55,909	(35,003)	21,163	22,619

ASSOCIATION	YEAR TO 31 MARCH 2018			2017
	Turnover £'000	Operating Expenditure £'000	Operating Surplus/ (deficit) £'000	Operating Surplus/ (deficit) £'000
Social Housing Lettings (Note 3)	48,466	(27,808)	20,658	19,718
Other Social Housing Activities				
Leasehold services	1,608	(1,610)	(2)	(174)
Leasehold major repairs	1,101	(817)	284	(48)
First tranche shared ownership sales	-	-	-	86
Development	-	(2,027)	(2,027)	-
Garages	920	(179)	741	539
Other	136	(117)	19	832
Gain on sale of fixed assets (Note 5)	-	-	257	284
Non-social housing activities				
Commercial	702	(640)	62	364
	52,933	(33,198)	19,992	21,601

Gain on sale of fixed assets is now considered to be part of normal operating activities and therefore included within operating surplus. The properties that are sold are part of RHP's asset portfolio. Prior to 2016 this would have been shown after operating surplus.

Notes to the Financial Statements (continued)

3. INCOME & EXPENDITURE FROM SOCIAL HOUSING LETTINGS

GROUP	General Needs Housing £'000	Affordable Housing £'000	Key Worker £'000	Temporary Housing £'000	Supported Housing £'000	Shared Ownership £'000	2018 Total £'000	2017 Total £'000
Rents receivable net of identifiable service charges	37,538	5,757	780	32	2,412	216	46,735	46,124
Service & other charges receivable	2,315	20	36	1	642	34	3,048	2,824
Charges for support services	-	-	-	-	542	-	542	542
Amortised government grants	213	77	2	-	45	5	342	383
Turnover from Social Housing Lettings	40,066	5,854	818	33	3,641	255	50,667	49,873
Management	8,984	952	163	23	1,194	76	11,392	12,036
Service charge costs	1,590	150	13	3	481	12	2,249	2,977
Rents payable	-	-	-	14	-	-	14	11
Routine maintenance	2,694	270	46	10	179	22	3,221	3,083
Planned maintenance	2,733	287	49	-	199	23	3,291	3,208
Major repairs expenditure	2,310	252	43	-	167	7	2,779	1,663
Bad debts	357	44	12	1	4	1	419	469
Depreciation	3,893	832	64	-	547	-	5,336	5,466
Accelerated depreciation	127	15	1	-	-	-	143	205
Other costs	16	-	-	1	-	-	17	16
Operating costs on Social Housing Lettings	22,704	2,802	391	52	2,771	141	28,861	29,134
Operating surplus/ (deficit) for social housing lettings	17,362	3,052	427	(19)	870	114	21,806	20,739
Void losses	(330)	(111)	(2)	(9)	(99)	-	(551)	(406)

Notes to the Financial Statements (continued)

3. INCOME & EXPENDITURE FROM SOCIAL HOUSING LETTINGS

ASSOCIATION	General Needs Housing £'000	Affordable Housing £'000	Key Workers £'000	Supported Housing £'000	Shared Ownership £'000	2018 Total £'000	2017 Total £'000
Rents receivable net of identifiable service charges	35,630	5,757	780	2,412	216	44,795	44,159
Service & other charges receivable	2,189	20	36	642	34	2,921	2,705
Charges for support services	-	-	-	542	-	542	542
Amortised government grants	79	77	2	45	5	208	249
Turnover from Social Housing Lettings	37,898	5,854	818	3,641	255	48,466	47,655
Management	8,711	952	163	1,194	76	11,096	11,680
Service charge costs	1,478	150	13	481	12	2,134	2,868
Routine maintenance	2,473	270	46	179	22	2,990	2,843
Planned maintenance	2,683	287	49	199	23	3,241	3,170
Major repairs expenditure	2,310	252	43	167	7	2,779	1,663
Bad debts	352	44	12	4	1	413	458
Depreciation	3,569	832	64	547	-	5,012	5,050
Accelerated depreciation	127	15	1	-	-	143	205
Operating costs on Social Housing Lettings	21,703	2,802	391	2,771	141	27,808	27,937
Operating surplus/ (deficit) for social housing lettings	16,195	3,052	427	870	114	20,658	19,718
Void losses	(324)	(111)	(2)	(99)	-	(536)	(406)

Notes to the Financial Statements (continued)

4. UNITS OF HOUSING STOCK

At the end of the period, accommodation in management for each class of accommodation in the Group and the Association was as follows:

	GROUP		ASSOCIATION	
	2018 No.	2017 No.	2018 No.	2017 No.
SOCIAL HOUSING – MANAGED DIRECTLY				
General needs housing	6,066	6,140	5,765	5,839
Affordable housing	647	526	647	526
Key workers	111	114	111	114
Supported housing	421	421	421	421
Shared ownership	51	45	51	45
Total units in ownership	7,296	7,246	6,995	6,945
Accommodation managed on behalf of others	997	841	19	19
Accommodation managed on our behalf	33	1	33	1
Total units managed or owned	8,326	8,088	7,047	6,965
Leasehold	1,994	1,995	1,994	1,995
Total units in Management (including Leasehold)	10,320	10,083	9,041	8,960

5. SURPLUS ON SALE OF FIXED ASSETS

GROUP & ASSOCIATION	2018					2017
	Shared Ownership Staircasing £'000	Right to buy £'000	Right to Acquire £'000	Other £'000	TOTAL £'000	£'000
HOUSING PROPERTIES						
Disposal proceeds	63	779	314	101	1,257	1,684
Amounts payable to LBRuT under RTB sharing agreement	-	(654)	-	-	(654)	(731)
Cost of disposals	(52)	(204)	(26)	(49)	(331)	(213)
Transfer to Disposal Proceeds Fund (Note 22)	-	-	-	-	-	(456)
Grant abated	-	-	-	-	-	9
Selling costs	(1)	(3)	(1)	(10)	(15)	(9)
Surplus	10	(82)	287	42	257	284

Notes to the Financial Statements (continued)

6. OPERATING SURPLUS

This is arrived at after charging

	GROUP		ASSOCIATION	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Depreciation of housing properties	5,336	5,466	5,012	5,050
Accelerated depreciation on component replacements	143	205	143	205
Depreciation of other tangible fixed assets	431	439	416	426
Amortisation of intangible fixed assets	389	387	389	387
Operating lease rentals				
- Land and buildings	14	50	-	-
- Vehicles	21	64	21	64
- Office equipment and computers	80	67	80	67
Auditors' remuneration (excluding VAT)				
- For audit of statutory accounts	63	53	51	36
- For service charge audit	9	-	9	-
- For non audit services	3	19	3	19

7. OTHER INTEREST RECEIVABLE & SIMILAR INCOME

	GROUP		ASSOCIATION	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Interest receivable and other similar income	127	396	154	343

8. INTEREST & FINANCING COSTS

	GROUP		ASSOCIATION	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Loans and bank overdrafts	9,256	9,338	9,234	9,229
Disposal Proceeds Fund (Note 22)	7	14	7	14
Interest charge on pensions	160	188	153	176
Amortised finance cost	339	-	339	-
	9,762	9,540	9,733	9,419
Interest capitalised on construction of housing properties (Note 12,17)	(1,033)	(446)	(1,033)	(446)
	8,729	9,094	8,700	8,973

Notes to the Financial Statements (continued)

9. EMPLOYEES

	GROUP		ASSOCIATION	
	2018 No.	2017 No.	2018 No.	2017 No.
Average monthly number of employees:				
Administration	83	76	64	69
Development	10	6	10	6
Housing, Support and Care	145	174	145	162
	238	256	219	237
Average monthly number of employees expressed in full time equivalents:				
Administration	76	72	59	65
Development	7	6	7	6
Housing, Support and Care	132	150	132	140
	215	228	198	211

Full time equivalents are calculated based on a standard working week of 36 hours.

	GROUP		ASSOCIATION	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
EMPLOYEE COSTS				
Wages and salaries	7,626	7,678	6,940	7,032
Social security costs	713	757	644	689
Other pension costs	824	1,061	788	932
	9,163	9,496	8,372	8,653

	GROUP		ASSOCIATION	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
PENSIONS COSTS				
Regular employer contributions to SHPS and LBRPF	376	368	333	327
Pension deficit payments to SHPS and LBRPF	485	604	485	533
Pension deficit liability provision movements	(37)	89	(30)	72
Total Pensions Costs	824	1,061	788	932

The Association's employees are members of the Social Housing Pension Scheme (SHPS) or of the London Borough of Richmond Pension Fund (LBRPF). The employees of our subsidiary are members of the SHPS. Further information on each scheme is given on the following page.

Notes to the Financial Statements (continued)

9. EMPLOYEES (continued)

SOCIAL HOUSING PENSION SCHEME

RHP and its subsidiary (Co-op Homes) participate in the Social Housing Pension Scheme (SHPS). 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.

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 on the balance sheet. 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 a discount rate of 1.72%. The unwinding of the discount rate is recognised as a finance cost.

	31 March 2018 £'000	31 March 2017 £'000
LIABILITY		
Present value of liability	2,359	2,772

	31 March 2018 £'000	31 March 2017 £'000
RECONCILIATION OF OPENING AND CLOSING LIABILITY		
Liability at start of period	2,772	3,041
Unwinding of the discount factor (interest expense)	34	59
Deficit contribution paid	(417)	(400)
Remeasurements – impact of any change in assumptions	(30)	72
Liability at end of period	2,359	2,772

LONDON BOROUGH OF RICHMOND PENSION FUND (LBRPF)

The LBRPF is a multi-employer scheme, which is administered by Richmond Council under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme. The most recent formal actuarial valuation was completed as at 31 March 2016. This scheme is now closed to future accrual with a deficit management agreement in place with the scheme which enables RHP's share of the deficit to be managed without triggering a termination debt. We have used our office building as security to effectively manage future deficit contributions.

	2018 %	2017 %
Rate of increase in salaries	N/A	N/A
Rate of increase in pensions in payment	2.4	2.7
Inflation assumption	2.4	3.7
Discount rate	2.6	2.7

Notes to the Financial Statements (continued)

9. EMPLOYEES (continued)

FAIR VALUE OF EMPLOYER ASSETS	2018 £'000	2017 £'000
Equities	8,164	7,830
Bonds	676	1,097
Gilts	916	541
Property	334	339
Cash	85	124
Multi asset fund	954	999
	11,129	10,930

LIFE EXPECTANCY FROM AGE 65 (IN YEARS)	Males	Females
Current pensioners	24.5	26.1
Future pensioners	26.8	28.4

The post retirement mortality tables adopted are the S2PA tables with a multiplier of 80% for males and 85% for females. These base tables are then projected using the CMI 2015 model allowing for long term rate of improvement of 1.5%.

NET PENSION LIABILITY AS AT:	2018 £'000	2017 £'000
Present value of funded liabilities	(14,923)	(15,365)
Fair value of employer assets (bid value)	11,129	10,930
Net Liability in the Statement of Financial Position	(3,794)	(4,435)

THE AMOUNTS RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME ARE AS FOLLOWS:	2018 £'000	2017 £'000
Net interest on the defined liability (asset)	119	117
Admin expenses	5	4
Total charged to current year Statement of Comprehensive Income	124	121

Notes to the Financial Statements (continued)

9. EMPLOYEES (continued)

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION:	2018 £'000	2017 £'000
Opening defined benefit obligation	15,365	13,258
Interest cost	411	482
Experience gain on defined benefit obligation	-	(1,790)
Change in financial assumptions	(531)	3,089
Change in demographic assumptions	-	769
Estimated benefits paid	(322)	(443)
Closing defined benefit obligation	14,923	15,365

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF EMPLOYER ASSETS	2018 £'000	2017 £'000
Opening fair value of employer assets	10,930	10,030
Other actuarial gains/(losses)	-	(649)
Contributions by the employer	68	122
Estimated benefits paid	(322)	(443)
Interest on assets	292	365
Admin expenses	(5)	(4)
Return on assets less interest	166	1,509
	11,129	10,930

RECONCILIATION OF OPENING AND CLOSING SURPLUS	2018 £'000	2017 £'000
Movement in deficit during the year:		
Association share of scheme liabilities at beginning of year	(4,435)	(3,228)
Movement in year:		
Current service cost	(5)	(4)
Contributions	68	122
Other finance costs	(119)	(117)
Actuarial (losses) / gains	697	(1,208)
Association share of scheme liabilities at end of year	(3,794)	(4,435)

Notes to the Financial Statements (continued)

10. BOARD MEMBERS AND EXECUTIVE DIRECTORS

The executive directors are the key management personnel for RHP and the Group. Their emoluments (salaries, bonuses, and benefits in kind) are disclosed below together with those of non-executive Board Members.

	GROUP		ASSOCIATION	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Executive directors' emoluments	457	553	457	553
Pension contributions in respect of services as directors	37	35	37	35
Amounts paid to non-executive directors	60	66	60	66
	554	654	554	654

The total amount payable to the Chief Executive, who is a Board member and is the highest paid director in respect of emoluments was £168k (2017: £166k). Pension contributions of £13k (2017: £13k) were paid to a defined benefit scheme on his behalf.

As a member of the CARE SHPS scheme, the pension entitlement of the Chief Executive is identical to those of other members.

The full time equivalent number of employees who received remuneration (including directors) earning over £60,000 (including salaries, bonuses and benefit in kind but excluding pension contributions) is shown to the right:

	GROUP		ASSOCIATION	
	2018 No.	2017 No.	2018 No.	2017 No.
£60,000 - £69,999	4	7	4	7
£70,000 - £79,999	3	-	3	-
£80,000 - £89,999	2	5	2	4
£90,000 - £99,999	4	1	3	1
£100,000 - £109,000	1	1	1	1
£110,000 - £119,000	-	-	-	-
£120,000 - £129,000	-	2	-	2
£130,000 - £139,000	-	1	-	1
£140,000 - £149,999	1	-	1	-
£150,000 - £159,999	-	-	-	-
£160,000 - £169,000	1	1	1	1

11. TAXATION

UK CORPORATION TAX	GROUP		ASSOCIATION	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Surplus on ordinary activities before tax	13,792	13,960	12,707	13,010
Surplus on ordinary activities multiplied by the effective rate of:				
Corporation tax in the UK of 20% (2017:20%)	2,758	2,792	2,541	2,602
Exempt from corporation tax	(2,758)	(2,792)	(2,541)	(2,602)
Current tax charge for the year	-	-	-	-

Notes to the Financial Statements (continued)

12. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

GROUP	PROPERTIES HELD FOR LETTING		SHARED OWNERSHIP PROPERTIES		Total £'000
	Completed £'000	Under Construction £'000	Completed £'000	Under Construction £'000	
Historic Cost					
At 1 April 2017	313,791	18,415	4,146	5,650	342,002
Prior year adjustment (Note 32)	(294)	-	(1,120)	-	(1,414)
Restated balance at 1 April 2017	313,497	18,415	3,026	5,650	340,588
Works to existing properties	4,916	-	-	-	4,916
Additions – construction costs	-	24,251	-	10,171	34,422
Schemes completed	16,535	(16,535)	1,309	(1,309)	-
Transferred to investment properties (Note 15)	(506)	-	-	-	(506)
Disposals	(328)	-	(52)	-	(380)
Disposals – components	(430)	-	-	-	(430)
At 31 March 2018	333,684	26,131	4,283	14,512	378,610
Depreciation					
At 1 April 2017	45,765	-	41	-	45,806
Prior year adjustment (Note 32)	(823)	-	(39)	-	(862)
Restated balance at 1 April 2017	44,942	-	2	-	44,944
Depreciation charged in year	5,336	-	-	-	5,336
Transferred to investment properties (Note 15)	(1)	-	-	-	(1)
Released on disposal	(49)	-	-	-	(49)
Released on disposal – components	(287)	-	-	-	(287)
At 31 March 2018	49,941	-	2	-	49,943
Impairment					
At 1 April 2017	-	-	-	-	-
Impairment charged in the year	-	1,237	-	-	1,237
At 31 March 2018	-	1,237	-	-	1,237
Net book value					
At 31 March 2018	283,743	24,894	4,281	14,512	327,430
At 31 March 2017 (restated)	268,555	18,415	3,024	5,650	295,644

The impairment relates to the social letting units within one development scheme.

Included within the fixed asset valuation is £0.6 million of costs in relation to the planned development of Ham Close. The Board are reviewing the deliverability of this scheme and will consider the appropriateness of holding this value in the balance sheet during 2018/19 financial period.

Notes to the Financial Statements (continued)

12. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES (continued)

ASSOCIATION	PROPERTIES HELD FOR LETTING		SHARED OWNERSHIP PROPERTIES		Total £'000
	Completed £'000	Under Construction £'000	Completed £'000	Under Construction £'000	
Historic Cost					
At 1 April 2017	290,424	18,415	4,146	5,650	318,635
Prior year adjustment (Note 32)	(294)	-	(1,120)	-	(1,414)
Restated balance at 1 April 2017	290,130	18,415	3,026	5,650	317,221
Works to existing properties	4,454	-	-	-	4,454
Additions – construction costs	-	24,251	-	10,171	34,422
Schemes completed	16,535	(16,535)	1,309	(1,309)	-
Transferred to investment properties (Note 15)	(506)	-	-	-	(506)
Disposals	(328)	-	(52)	-	(380)
Disposals – components	(315)	-	-	-	(315)
At 31 March 2018	309,970	26,131	4,283	14,512	354,896
Depreciation					
At 1 April 2017	42,667	-	41	-	42,708
Prior year adjustment (Note 32)	(823)	-	(39)	-	(862)
Restated balance at 1 April 2017	41,844	-	2	-	41,846
Depreciation charged in year	5,012	-	-	-	5,012
Transferred to investment properties (Note 15)	(1)	-	-	-	(1)
Released on disposal	(49)	-	-	-	(49)
Released on disposal – components	(172)	-	-	-	(172)
At 31 March 2018	46,634	-	2	-	46,636
Impairment					
At 1 April 2017	-	-	-	-	-
Impairment charged in the year	-	1,237	-	-	1,237
At 31 March 2018	-	1,237	-	-	1,237
Net book value					
At 31 March 2018	263,336	24,894	4,281	14,512	307,023
At 31 March 2017 (restated)	248,286	18,415	3,024	5,650	275,375

Included within the fixed asset valuation is £0.6 million of costs in relation to the planned development of Ham Close. The Board are reviewing the deliverability of this scheme and will consider the appropriateness of holding this value in the balance sheet during 2018/19 financial period.

Notes to the Financial Statements (continued)

12. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES (continued)

COMPLETED HOUSING PROPERTIES COMPROMISE:	GROUP		ASSOCIATION	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Freehold	320,384	293,070	302,484	275,199
Long leasehold	7,046	2,574	4,539	176
	327,430	295,644	307,023	275,375

INTEREST CAPITALISATION	GROUP		ASSOCIATION	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Interest capitalised in the year	884	446	884	446
Cumulative interest capitalised	3,120	2,236	3,120	2,236
Effective interest rate used, interest capitalised in the year	4.11%	4.11%	4.11%	4.11%

13. OTHER FIXED ASSETS

GROUP	Freehold Office £'000	Temporary Social Housing Improvements £'000	Furniture, Fixtures & Fittings £'000	Computers, Office Equipment & Vehicles £'000	Total £'000
At 1 April 2017	8,411	86	1,943	1,935	12,375
Additions	-	11	69	290	370
Transferred to investment properties (note 15)	54	-	-	-	54
Disposals	-	-	(7)	(1,378)	(1,385)
At 31 March 2018	8,465	97	2,005	847	11,414
Depreciation & Impairment					
At 1 April 2016	1,916	86	1,065	1,474	4,541
Transfer from intangible fixed assets (note 14)	-	-	-	251	251
Transferred to investment properties (note 15)	(4)	-	-	-	(4)
Charged in the year	38	1	248	144	431
Disposals	-	-	(7)	(1,378)	(1,385)
At 31 March 2018	1,950	87	1,306	491	3,834
Net Book Value					
At 31 March 2018	6,515	10	699	356	7,580
At 31 March 2017	6,495	-	878	461	7,834

Notes to the Financial Statements (continued)

13. OTHER FIXED ASSETS

ASSOCIATION	Freehold Office £'000	Furniture, Fixtures & Fittings £'000	Computers, Office Equipment & Vehicles £'000	Total £'000
Cost				
At 1 April 2017	7,965	1,913	1,851	11,729
Additions	-	48	290	338
Transferred to investment properties (note 15)	(178)	-	-	(178)
Disposals	-	(7)	(1,378)	(1,385)
At 31 March 2018	7,787	1,954	763	10,504
Depreciation & Impairment				
At 1 April 2016	1,916	1,017	1,425	4,358
Transfer from intangible fixed assets (note 14)	-	-	251	251
Transferred to investment properties (note 15)	(157)	-	-	(157)
Charged in the year	34	238	144	416
Disposals	-	(7)	(1,378)	(1,385)
At 31 March 2018	1,793	1,248	442	3,483
Net Book Value				
At 31 March 2018	5,994	706	321	7,021
At 31 March 2017	6,049	896	426	7,371

Co-op Homes lease office space within 8 Waldegrave Road. This lease is treated as an investment property for RHP in the association's accounts and is therefore subject to an annual valuation.

Notes to the Financial Statements (continued)

14. INTANGIBLE FIXED ASSETS

GROUP & ASSOCIATION	Computer Software £'000
Cost	
At 1 April 2017	1,961
Additions	257
Disposals	(849)
At 31 March 2018	1,369
Depreciation & Impairment	
At 1 April 2017	1,596
Transfer to other fixed assets (note 13)	(251)
Charged in the year	389
Disposals	(849)
At 31 March 2018	885
Net Book Value	
At 31 March 2018	484
At 31 March 2017	365

15. INVESTMENT PROPERTIES

	GROUP		ASSOCIATION	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
At 1 April	6,474	6,645	6,920	7,091
Transferred from housing properties (note 12)	505	-	505	-
Transferred from other fixed assets (Note 13)	(58)	-	21	-
Movement in fair value	27	(171)	57	(171)
At 31 March	6,948	6,474	7,503	6,920

RHP's investment properties are the commercial element of the office building, a small portfolio of shops and a care home. These were valued as at 31 March 2018 by Jones Laing LaSalle Limited (JLL), professional external valuers. The full valuation of properties was undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors as follows:

→ In valuing the commercial element of 8 Waldegrave Road, the investment method was adopted with the following key assumptions:

Net Initial Yield 2.82%*

Equivalent Yield 7.03%

*this is lower than the equivalent yield because the property is assumed to be part vacant as it is owner occupied

→ The remaining commercial properties have been valued on the basis of the existing commercial use, and a variety of capitalisation rates have been adopted dependent upon the characteristics of the individual assets. These are described in the relevant sections of the valuation report prepared by JLL.

Notes to the Financial Statements (continued)

16. INVESTMENTS IN SUBSIDIARIES

As required by statute, the financial statements consolidate the results of RHP Finance plc and Co-op Homes (South) Limited (a Registered Provider), which were subsidiaries of the Association at the end of the year. The Association has the right to appoint members to the Boards of the two subsidiaries and thereby exercise control over them. RHP is the ultimate parent undertaking.

RHP Finance plc raises finance for the use of RHP and its subsidiaries. It is a company limited by shares with 100% shares held by the Association. As at 31 March, the Association had part-subscribed to all 50,000 £1 shares for £0.25p a share for a total of £12,500.

ASSOCIATION	2018 £'000	2017 £'000
Investment in RHP Finance plc	13	13
	13	13

17. PROPERTIES FOR SALE

SHARED OWNERSHIP PROPERTIES	GROUP & ASSOCIATION	
	2018 £'000	2017 £'000
Work in progress	5,775	3,099
Completed properties held for sale	448	-
	6,223	3,099
Capitalised interest included in the above	149	-

18. DEBTORS

	GROUP		ASSOCIATION	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Debtors receivable within one year				
Rent and service charges receivable	2,395	2,094	2,228	2,002
Less: provision for bad and doubtful debts	(889)	(649)	(787)	(627)
	1,506	1,445	1,441	1,375
Other debtors	515	605	419	497
Amount owed from subsidiary undertaking	-	-	702	2,855
Prepayments and accrued income	1,962	1,413	1,942	1,383
Debtors receivable after more than one year				
Amount owed from subsidiary undertaking	-	-	1,250	-
Total Debtors	3,983	3,463	5,754	6,110

The Association has provided Co-op Homes (South) Limited with a loan facility for £8.5m to acquire 263 properties from 6 other housing associations and for general purposes consistent with its business plan. The facility is revolving in nature and is secured via a floating charge across the assets of Co-op Homes. The facility has a fixed term to 2031. As at 31 March 2018, £1.9m of this loan was outstanding.

Notes to the Financial Statements (continued)

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		ASSOCIATION	
	2018 £'000	2017 RESTATED £'000	2018 £'000	2017 RESTATED £'000
Bank Loans (Note 21)	63	41	-	-
Trade Creditors	1,294	1,095	1,043	976
Rent and service charges received in advance	1,099	1,024	1,099	1,024
Other taxation and social security	37	-	-	-
Disposal Proceeds Fund (Note 22)	777	954	777	954
Deferred grant income (Note 24)	353	210	219	210
Amounts owed to subsidiary undertaking	-	-	686	673
SHPS deficit	510	490	434	417
Other creditors	1,814	837	1,610	588
Accruals and deferred income	9,616	6,016	8,712	5,167
	15,563	10,667	14,580	10,009

20. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	GROUP		ASSOCIATION	
	2018 £'000	2017 RESTATED £'000	2018 £'000	2017 RESTATED £'000
Bank Loans (Note 21)	216,807	217,922	78,491	79,696
Capitalised finance costs	(880)	-	(880)	(813)
Disposals Proceeds Fund (Note 22)	475	1,245	475	1,245
Recycled Capital Grant Fund (Note 23)	197	-	197	-
Amount owed to subsidiary undertaking	-	-	137,952	138,632
Deferred temporary social housing grant	5	5	-	-
Deferred grant income (Note 24)	37,152	33,914	26,793	23,288
SHPS pension deficit	2,354	2,860	1,925	2,355
Commercial deposits	22	-	22	-
	256,132	255,946	244,975	244,403

Notes to the Financial Statements (continued)

21. LOANS AND BORROWINGS

GROUP	Bank loans 2018 £'000	2048 Bond 2018 £'000	Total 2018 £'000
In one year or less, or on demand	63	-	63
In more than one year but not more than two	43	-	43
In more than two years but not more than five	16,136	-	16,136
More than five years	62,676	137,952	200,628
	78,918	137,952	216,870

GROUP	Bank loans 2017 £'000	2048 Bond 2017 £'000	Total 2017 £'000
In one year or less, or on demand	41	-	41
In more than one year but not more than two	43	-	43
In more than two years but not more than five	15,186	-	15,186
More than five years	64,874	137,819	202,693
	80,144	137,819	217,963

ASSOCIATION	Bank loans 2018 £'000	Loan from RHP Finance plc 2018 £'000	Total 2018 £'000
In one year or less, or on demand	-	-	-
In more than one year but not more than two	-	-	-
In more than two years but not more than five	15,000	-	15,000
More than five years	63,491	137,952	201,443
	78,491	137,952	216,443

ASSOCIATION	Bank loans 2017 £'000	Loan from RHP Finance plc 2017 £'000	Total 2017 £'000
In one year or less, or on demand	-	-	-
In more than one year but not more than two	-	-	-
In more than two years but not more than five	15,000	-	15,000
More than five years	64,696	138,632	203,328
	79,696	138,632	218,328

Notes to the Financial Statements (continued)

21. LOANS AND BORROWINGS (continued)

Loans are secured by specific charges on the housing properties of the group. The loans bear interest at fixed rates ranging from 2.08% to 6.18%.

The 2048 bond was issued by RHP Finance plc with the proceeds on-lent to RHP under the terms of a loan agreement at a coupon rate of 3.25%.

At 31 March 2018 the group had undrawn fully secured loan facilities of £95m (2017: £40m).

Within the Dexia loan portfolio are two tranches with embedded optionality on the rates. These are therefore held at fair value in the financial statements and there is a fair value uplift from amortised cost of £4.5m (2017:£5.7m)

22. DISPOSAL PROCEEDS FUND

	GROUP & ASSOCIATION	
	2018 £'000	2017 £'000
At 1 April	2,199	2,092
Net sale proceeds	-	447
Interest accrued	7	14
Utilised in the year (Note 24)	(954)	(354)
Balance at 31 March	1,252	2,199

23. RECYCLED CAPITAL GRANT

	GROUP & ASSOCIATION	
	2018 £'000	2017 £'000
At 1 April	-	-
Grant recycled on disposals (Note 24)	18	-
Grant recycled due to change of use (Note 24)	179	-
Balance at 31 March	197	-

24. DEFERRED CAPITAL GRANT

	GROUP		ASSOCIATION	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
At 1 April	34,124	31,784	23,498	21,024
Prior year adjustment	-	(150)	-	(150)
Restated balance at 1 April	34,124	31,634	23,498	20,874
Grant received in the year	2,965	2,519	2,965	2,519
Transfer from Disposal Proceeds Fund (Note 22)	954	354	954	354
Grant recycled on disposals (Note 23)	(18)	-	(18)	-
Grant recycled due to change of use (Note 23)	(179)	-	(179)	-
Released to income in the year (Note 3)	(341)	(383)	(208)	(249)
At 31 March	37,505	34,124	27,012	23,498

Notes to the Financial Statements (continued)

25. FINANCIAL ASSETS AND LIABILITIES

	GROUP		ASSOCIATION	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Financial assets that are equity instruments measured at cost less impairment				
Investments in subsidiary undertakings	-	-	13	13
Financial assets that are debt instruments measured at amortised cost				
Trade debtors	1,506	1,445	1,441	1,375
Amounts owed by subsidiary undertakings	-	-	1,952	2,855
Other debtors	2,477	2,018	2,361	1,880
Financial liabilities at fair value through the statement of comprehensive income				
Bank loans	29,491	30,697	29,491	30,697
Financial liabilities measured at amortised cost				
Amounts owed to subsidiary undertakings	-	-	137,952	137,819
Loans	187,379	186,266	49,000	49,000
Trade creditors	1,294	1,095	1,043	976
Other creditors	54,411	49,038	42,949	36,396
	276,558	270,559	266,202	261,011

The fair values of the assets and liabilities held at fair value through the statement of comprehensive income and the statement of financial position date are determined using quoted prices.

Amortised cost is the amount at which a financial asset or financial liability is measured at initial recognition, less principal repayments and plus or minus any amortised original premium or discount (calculated using the effective interest rate method).

DEXIA

Derivative financial liabilities at fair value are calculated using quoted market prices to establish expected future cash flows, which are discounted at a market derived interest rate.

BOND

The bond is accounted for as a basic financial instrument. Loan notes which are basic financial instruments are initially recorded at the present value of future payments discounted at a market rate of interest for a similar loan. Subsequently, they are measured at amortised cost using the effective interest method. Loan notes that are receivable within one year are not discounted.

INTERCOMPANY LOAN

The loan provided to Co-op Homes is on the basis on LIBOR plus a margin of 0.625%. This loan is deemed to be a basic financial instrument as the margin is deemed a reasonable market rate for 2006 (when the loan was granted). The loan is due to be repaid by March 2031.

Notes to the Financial Statements (continued)

25. FINANCIAL ASSETS AND LIABILITIES (continued)

FINANCIAL RISKS

The Group has a variety of controls in place to manage liquidity risk, credit risk, and exchange risk and minimise financial loss. The most important aspects are:

→ For investments, where viable, all counterparties must meet the Group's minimum credit rating of A-1 long term and P-1 short term.

→ There is no speculative use of derivatives, currency or other instruments.

The debt maturity profile is shown in note 21.

The fixed rate financial liabilities have a weighted average interest rate of 4.11% (2017: 4.11%).

FOREIGN CURRENCY RISK

Other than short-term debtors, the Group's financial assets comprise cash held in deposit accounts and cash at bank. They are sterling denominated and attract interest at rates that vary with bank rates.

CAPITAL RISK MANAGEMENT

All of our debt agreements (bond and loan agreements) contain financial and information-based covenants which we are obliged to comply with. The bond contains financial covenants relating to asset cover whilst the loan agreements contain interest cover, gearing and asset cover-based covenants.

Our Dexia gearing covenant places the greatest constraint upon our ability to borrow additional debt.

Failure to comply with any covenant would lead to a default and security for the loan or bond becoming immediately enforceable and the loan becoming immediately due and repayable.

INTEREST RATE RISK

The Group has limited exposure to interest rate fluctuation due to the high percentage of borrowings on a fixed rate of interest.

26. PROVISION FOR LIABILITIES

	GROUP		ASSOCIATION	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Provision for end of lease dilapidations costs				
Brought forward	106	106	-	-
Paid in year	(4)	-	-	-
Credited to the Income & Expenditure	-	-	-	-
At 31 March	102	106	-	-

Provisions relate to cost associated with the upkeep of properties under repair covenants entered by Co-op Homes. Co-op Homes accounts for these costs in accordance with FRS 102 (provisions and contingencies) which requires a provision to be recognised when there is an obligation at the reporting date regarding works or repairs at the related property.

Notes to the Financial Statements (continued)

27. NON-EQUITY CAPITAL

The Association is a charitable registered society and therefore has no share capital. Each member (see table below) agrees to contribute £1 in the event of the Association winding up.

NUMBER OF MEMBERS	March 2018	March 2017
At 1 April	19	19
Joining during the year	1	-
Leaving during the year	(2)	-
At 31 March	18	19

At the time of the signing of the financial statement on 5 July 2018, the number of shareholders was 17, as LBRuT had surrendered their share due to The Regulation of Social Housing (Influence of Local Authorities) (England) Regulations 2017 (the "Golden Share Regulations"). This came into force on 16 November 2017 as part of a suite of measures to reclassify housing associations as 'public non-financial corporations' and overrides any contract arrangements an RP has where the terms are inconsistent with the Golden Share Regulations.

28. LEASES

Operating lease payments amounting to £104k (2016: £115k) are due within one year. The leases to which this relates are as follows:

GROUP	2018 Land & Buildings £'000	2018 Vehicles, Office equipment & Computers £'000	2018 Total £'000	2017 Land & Buildings £'000	2017 Vehicles, Office equipment & Computers £'000	2017 Total £'000
Lease payments						
Within one year	14	60	74	14	90	104
One to five years	57	133	190	57	147	204
Beyond five years	25	1	26	39	3	42
	96	194	290	110	240	350

ASSOCIATION	2018 Land & Buildings £'000	2018 Vehicles, Office equipment & Computers £'000	2018 Total £'000	2017 Land & Buildings £'000	2017 Vehicles, Office equipment & Computers £'000	2017 Total £'000
Lease payments						
Within one year	-	60	60	-	90	90
One to five years	-	133	133	-	147	147
Beyond five years	-	1	1	-	3	3
	-	194	194	-	240	240

Notes to the Financial Statements (continued)

29. CAPITAL COMMITMENTS

	GROUP & ASSOCIATION	
	2018 £'000	2017 £'000
Commitments contracted but not yet provided for:		
Construction or purchase of housing properties	25,997	51,996
Commitments approved by the Board but not yet contracted for:		
Construction or purchase of housing properties	24,405	3,500
	50,402	55,496

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

	GROUP & ASSOCIATION	
	2018 £'000	2017 £'000
Social Housing Grant	8,724	5,185
Cash and cash equivalents	20,893	37,726
Borrowings	20,785	12,585
	50,402	55,496

30. CONTINGENT LIABILITIES

In 2017, 195 housing properties were acquired from another housing association. These properties have been accounted for using the performance model as required by SORP 2014. The associated grant of £6.033m has been recognised as a contingent liability to RHP. This contingent liability will be realised if the assets to which the grant relates are disposed and will be recycled appropriately.

31. RELATED PARTIES

During the year there was one tenant and one leaseholder who are members of the Board, Angelika Chaffey and Toby D'Olier respectively. Ms Chaffey paid £127.22 per week (2017: £128.37 per week) and had no amounts outstanding to RHP at 31 March 2018. Mr D'Olier paid service charges of £841.19 (2017: £757.37) and had no amounts outstanding to RHP at 31 March 2018. The tenancy and lease are on normal commercial terms and neither individual was able to use their position to their advantage.

Co-op Homes (South) Limited and RHP are both regulated by the Homes England.

TRANSACTIONS WITH UN-REGULATED SUBSIDIARY

RHP Finance plc is an unregulated subsidiary of the Group. In 2015 RHP invested £12.5k in the share capital of its non-regulated subsidiary and received a £138.6m loan from this entity at a coupon rate of 3.25%. Audit fees of £7k and other administrative expenses of RHP Finance plc are borne by RHP the immediate and ultimate parent undertaking.

Notes to the Financial Statements (continued)

32. PRIOR PERIOD ADJUSTMENT

During 2017/18, RHP carried out a data cleanse of the fixed asset register and have recognised items previously capitalised in error and released as a prior year adjustment reflecting the previous years' misstatements.

RESTATEMENT OF RESERVES

GROUP	£'000s
Reserves as stated at 31 March 2016	71,462
Write back cost of housing properties	(1,414)
Write off accumulated depreciation of housing properties	862
Write off social housing grant	150
Restated reserves at 31 March 2016	71,060
Total comprehensive income for the year to 31 March 2017	12,676
Restated reserves at 31 March 2017	83,736

ASSOCIATION

	£'000s
Reserves as stated at 31 March 2016	66,808
Write back cost of housing properties	(1,414)
Write off accumulated depreciation of housing properties	862
Write off social housing grant	150
Restated reserves at 31 March 2016	66,406
Total comprehensive income for the year to 31 March 2017	11,726
Restated reserves at 31 March 2017	78,132

