ANNUAL REPORT & FINANCIAL STATEMENTS

Year ended 31 March 2019

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BOARD, EXECUTIVE DIRECTORS & ADVISORS

Charitable Registered Society	30939R
Regulator of Social Housing registration number	L4279
Registered Office	8 Waldegrave Road Teddington Middlesex TW11 8GT
Board	Shannel Adams – from 18 October 2018 Suzanne Avery Angelika Chaffey (Vice Chair) David Done OBE (Chief Executive) Jenine Langrish – from 24 April 2018 Christopher Ling Peter Marsh John Newbury (Chair) Toby D'Olier Stephen Speak Nigel Taylor
Chief Executive	David Done OBE
Secretary	David Done OBE – to 8 October 2018 Lucy Graley – from 8 October 2018
Executive Directors	Corinna Bishopp (Executive Director of Finance) Peter Cogan (Executive Director of Customer Services) – from 7 January 2019 Lucy Graley (Executive Director of People and Business Services) – from 8 October 2018 Amina Graham (Executive Director of Corporate Services) – to 25 May 2018 Tim Willcocks (Executive Director of Development)
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 & CHIEF EXECUTIVE'S REPORT

This has been the first year of our new 5 Year Corporate Strategy. Building on the successes of the previous strategy, it has 4 closely linked themes. Firstly, to provide a modern, digitally enabled housing service that meets or exceeds our customers' expectations but at a much lower cost. Secondly, to use the savings made to build many more new homes and help solve the housing crisis. Thirdly, to maintain our financial strength in order to protect our services and keep building homes into the future. Fourthly, and supporting all of the above, to be a great place to work with an inspirational and innovative culture.

In the first year of this strategy we have improved customer satisfaction while further reducing our overall cost of managing and maintaining homes, making us one of the most efficient providers in the sector; built 100 new affordable homes; and maintained high levels of employee satisfaction whilst achieving the Investors in People Platinum award and being named Investors in People 'Employer of the Year'.

Building on this progress, and over the life of the strategy, we plan to invest £329m in building 1,000 new homes for affordable rent or for low-cost home ownership; meeting a range of acute housing needs in our area of operation.

We want to be known for providing high quality, affordable homes and excellent services, characterised by making life easier for our customers using new technology. This will allow us to target resources on those needing extra support to ensure they benefit from our services.

During the year we completed our first regeneration scheme at Fountains Close, replacing outdated accommodation with high quality homes that are a demonstration of what can be achieved for the wider estate at Butts Farm. Our regeneration plans for Ham Close also made progress and we continue to work closely with the community and the Council to secure a viable and attractive scheme.

We have also invested £16.2m in our existing homes to make them safe and comfortable, and places that we and our customers can be proud of. We have responded quickly and positively to the dreadful tragedy of the fire at Grenfell Tower in June 2017. With what the sector now knows, we have taken sensible precautions to protect residents.

At our Dean Road Extra Care Scheme we have invested £0.3m to remove external cladding and install a sprinkler system. We are also investing over £2.0m to install sprinkler systems in any buildings above 5 storeys with single access/egress points.

It took this tragedy to renew political focus on our sector but we welcome this interest if Grenfell Tower is going to have a positive legacy. The Government's Green Paper was perhaps short on solutions but we are pleased that there is renewed interest in consumer standards and the importance of listening to customers. This fits with our own approach on responsiveness to customers, one that we are constantly seeking to strengthen.

We are also pleased that, after completing their In Depth Assessment of RHP in Spring 2019, the Regulator of Social Housing has confirmed RHP's G1/V1 rating for governance and viability.

We are excited about our future and know that RHP Group is financially strong and has a clear and ambitious strategy. This makes us well positioned to address the challenges and opportunities that are ahead of us.

On behalf of the Board, we would like to thank our employees and other stakeholders for their commitment, energy and ideas, as it is through their efforts and by working together that RHP continues to go from strength to strength.

John Newbury
Group Chair

David Done OBE
Group Chief Executive

YEAR IN REVIEW

Group Turnover of **£58.2m**

GROUP OPERATING SURPLUS OF **£21m**

Overall Operating Cost Per Unit (excluding depreciation & one off items) **£3,310**

RSH Governance & Viability rating of **G1/V1**

60% OF CUSTOMER **transactions** online

100 NEW AFFORDABLE Homes completed

224 NEW HOMES secured under contract

AWARDS 2018 WINNER

ACHIEVED **IIP PLATINUM** employer of the year award

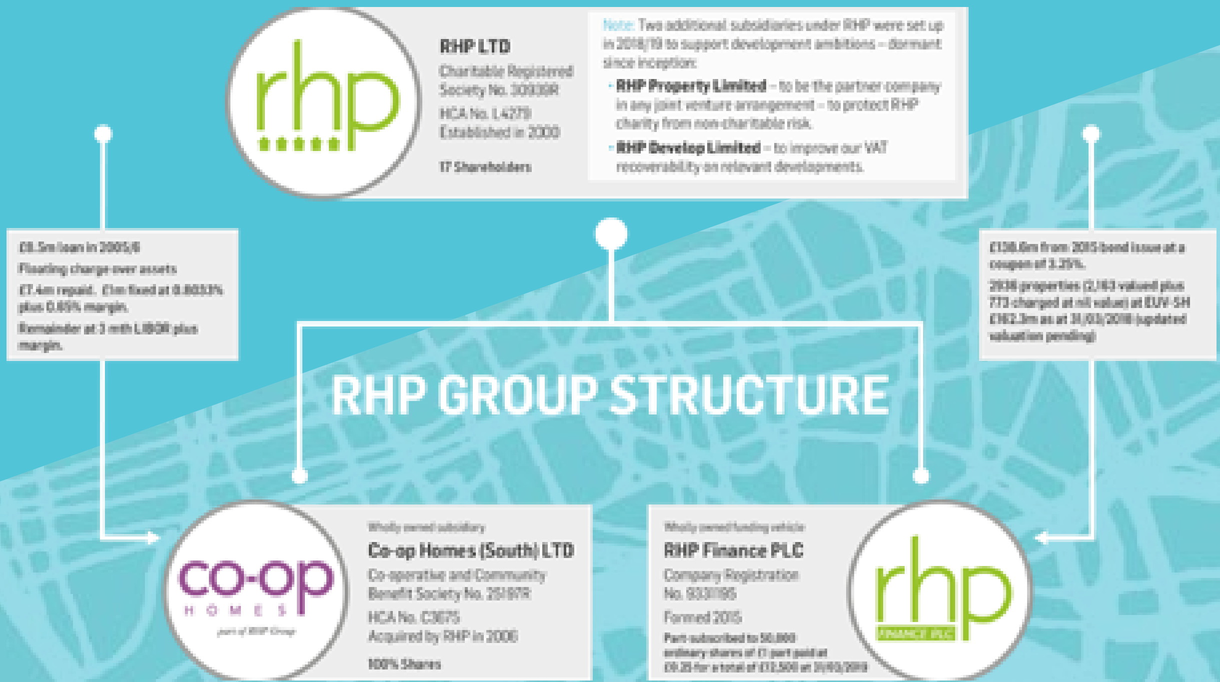
£16.2m spent maintaining & improving our existing homes

ACHIEVED european contact centre & customer service awards 2018 **BRONZE** WINNER

STRATEGIC & FINANCIAL REPORT

OUR GROUP STRUCTURE

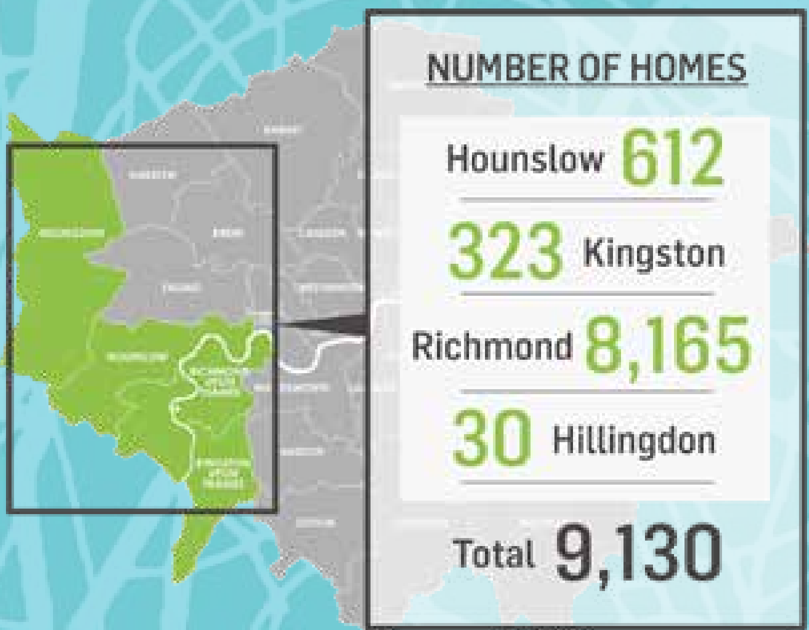
The RHP Group consists of 5 entities with RHP, the parent company, being a Registered Charitable Community Benefit Society and a provider of affordable housing. RHP has four subsidiaries; Co-op Homes (South) Ltd which is also a Registered Charitable Community Benefit Society and owns a small portfolio 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, RHP Develop Ltd and RHP Property Ltd which have not yet traded.



WHERE WE OPERATE

RHP operates principally in the 4 London Boroughs of Richmond, Kingston, Hillingdon and Hounslow in West and South West London. The following map illustrates the number of the parent company's existing properties. As part of our strategy to develop more homes, we have started to pursue opportunities in the additional London Boroughs of Ealing and Wandsworth.

Co-op Homes owns and manages 1,277 homes across West London, Slough and Reading.



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 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 also build homes for intermediate home ownership as part of our ongoing development programme.

The Group owns or manages 10,407 properties, this includes 1,996 properties where a long lease has been sold (originally under Right to Buy) and 78 shared ownership properties. 87% of the Group's income is derived from social housing lettings. The Group also owns 1 office building, 23 shops and 989 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 Richmond, Kingston and Hounslow over the next 10 years expected to be amongst the highest 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, 60% of our transactions in 2018/19 were online. Enabling customers to transact with us anytime and anywhere on our digital platforms reduces the cost of delivery of our service, whilst enabling us to invest more money in developing more homes and further improving our digital capabilities.

Our vision is to be one of the best service providers in the country and an excellent employer.

1 TO DELIVER A MODERN DIGITALLY ENABLED HOUSING SERVICE

A fundamental part of our vision is to be one of the best service providers in the UK. Over the past five years there has been a significant change in the way we deliver transactional and other services, moving away from a traditional housing management model to a modern, digitally enabled service focused on improving the experience for customers while also reducing the cost of delivery. Like many businesses, this change is being driven by the need for housing associations to deliver greater output whilst at the same time increase efficiencies. It's also a direct response to changing consumer needs and expectations, with customers increasingly wanting to use the channel of their choice and expecting organisations to know, understand and respond to their requirements instantly.

"A FUNDAMENTAL PART OF OUR VISION IS BEING ONE OF THE BEST SERVICE PROVIDERS IN THE UK."

Over the past 5 years we've made excellent progress with modernising the service and with our digital transformation. We are now in a strong position to build on this approach:

- We've successfully introduced and embedded the RHPi service for new tenants and have extended key aspects of it to existing tenants.
- The new service has been well received with increasing levels of tenant satisfaction.
- At the same time our operating costs have reduced by about 8% (over 5 years) to £3,310 per unit (including capital expenditure).
- Many customers have embraced our digital service since launch, welcoming the increased choice and convenience it provides. We do however have approximately 1,000 tenants who have chosen to use the telephone as their preferred channel of choice.
- During the year, as a result of feedback received from customers, we re-emphasised choice on multi channel availability, and some customers chose to move back to our telephone service. As a result, despite still having 78% of customers with an online account, we did see a reduction in our online transactions and an increase in calls. We are now focused on a further improvement programme to ensure all customer journeys are 'easy' online to encourage greater customer use of our online service.

- Alongside development of the digital service, we are continuing to deliver high quality direct services through our repairs and caretaking teams. Customer satisfaction with these services is high at 92% and 91% respectively but we are aiming higher which we will do through more insight from customers as a result of our improved approach to customer feedback.
- Homeowner satisfaction decreased back to more normalised levels after a substantial increase in 17/18. We know there is more we can do for our homeowners and are focused on improving this service in 19/20.

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

	ACTUALS			
KPIs	**15/16**	**16/17**	**17/18**	**18/19**
Reduction in volume of repairs from pre-RHPi	N/A	N/A	15%	11%
Reduction in calls to RHP from the previous year	4%	16%	20%	(19%) increase
Customer interactions online	N/A	53%	70%	60%
Tenants with online accounts	32%	68%	79%	78%
Tenant satisfaction	78%	80%	84%	88%
Homeowner satisfaction	64%	63%	79%	72%
Tenant satisfaction with caretaking	85%	84%	87%	91%
Tenant satisfaction with repairs service	84%	76%	90%	92%
Repair jobs completed on time.	99%	99%	98%	97%
Occupancy rate	98.9%	99.9%	99.4%	99.8%
Rent collected from current and former tenants as % rent due	99.8%	99.2%	99.5%	100.2%

Our experience so far has taught us that through exceptional online services we will be able to radically improve services to customers and in doing so realise efficiencies that we can invest in building more homes for those with a housing need in our communities.

Our approach is to enable customers to use our online services driven by the high quality of their experience, so that by 2023 customers resolve 90% of day to day queries digitally with minimal intervention from us. We are however committed to giving customers the choice to contact us on whatever channel they choose.

We are challenging ourselves to be bold as we evolve our digital channels and website experience, following the example of leading digital companies. We know we have significant scope for improvement and will start with expanding the information customers can see online about their repairs or home applications and seeking continual feedback from customers about what they most value and making changes in response to their needs. Further, we will seek to use emerging technology to innovate in other areas of service and provide alternative channels which customers find easy and which increase our own efficiency.

Our vision is to be one of the best service providers in the country and an excellent employer.

2 TO BUILD MORE HOMES

The country is experiencing a housing crisis, and our fundamental objective is to play our part in alleviating the problem. Our aim is to deliver 1,000 new homes over the course of the 5 year strategy, through steady and sustainable growth, and within our business plan.

We operate in some of the most expensive parts of outer London, and the affordability issue in London is well documented. The NHF Home Truths 2017-18 report for London highlighted that unaffordable housing is one of the biggest challenges, and that the lack of new homes has driven prices out of reach for local people – house prices are nearly double the national average at £584,000. With an affordability challenge, high levels of demand for affordable housing will naturally follow. Waiting lists for rented housing remain long, and there is an ever-growing list of people waiting for intermediate housing offers.

In addition to the traditional housing needs of low-income households, our region has a specific and acute housing need amongst younger working households and 'generation rent' for whom shared rooms and facilities and poor quality and expensive private renting are the only options. It is critical that we help address this acute need and provide a better alternative.

We work in a highly competitive market, and an area of operation with high house and land prices. We are now a few years into the journey as a developing association and we have set up a team, forged relationships, delivered amazing new homes, built a strong pipeline and learnt lots along the way. Development takes time, even a simple scheme might take three years from offer to completion, so we are still in our infancy as a developer. In that context we feel proud of what we have achieved so far, and excited about the future.

Over the past six years, RHP has added 609 homes to its stock, 186 homes acquired from other providers and 423 newly built homes (an average of 70 per year). We have undertaken a range of development projects, including office to residential conversion, land acquisition, s106 and package deals with contractors.

	ACTUALS					
KPIs	**13/14**	**14/15**	**15/16**	**16/17**	**17/18**	**18/19**
New homes completed	39	97	58	39	90	100
Homes acquired	-	-	-	186	-	-
Homes under contract added to pipeline	-	-	114	199	174	224

Our core new homes offer will be split between two distinct themes.

As we work though our existing pipeline, and start to grow our land acquisitions, most of our new homes will be affordable housing delivered through s106 agreements and package deals with contractors. These homes will be for affordable tenures as prescribed by local need, including Affordable Rent, London Living Rent and Shared Ownership and will cover a range of sizes to meet local need.

We are also expanding our development into factory manufactured homes on land that RHP owns or acquires. We are aiming for this to make up around half of our forward programme by the end of our 5-year strategy. These smaller homes will be built using off site technology and will be aimed at single people in the intermediate market, those people priced out of the market, but unable or unlikely to ever get social housing.

"WE ARE EXPANDING OUR DEVELOPMENT INTO FACTORY MANUFACTURED HOMES DELIVERED ON LAND THAT RHP OWNS OR ACQUIRES. WE ARE AIMING THAT THIS WILL MAKE UP AROUND HALF OF OUR FORWARD PROGRAMME BY THE END OF OUR 5-YEAR STRATEGY."

Our vision is to be one of the best service providers in the country and an excellent employer.

3 TO PROVIDE A GREAT PLACE TO WORK

Critical to our future success is maintaining and developing an inspirational organisational culture. This is because to deliver our ambitious strategy we need to attract and retain talented people - and lead them well. Experience has shown us this is the key to achieving customer service excellence and to delivering consistently good business results. It's also enabled us to 'punch above our weight' and attract people capable of driving innovation and change.

Over the past 18 years we have been very successful in making RHP one of the best employers in the country with UK leading levels of employee engagement – being ranked No 1 and No 7 in the 2016 and 2018 Great Place to Work Surveys (for medium sized companies). We are widely regarded as the most innovative social landlord – topping housing's Dolphin Index for the past 4 years running. And earlier this year, we achieved Investors in People (IIP) accreditation at the prestigious platinum level and IIP Employer of the Year award.

	ACTUALS			
KPIs	15/16	16/17	17/18	18/19
Employees satisfied with working at RHP	N/A	97%	93%	96%
Short term sickness absence	1.0%	1.1%	1.1%	1.2%
Employee voluntary turnover	9.9%	11.4%	9.8%	8.1%
Top 20 Great Place to Work	N/A	1st	7th	7th

But we are not stopping there. In the same way as we have modernised our service for customers using new technology, we are modernising our services for our employees, making it easier for them to do business with us any time, any place and any how. Over the next 5 years we plan to build on our employer brand, so that by April 2023 we are widely regarded as one of the very best and most exciting places to work in the UK.

Our aim is to be the place where people want to work because of our strong social purpose and the scale of our ambition. We want to be attracting talented people to work for us from a range of industries and backgrounds, and who might not normally consider working for a housing association. In doing so we want to bring diversity of thinking into creating a rented housing brand - getting the right people to support this will be key. Our culture will be characterised by innovation and creativity – a place where ideas and bravery are valued, supported and encouraged, and where we get the very best out of people by playing to their strengths.

We will support this approach by rewarding high performance and by giving people the flexibility to choose their working arrangements and terms and conditions, so that work fits with and complements their personal lives.

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.

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 18%, the percentage of female employees was 53%, and the percentage of employees who declare they have a disability was 9%. We regularly monitor our gender pay equality and are confident our levels of pay are fair. For 2019, our data shows that on average women earn 1.9% more per hour than men.

Our vision is to be one of the best service providers in the country and an excellent employer.

4 MAINTAINING FINANCIAL STRENGTH

Our financial strength provides the foundation for us to be able to deliver against our strategy and achieve our vision.

Being a financially strong and stable organisation, working within sound financial metrics, is crucially important in helping us to manage risk and adapt to adverse events and changes in our operating environment.

Importantly, financial strength enables us to have the capacity to procure resources and seek additional funding. It supports the agility and confidence that allows us to take advantage of new opportunities, be innovative and drive substantial further improvements in delivery of our strategy of providing more homes, modernising the landlord service, and creating a great place to work.

We continue to focus on 4 key areas:

STRONG FINANCIAL MANAGEMENT

We continue to be financially strong and ensure our performance is closely managed and monitored. We continually stress test our business plan for potential adverse scenarios related to our assessment of the risks facing the business and develop mitigation plans to manage the impact of these. Our insight and forward-looking analysis enables agility within our business to deliver our strategic objectives.

MAXIMISING DEVELOPMENT CAPACITY

Our relentless focus on operating efficiency continues to improve our financial stability and reserves, and also delivers improved borrowing capacity in order to fund the delivery of more new homes.

This capacity and our ongoing financial strength are key to us maintaining a very strong credit rating. This ensures appetite from lenders remains high and the price of our borrowing remains low thereby enabling us to deliver on our strategic ambition to build 1,000 more homes over the 5 years using competitive rates of finance.

RELENTLESS FOCUS ON OPERATING EFFICIENCY

We have led the way in the sector in transforming our operating model to provide a lean organisation, deliver value for money and enhance capacity to build more homes. At the end of 17/18 we were more than 20% more efficient than our London peer group and we will continue this relentless focus. We are known for being one of the most efficient operators in the sector but believe there is more we can do.

PROTECTING AND ENHANCING ASSET VALUE

Our focus is on ensuring we maintain and enhance the value of our assets. This enables us to have ongoing strong available security and stable balance sheet values, it ensures compliance with the Homes standard, and a smooth and predictable investment programme.

The Board is pleased to report another year of strong performance for the Group in the year to 31 March 2019.

GROUP FINANCIAL RESULTS – 5-YEAR SUMMARY

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

Statement of comprehensive income (£'000)	2019	2018 Restated*	2017	2016	2015
Turnover	58,155	55,909	55,771	53,496	52,806
Operating costs and cost of sales	(37,867)	(35,003)	(33,436)	(31,816)	(32,748)
Gain on sale of fixed assets	679	257	284	101	220
Operating surplus	**20,967**	**21,163**	**22,619**	**21,781**	**20,278**
Net interest charge	(7,849)	(8,602)	(8,698)	(9,175)	(7,196)
Movements in fair value	21	27	39	(668)	161
Surplus for the year	**13,139**	**12,588**	**13,960**	**11,938**	**13,243**
Actuarial gain/(loss) on pensions	(2,690)	727	(1,284)	731	(850)
Total comprehensive income	**10,449**	**13,315**	**12,676**	**12,669**	**12,393**
Operating margin	**35%**	**37%**	**41%**	**41%**	**38%**
EBITDA-MRI margin**	**36%**	**38%**	**41%**	**31%**	**31%**
Overall operating cost per unit	**£3,310**	**£3,624**	**£3,047**	**£3,662**	**£3,666**

* 2018 results are restated due to the early adoption of FRS102 changes

** Earnings before interest, tax, depreciation and amortisation, major repairs included, as a percentage of turnover

As a result of our focus over the last 5-year strategy on maintaining financial strength, we are pleased to report positive results again in 18/19. Although the recent years of rent reductions have had an impact on our operating margin, the introduction of our new digital operating model has been very successful in ensuring we continue to maintain sector leading performance.

The Group's operating surplus of £21.0m (2018: £21.2m) and operating margin of 35% (2018: 38%) remain strong, however are lower than in previous years partly due to the ongoing impact of the rent reduction. Additionally, our increasing development programme introduces new dynamics into our financial results. An increase in development has ensured we continue to grow our turnover, and the first tranche sales of shared ownership properties has contributed £2.7m to our turnover and £0.6m to our overall surplus, however with a lower operating margin of 22%, this reduces our overall operating margin.

A contractor failure in 17/18 resulted in an impairment in 17/18 of £1.2m and a further £0.5m in 18/19 affecting our operating surplus.

Our EBITDA-MRI margin remains substantially above our target at 36% (2018: 38%). This is affected in 2018/19 and in 19/20 however as a result of our important investment in our sprinkler systems in our retirement properties and blocks with more than 5 storeys (18/19 £0.3m, 19/20 £2.0m). This investment is essential to our continued focus on the health and safety of our customers.

Our overall operating cost per unit of £3,310 (2018: £3,624) measures the efficiency of our total business including capital works (compared to social housing only cost per unit as measured in our value for money statement). Our relentless focus on operating efficiency and introduction of our new digital housing model have contributed to this continued improvement. This measure is affected however by our impairment and investment in our sprinkler programmes.

The Group's total comprehensive income of £10.4m (2018: £13.3m has been significantly affected by the Social Housing Pension scheme triennial valuation results and move to defined benefit accounting which has resulted in an adverse impact of £3.0m.

Our subsidiary Co-op Homes (South) Limited has contributed £0.9m (2018: £1.1m) to this overall surplus.

FINANCING COSTS

The level of interest payable by the Group remained consistent with prior year, however our net interest payable has reduced overall due to our ability to capitalise more interest costs as a result of increased development expenditure compared to previous years.

As a result of our early adoption of the FRS 102 triennial revisions, we no longer re-value £25m of cancellable Dexia loans at fair value reducing the volatility of our statement of comprehensive income.

STATEMENT OF FINANCIAL POSITION

Statement of financial position (£'000)	2019	2018*	2017	2016	2015
Housing properties at cost less depreciation	364,848	327,430	296,196	267,710	252,392
Investment properties, other tangible and intangible fixed assets	15,183	15,012	14,673	15,190	15,200
Net current assets	6,497	15,841	34,396	46,827	61,527
Total assets less current liabilities	**386,528**	**358,283**	**345,265**	**329,727**	**329,119**
Debt due after 1 year	263,985	251,641	256,586	254,930	262,773
Provision for liabilities	102	102	106	106	2,772
Net pension liability**	9,246	3,794	4,435	3,229	4,781
Total net assets	**113,195**	**102,746**	**84,138**	**71,462**	**58,793**
Income & expenditure reserve	113,195	102,746	84,138	71,462	58,793
Total reserves	**113,195**	**102,746**	**84,138**	**71,462**	**58,793**

* 2018 results are restated due to the early adoption of FRS102 changes
** The net person liability in 2019 now includes the liability for the Social Housing Pension Scheme as a result of the change in accounting treatment of the scheme

Our statement of financial position reflects sound long term investment decisions, our considered approach to growth, 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 10,407 (2018: 10,320) homes with the value of the Group's housing properties at historic cost increasing by £37.4m over the last year to £364.8m. £39.0m (2018: £34.4m) was spent on the development of new affordable housing with £6.1m invested in capital works to our existing properties.

As a result of the tragic events at Grenfell, the Board has committed to investing further in the safety and security of our customers. At our Dean Road Extra Care Scheme we have invested £0.3m in 18/19 to remove external cladding and install a sprinkler system. We are now investing over £2.0m in 19/20 to install sprinkler systems in all of our 5 storey blocks that have single access/egress points.

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. We have accounted for a further impairment charge of £0.5m relating to our development at Staines Road, which suffered a contractor failure in 2017 and resulted in an impairment in 17/18 of £1.2m.

HOUSING ASSETS

Housing properties owned at year end:	2019	2018	2017	2016	2015
Total social housing stock owned at year end (number of dwellings) Including 78 shared ownership properties (2018: 55)	7,370	7,296	7,246	7,130	7,087
Leaseholder properties	1,996	1,994	1,995	1,928	1,921

Additionally we have properties we manage on behalf of others or are managed on our behalf.

"OUR TREASURY MANAGEMENT ACTIVITIES FOCUS UPON ENSURING THAT THE GROUP HAS SUFFICIENT AVAILABLE LIQUIDITY TO FUND ITS OPERATIONS FOR A MINIMUM OF 2 YEARS"

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 2019 is as follows:

Lender	Amount drawn	Total Facility	Facility Expiry
Lloyds	£13.0m	£40.0m	July 2022
MUFG	-	£35.0m	May 2024
RBS	-	£20.0m	Dec 2025
Dexia	£74.0m	£74.0m	June 2029
Listed bond (RHP Finance plc)	£140.0m	£140.0m	Feb 2048
Total	**£227.0m**	**£309.0m**	

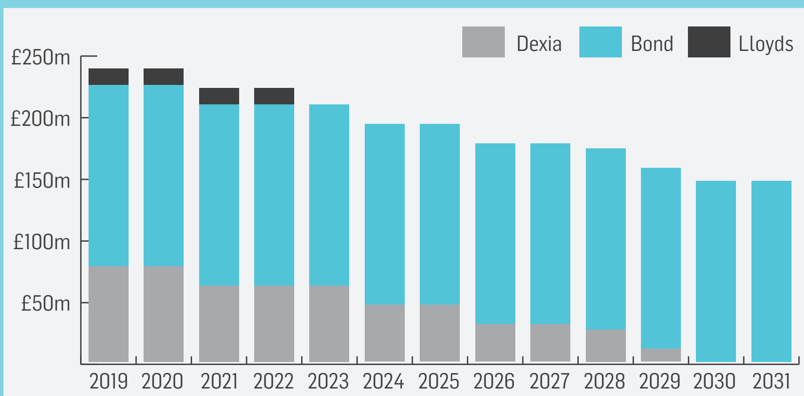
As a result of our increased development programme we have drawn down on our revolving credit facilities, with £13m drawn during the year (£82m undrawn). Interest is paid on a quarterly basis at a margin of 0.80% plus 3 month LIBOR (0.84% at 31 March 2019). This is a substantially lower rate compared to our Dexia and Bond interest profiles which range from 3.19% to 6.88%.

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.

We restated and extended the £20m facility with RBS in December 2018 for a further 7 years at improved terms and pricing.

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 2019 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 90% (2018: 95%) of the Group's borrowings including the listed bond were at fixed rates. The fixed rates of interest for RHP range from 3.19% to 6.88% while the fixed rates for Co-op Homes range from 1.56% to 10.5%.

Variable rate loans are at 3 month LIBOR. With Bank of England base rate and market rates likely to remain low for the foreseeable future, we do not expect any adverse impact to the cost of variable rate loans. However, as we utilise further revolving credit facility funds, the lower rates will reduce our weighted average cost of borrowing and therefore reduce the rate at which we are able to capitalise interest on development expenditure. Our weighted average cost of borrowing was 3.97% at the year-end (2018: 4.11%).

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

The triennial revision of FRS 102 has resulted in a change to our accounting for our Dexia bank loans and we now hold these at cost rather than fair value.

"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."

CREDIT RATING

Standard and Poor's (S&P) recently reviewed our credit rating and announced in May 2019 that it was being adjusted from AA- (negative) to A+ (stable). The rating has been impacted by RHP's plans to substantially increase investment in our development programme (both for affordable rent and shared ownership) over the next five years. The revised rating of A+ has been awarded with a Stable Outlook, with the report reflecting that RHP have a 'solid standing against their peers'. S&P also state that RHP's rating remains strong, is underpinned by the organisation's 'excellent asset quality, and operational performance is supported by highly experienced management'.

INTRAGROUP LOANS

The net proceeds from the 2015 bond issue of £140m were on-lent by RHP Finance plc to RHP. 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 £138.0m 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 2019, £1.1m (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 2019 is commensurate with the performance and investment profile of a charitable housing provider.

VALUE FOR MONEY

RHP STRATEGY

RHP is driven by our core belief in delivering value to customers at a lower cost, so value for money is at our heart. It is core to our all of the pillars of our strategy and explicit in our key performance measures.

We seek to offer value to existing customers, with exceptional technology and multi-channel services, and to those without a place to live by creating more homes in our communities.

GOVERNANCE

Value for Money is embedded in the governance arrangements for the Group and the Board requires Value for Money to be considered in all matters reported to them.

We regularly measure and report against our own value for money metrics within our management and governance reporting and compare our performance to benchmarks where available. Our progress on our value for money strategy is scrutinised by the Board every six months.

The Group Investment Committee (GIC) has a duty to appraise all significant projects across development, finance, IT and Asset Management and requires detailed appraisals and business cases, a minimum return on investment and reviews post completion evaluations.

Our Board scorecard, reported monthly, provides scrutiny on our operating cost per unit. Our approved budget targets specific savings and holds the organisation to delivery of those savings.

The Group's standing orders, procurement function and purchase order systems provide a robust framework over the tendering of works, placing of orders, commitment to and the authorisation of expenditure – ensuring value for money is built into our purchasing processes.

OUR PROGRESS AND NEXT STEPS

We have driven efficiency through modernising our service and digitisation of the customer experience. This has already delivered significant cost savings, releasing funding to build new homes.

We are investing over £1m per year in improving our digital service through the introduction of more services online and improving the existing customer journey as a result of real-time feedback to enable all our customers to choose digital as their preferred channel. Our investment programme includes digitalisation of our back-office systems to release efficiencies across our whole organisation and improve the service our customers receive.

We are improving the way we manage and monitor properties through SMART technology to improve both the customer experience and to reduce the costs of ongoing repairs and maintenance in our homes.

"WE REGULARLY MEASURE AND REPORT AGAINST OUR OWN VALUE FOR MONEY METRICS WITHIN OUR MANAGEMENT AND GOVERNANCE REPORTING AND COMPARE OUR PERFORMANCE TO BENCHMARKS WHERE AVAILABLE. OUR PROGRESS ON OUR VALUE FOR MONEY STRATEGY IS SCRUTINISED BY THE BOARD EVERY SIX MONTHS."

"OUR FOCUS ON MODULAR HOME CONSTRUCTION FOR UP TO 50% OF OUR NEW HOMES PROGRAMME WILL ENABLE BOTH A REDUCTION IN THE COST OF DELIVERING NEW HOMES AND IMPROVEMENT IN SPEED OF DELIVERY."

We have added 609 homes to our stock over the last 6 years and are increasing our development programme to a 1,000 homes over this 5-year strategy, driving value through the communities we serve by providing new affordable and intermediate housing. Our focus on modular home construction for up to 50% of our new homes programme will enable both a reduction in the cost of delivering new homes and improvement in speed of delivery.

In 18/19 we invested in a new procurement function within the Group and have delivered significant improvements in value for money and governance arrangements in our first year. As part of a three-year plan for procurement, substantial further savings are expected.

MEASURING VALUE FOR MONEY

Our performance on the sector scorecard metrics for 2018/19 and 2017/18 (restated) against our London peer group is as follows:

Sector scorecard metrics	2018/19 Actual	2017/18 Actual (restated [1])	2017/18 London peer group [2]
Financial performance			
Operating margin (social housing lettings only)	39%	43%	31%
Operating margin (overall)[3]	34.8%	37.4%	29.0%
Headline social housing cost per unit	£3,725	£3,548	£4,668
Earnings before interest, tax, depreciation, amortisation, major repairs included (EBITDA MRI) Interest cover	215.9%	216.4%	188%
Overheads as a % of adjusted turnover	9%	8%	12%
Rent collected	100.2%	99.8%	100.1%

[1] 2018 results are restated due to the early adoption of FRS102 changes

[2] Providers in London with over 1,000 units, of which 26 supplied their performance to the Sector scorecard

[3] Includes impairment of £1.2m in 17/18 and £0.5m in 18/19 relating to our contractor failure on our Staines Road development scheme and £0.5m impairment in 17/18 on other development schemes.

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 to drive efficiencies in our business. We continue to target margins of greater than 35% 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. Our performance has dropped below that level in 18/19 due to an increase in shared ownership sales, our impairment detailed in note 12 and the further year of rent reductions.

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 from a position which already compared extremely well against the average levels for housing providers who work predominantly in London. At the end of 2017/18 we were 24% more efficient than the median of our London peer group. We did not achieve the further reduction hoped in 18/19 due to our impairment and a change in emphasis enabling customers to change their contact channel of choice.

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.
- A renewed focus upon our core activities as a landlord with discretionary activities reduced in scale, stopped or delivered in a different way.

Although we are already efficient compared to our London peer group, we are continually focused on doing more and delivering further efficiencies as highlighted in our key ambitions in our strategy above.

Our rent collected performance was lower in 2017/18 than our peer benchmark. We have undertaken a year of intense operational focus and underlying performance indicator targets and process improvements have been achieved in 2018/19.

Sector scorecard metrics	2018/19 Actual	2017/18 Actual (restated [1])	2017/18 London peer group [2]
Financial strength			
Gearing	58.6%	59.8%	40.0%
Return on capital employed (ROCE)	5.4%	5.9%	3.5%

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.

We deliver a strong return on capital employed compared to our London peer group due to our strong performance, however we will see this reduce slightly as a result of our 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 appropriate and prudent headroom on our banking covenants as a result of assessing our performance on significantly more stringent internal hurdle rates.

Sector scorecard metrics	2018/19 Actual	2017/18 Actual (restated [1])	2017/18 London peer group [2]
Delivery of new homes			
Reinvestment	12.4%	12.0%	5.4%
New supply delivered (social housing units)	1.3%	1.3%	1.0%

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. 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 £554m. Despite these constraints, we are still performing strongly against our peer group in London and our development programme is progressing well in delivery of our 1,000 new home strategy.

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

We also 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.

"WE ARE CONTINUALLY FOCUSED ON DOING MORE AND DELIVERING FURTHER EFFICIENCIES AS HIGHLIGHTED IN OUR KEY AMBITIONS IN OUR STRATEGY."

BOARD REPORT

BOARD MEMBER PROFILES

John Newbury – Chair of the Board

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 LiveWest and a director and part owner of Wenbury Limited, a management consultancy. John is also a director of RHP Finance plc.

Angelika Chaffey – Vice Chair

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.

Declared Interests: None.

David Done OBE – Chief Executive

As Chief Executive of RHP, David also sits on the Board. David helped establish RHP in 2000 by leading the stock transfer and being appointed its Chief Executive. Previously he worked for five local authorities, homelessness charities, and voluntary sector organisations. David is a recognised thought leader in the sector ranked in the top 10 of 24 Housing's most influential people in 2018 and 2019. His expertise is in business transformation and organisational development, driven by a passion for creating inspirational cultures capable of delivering excellent customer service.

Declared interests: David's partner is the CEO of CDS Cooperatives. His brother in law is Chair of the Board for Robust Details Ltd. David is also a Board member of Golding Homes.

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 nine 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.

Shannel Adams – Board member

Shannel has been an RHP tenant since 2008. She was previously a member of RHP's scrutiny panel and joined the Board in August 2018. She currently works for the NHS as an Assistant Practice Manager at a local GP surgery. Shannel is an events manager at her surgery and has organised various charity events, raising over £4,000. She has a real passion in delivering a high quality of service to individuals.

Declared Interests: None.

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. 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.

Declared interests: Jenine is a member of the Risk and Audit Committee of a Tower Hamlets based housing association, Gateway Housing. 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. Until March 2019, Chris was the Divisional Finance Director for Interserve's Support Services Division. Prior to that, he spent seven years at Centrica where he was the Financial Controller and Finance Director of both the Residential and Commercial Energy Supply businesses. He is a Chartered Accountant and holds a degree in Physics from Imperial College.

Declared Interests: None.

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. Currently he is a director of an internet retailer and of three RHP subsidiaries while also providing ad-hoc consulting services on a self-employed basis. He has lived in Richmond since 1988 and serves in a voluntary capacity on the committees of Richmond Society, Kew Society and London Forum. 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, having previously held senior positions with Carillion, Wimpey and Edmund Nuttall. He is a fellow of the Royal Institution of Chartered Surveyors, a Royal Engineer in the Engineer and Logistics Staff Corps (V) and Chair of Red Door Ventures.

Declared Interests: Nigel is a Major in the Engineer and Logistics Staff Corps (V), Non-executive Chair of Red Door Ventures Limited, a Director of Carlton and joint owner of Carlton Limited, San UK Limited and Taylor Bates Limited.

All RHP Group Board members are also board members of RHP Property Ltd and RHP Develop Ltd.

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 which 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.

RHP Develop Limited and RHP Property Limited are 100% owned subsidiaries of RHP and were incorporated in April 2018. They are currently dormant and have not traded in the financial year, however will assist the Group in our growing development programme in terms of managing risk and maximising financial efficiency.

The detailed arrangements by which RHP exercises control and oversight of Co-op Homes, RHP Finance plc and its other subsidiaries are set out in the Group Management and Control Framework which has been adopted by both the Boards of RHP 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).

"THE RHP BOARD, WHICH IS OUR ULTIMATE GOVERNING BODY, SETS THE OVERALL AIMS AND OBJECTIVES OF THE RHP GROUP"

THE EXECUTIVE GROUP AND MANAGEMENT TEAM

The RHP Group is managed by an Executive Group, comprising the Chief Executive, the Executive Director of Finance, Executive Director of Development, Executive Director of Customer Services and the Executive Director of People and Business 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 25th May 2018. We can confirm we are in compliance with the legislation.

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 Board and 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.

"THE BOARD HAS CONFIRMED ITS ZERO TOLERANCE POLICY TO FRAUD, BRIBERY, MONEY LAUNDERING, TAX EVASION OR CORRUPTION OF ANY KIND"

ANTI-FRAUD, MONEY LAUNDERING AND ANTI-BRIBERY, CORPORATE CRIMINAL OFFENCE

The Board has confirmed its zero tolerance policy to fraud, bribery, money laundering, tax evasion or corruption of any kind. The Group continually reviews its Anti-Fraud and Bribery Policy and approach to corporate criminal offence and carries out training sessions to ensure a culture of fraud, bribery, tax evasion 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 can confirm there have been no instances of fraud in the financial year.

MODERN SLAVERY AND HUMAN TRAFFICKING

The Group is committed to understanding modern slavery risks and ensuring that we comply with our legal and regulatory responsibilities, including the Modern Slavery Act 2015. We take care to ensure that slavery and human trafficking does not exist in any part the Group or supply chain. RHP's full statement on modern slavery is available to download from the RHP website.

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.

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.
- 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, reviewed by the Group Investment Committee 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 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 2019 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 2019, the Board comprises of 11 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 2019.

	Board	Group Investment Committee	Group Audit Committee	Governance and Remuneration Committee	Service Delivery Committee
No. of Meetings	**4**	**4**	**4**	**3**	**4**
Shannel Adams (appointed 18 October 2018)	3/3	-	-	-	2/2
Suzanne Avery	4	4	3/4	-	-
Angelika Chaffey (Vice Chair)	3/4	-	-	3	4
David Done OBE	4	-	-	-	-
Jenine Langrish (appointed 24 April 2018)	4	-	-	2/2	4
Christopher Ling	4	4	4	-	-
Peter Marsh	2/4	3/4	-	3	1/2
John Newbury (Chair)	4	4	-	3	1/2
Toby D'Olier	3/4	-	2/4	-	4
Stephen Speak	4	2/2	4	-	1/2
Nigel Taylor	4	4	4	3	-

EXECUTIVE GROUP - CONTRACTS OF EMPLOYMENT

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

There is a Governance and Remuneration Committee consisting of five Board members, including the Chair and Vice 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 principal risks to the Group and how they are mitigated are as follows:

RISK AREA: HEALTH AND 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 Heath and Safety 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, 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. 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.

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 have recently reviewed our funding requirements and are underway with obtaining additional funding to ensure adequate liquidity requirements are met for the short to medium term.

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.

A refreshed asset management strategy and steering group have provided further focus on effective management of this area. This includes stock condition surveys, thirty year capital replacement programme, continual improvement of data quality, effective management of voids and a disposals strategy.

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

RISK AREA: REPUTATIONAL RISK INCLUDING THOSE ASSOCIATED WITH THE FAILURE OF A DEVELOPMENT SCHEME, A SIGNIFICANT HEALTH AND SAFETY FAILURE OR A POORLY MANAGED STOCK INVESTMENT PROGRAMME.

RISK DETAIL

A significant health and safety failure, failure of a development scheme or adverse publicity regarding 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 2018/19 included:

- Health and Safety
- Development
- Rent collection
- Asset and Liabilities register
- Financial controls

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: DATA PROTECTION AND IT SECURITY RISKS.

RISK DETAIL

The pressure exerted by the external environment on our IT and data security continues to grow and become more sophisticated.

Continued improvements in vigilance, protection systems, training and awareness are critical to protect our customers, employees and business continuity.

On 25th 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 changes 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.

COMMENTS & RISK MITIGATION

A detailed suite of activities are regularly undertaken to assess and improve our management of these threats. This includes third party penetration testing of our networks and other relevant external advice.

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 and cyber protection is provided to employees and managers with specific focus on those areas where personal customer and employee data is held.

We have undertaken a detailed and robust review of our approach and processes to ensure compliance with the GDPR legislation, however ongoing vigilance, focus and improvements will be necessary to ensure this risk is well managed.

RISK AREA: INCOME RELATED RISKS

RISK DETAIL

The roll out of Universal Credit in Richmond and Kingston boroughs is having a significant impact upon levels of arrears with 2019/20 and 2020/21 expected to be the years when the greatest impact is felt.

As a result of current economic uncertainty, the top end of the housing market in our area of operation has seen a reduction in prices. Although demand is currently still strong in shared ownership sales, we are keeping a watchful eye on the market to ensure we implement any mitigation plans early.

COMMENTS & RISK MITIGATION

A detailed action plan for arrears and Universal Credit 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. Our focus continues on cost reduction and liquidity management in order to mitigate these risks as far as possible.

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.

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 24 months 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 is part of the tenure mix, we perform additional sensitivity testing on the impact of a downturn in the market and have detailed mitigation strategies on a development by development basis.

RISK AREA: FINANCE AND FUNDING RISKS INCLUDING THOSE ASSOCIATED WITH BREACHES OF FUNDING 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.
COMMENTS & RISK MITIGATION	Compliance with funding covenants are closely monitored and are reported within the monthly management accounts and quarterly reports to the Group Investment Committee. Our debt portfolio and minimum cash balance requirements ensure that we have sufficient liquidity at low rates of interest to deliver our committed development ambitions. New revolving credit facilities are being put in place in 2019 to continue to ensure our development ambitions (committed and uncommitted) are supported through to 2023. Our strong underlying credit rating and broader investor base now provide greater diversification of funding options for the organisation going forward.

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. 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 makes the schemes increasingly difficult for the Group to maintain.
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. As a result of the recent triennial valuation of the SHPS pension scheme, we are underway with a strategic review of our pension arrangements.

RISK AREA: RISKS OF LOSS OF OUR ORGANISATIONAL CULTURE

RISK DETAIL	We continue to review and adjust our business and its delivery model. Any change leads to a degree of uncertainty amongst employees with the risk that RHP's culture and high levels of employee engagement are threatened.
COMMENTS & RISK MITIGATION	We regularly test levels of employee engagement through employee engagement surveys 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 2018, Statement of Recommended Practice 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 2019. 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 (2018: 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's Governance and Financial Viability Standard throughout the period and up to the date of this report.

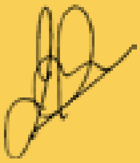
AUDITOR

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 18 July 2019 at Waldegrave Road, Teddington.

The report of the Board was approved by the Board on 11 July 2019 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 2019 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 2019 and of the Group's and the Association's surplus for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

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 construction

The group holds properties under construction at the balance sheet date with a carrying amount of £54,372,000 in Note 12 Tangible Fixed Assets – Housing Properties and £11,581,000 in Note 17 Properties for Sale. For all schemes under development at the year-end management has performed an assessment of their recoverable amount, whether through sale or use, using external valuations, including an assessment of the actual costs incurred against budget.

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 construction. This assessment sets out anticipated sales proceeds and expected costs to complete the properties.

For a chosen sample of properties developed for sale, we agreed the anticipated sales proceeds to third party valuations. We have identified the third party valuer and checked that their experience and expertise and their work is suitable for our purposes.

For a sample of properties under construction, we obtained details of the expected costs to complete from the updated 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.

RECOGNITION AND MEASUREMENT OF LIABILITIES RELATED TO THE SOCIAL HOUSING PENSION SCHEME AND RELATED PRESENTATION AND DISCLOSURE

As disclosed in note 9 and in the accounting policies a method for the determination of sufficient information for full defined benefit accounting has been determined and information to facilitate inclusion of the share of assets and liabilities on the balance sheet has been provided to the Association and Group. FRS 102 has also been amended to reflect accounting requirements in such an event. The policy and note explain that these changes have been early-adopted and explain the how this change has been reported in respect of:

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

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

Our response to the key audit matter:

Our specific audit testing in this regard included:

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

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

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

KEY OBSERVATIONS

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

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account 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 £6,110,000 (2018 - £5,626,000) which represents 1.5% of total assets (2018 – 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 £2,068,000 (2018 - £2,070,000), which is 7.5% of adjusted operating profit. (2018 - 7.5%).

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 £5,815,000 (2018 - £5,342,000) with a specific materiality set at £1,970,000 (2018 - £1,956,000).

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% (2018 – 75%) 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 £122,000 for areas considered using financial statement materiality and £41,000 for areas considered using specific materiality (2018 - £113,000 / £41,000), 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.

EXTENT TO WHICH THE AUDIT IS CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

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

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

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

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

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

CLASSIFICATION OF COMPONENTS

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

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

OTHER INFORMATION

The board is responsible for the other information. Other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information 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 statement of responsibilities of the Board, set out on page 32, 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 3 years, covering the years ending 31 March 2017 to 31 March 2019.

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.

EKulczycki

Elizabeth Kulczycki, Senior Statutory Auditor

For and on behalf of BDO LLP, Statutory Auditor

Gatwick

United Kingdom

Date: 18 July 2019

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 2019

		GROUP		ASSOCIATION	
	Note	**2019 £'000**	**2018 Restated £'000**	**2019 £'000**	**2018 Restated £'000**
Turnover	2	58,155	55,909	55,273	52,933
Cost of sales	2	(2,089)	-	(2,089)	-
Operating costs	2	(35,778)	(35,003)	(33,826)	(33,202)
Gain on sale of fixed assets	2,5	679	257	679	257
Operating surplus	2	**20,967**	**21,163**	**20,037**	**19,988**
Interest receivable and other income	7	86	127	105	154
Interest payable	8	(7,935)	(8,729)	(7,898)	(8,700)
Movement in fair value of investment properties	15	21	27	21	27
Surplus before tax		**13,139**	**12,588**	**12,265**	**11,469**
Taxation	11	-	-	-	-
Surplus for the year		**13,139**	**12,588**	**12,265**	**11,469**
Actuarial (loss)/gain on pensions	9	(2,690)	727	(2,383)	727
Total comprehensive income for the year		**10,449**	**13,315**	**9,882**	**12,196**

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 2019

		GROUP		ASSOCIATION	
Fixed Assets	**Note**	**2019 £'000**	**2018 Restated £'000**	**2019 £'000**	**2018 Restated £'000**
Tangible fixed assets – housing properties	12	364,848	327,430	344,468	307,023
Other tangible fixed assets	13	7,125	7,580	7,093	7,542
Intangible fixed assets	14	1,077	484	1,077	484
Investment properties	15	6,981	6,948	6,981	6,948
Investments in subsidiaries	16	-	-	13	13
		380,031	**342,442**	**359,632**	**322,010**
Current Assets					
Properties held for sale	17	12,521	6,223	12,521	6,223
Trade and other debtors	18	4,148	3,983	5,128	5,754
Cash and cash equivalents		10,548	21,198	10,377	20,894
		27,217	**31,404**	**28,026**	**32,871**
Creditors: amounts falling due within one year	19	(20,720)	(15,563)	(19,852)	(14,580)
Net current assets		**6,497**	**15,841**	**8,174**	**18,291**
Total assets less current liabilities		**386,528**	**358,283**	**367,806**	**340,301**
Creditors: amounts falling due after more than one year	20	(263,985)	(251,641)	(253,443)	(240,484)
Provision for liabilities	27	(102)	(102)	-	-
Net pension liability	9	(9,246)	(3,794)	(8,458)	(3,794)
Total net assets		**113,195**	**102,746**	**105,905**	**96,023**
Reserves					
Share capital	28	-	-	-	-
Income and expenditure reserve		113,195	102,746	105,905	96,023
Total reserves		**113,195**	**102,746**	**105,905**	**96,023**

The notes on pages 42 to 82 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of directors on 11 July 2019 and signed on its behalf by:

John Newbury
Chair

Stephen Speak
Chair of Group Audit Committee

S Speak

David Done OBE
Chief Executive

Statement of Changes in Reserves

FOR THE REPORTING DATE TO 31 MARCH 2019

GROUP	Income and expenditure reserve £'000
Balance at 31 March 2017	**83,736**
Prior year adjustment (Note 33)	5,695
Restated balance at 31 March 2017	**89,431**
Restated surplus for the year	12,588
Actuarial gain on defined benefit pension scheme	727
Balance at 31 March 2018	**102,746**
Surplus for the year	13,139
Actuarial loss on defined benefit pension scheme	(2,690)
Balance at 31 March 2019	**113,195**

ASSOCIATION	Income and expenditure reserve £'000
Balance at 31 March 2017	**78,132**
Prior year adjustment (Note 33)	5,695
Restated balance at 31 March 2017	**83,827**
Restated surplus for the year	11,469
Actuarial gain on defined benefit pension scheme	727
Balance at 31 March 2018	**96,023**
Surplus for the year	12,265
Actuarial gain on defined benefit pension scheme	(2,383)
Balance at 31 March 2019	**105,905**

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2019

Cash flows from operating activities	**2019 £'000**	**2018 £'000**
Operating surplus for the year	20,967	21,163
Depreciation charges and impairment	7,647	7,393
Increase in properties for sale	(5,935)	(2,975)
Increase in debtors	(165)	(520)
Difference between net pension expense and cash contribution	(102)	(400)
Release of social housing grant	(387)	(341)
Increase in creditors	4,633	3,663
Dilapidations released	-	(4)
Net cash generated from operating activities	**26,658**	**27,979**
Cash flows from investing activities		
Purchase and improvement of housing properties	(42,965)	(37,980)
Social housing grant received	3,297	2,965
Purchase of other fixed assets	(933)	(627)
	(40,601)	**(35,642)**
Cash flow from financing activities		
Interest received	86	127
Interest paid	(9,609)	(9,256)
Drawdown of loans	12,816	-
Repayments of borrowings	-	(21)
	3,293	**(9,150)**
Net change in cash and cash equivalents	**(10,650)**	**(16,813)**
Cash and cash equivalents at the beginning of the year	**21,198**	**38,011**
Cash and cash equivalents at the end of the year	**10,548**	**21,198**

The notes on pages 42 to 82 form part of these financial statements.

Notes to the Financial Statements for the reporting date 31 March 2019

1A. ACCOUNTING POLICIES

LEGAL STATUS

RHP is a Public 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 September 2018 (SORP 2018) and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019.

The accounts are prepared under the historic cost basis except for the modification to a fair value basis for certain investment properties as specified in the accounting policies below.

The triennial review of FRS102 was completed by the FRC in June 2018 and is effective for accounting periods beginning on or after 1 January 2019 with an opportunity to adopt early. The Group has adopted these changes in FRS102 one year earlier than required and reflects these changes in these 2018/19 financial statements. As a result, the Group has also early adopted the Statement of Recommended Practice: Accounting by Registered Social Landlords issued in September 2018 and the Accounting Direction for Private Registered Providers of Social Housing 2019. The effect of the changes has been set out in note 33.

In the preparation of these financial statements, the requirements set out in: "Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland: Multi-employer defined benefit plans" have been adopted early. This has resulted in changes to the accounting policy for the SHPS multi-employer scheme from the start of the reporting period. This means that accounting for SHPS has not been consistently applied as compared to reporting in prior years. Further information on the impact of early adopting these requirements is set out in note 9.

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 under FRS 102:

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

BASIS OF CONSOLIDATION

The consolidated financial statements of the RHP group incorporate the financial statements of RHP, Co-op Homes (South) Limited, another community benefit entity, RHP Finance plc, a public limited company registered on the London Stock Exchange, RHP Property Ltd and RHP Develop Ltd as if they were a single entity. Intercompany transactions and balances between companies are eliminated in full.

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.

Notes to the Financial Statements for the reporting date 31 March 2019

1A. ACCOUNTING POLICIES (CONTINUED)

OPERATING SEGMENTS

There are publically traded securities within the Group and therefore a requirement to disclose information about the Group operating segments under IFRS8. Segmental information is disclosed in note 3 and as part of the analysis of housing properties in note 12. Information about income, expenditure and assets attributable to material operating segments are presented on the basis of the nature and function of housing assets held by the group rather than geographical locations. As permitted by IFRS 8 this is appropriate on the basis of the similarity of the services provided, the nature of the risks associated, the type and class of customer and the nature of the regulatory environment across all of the geographical locations in which the Group operates. The Group board do not routinely receive segmental information disaggregated by geographical location.

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 Wandsworth Council Pension Fund (WCPF) (Previously 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.

RHP was part of the London Borough of Richmond Upon Thames Pension Fund which has now merged with the Wandsworth Council Pension Fund, and so Richmond Housing Partnership participates in the merged Wandsworth Council Pension Fund. The WCPF is now closed to future accrual.

The employer contributions in respect of the defined contribution scheme are charged to the statement of comprehensive income as they are incurred.

For financial years ending on or after 31 March 2019, the way in which the defined benefit pension obligation in SHPS is stated in the financial statements has changed. Previously there has been insufficient information available to account for these obligations on a defined benefit basis (i.e. stating assets and obligations). As a result, and as required by FRS 102, the obligation has been accounted for by stating the present value of agreed future deficit repayment contributions. For financial years ending on or after 31 March 2019, sufficient information is available to account for the obligations on a defined benefit basis. The information provided during the year gives the liability at 31 March 2018 however, as this information only became available in the current year and after the financial statements for the prior year had been authorised for issue, the change in accounting has been recorded on the first day of the current year, with no restatement of comparatives, in accordance with the requirements set out in: "Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland: Multi-employer defined benefit plans. Whilst comparative figures have not been restated the information provided about the liability at 1 April 2018 has been included in the pension note as it provides useful information to a reader of the accounts. The true comparative information is represented by the SHPS deficit reduction creditor as set out in the comparatives to the creditors' notes.

The liability recognised for the present value of the deficit agreement (Association: £2,359k, Group: £2,864k) has been derecognised and the net pension deficit at 31 March 2018 (Association: £4,683k, Group: £5,331k) has been recognised through other comprehensive income in the year.

The defined benefit schemes provided by SHPS and WCPF are 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 benefit 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.

Notes to the Financial Statements for the reporting date 31 March 2019

1A. ACCOUNTING POLICIES (CONTINUED)

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 2019, interest has been capitalised at an average rate of 4.07% (2018: 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	**Roofs**	50 yrs
Kitchen	20 yrs	**Windows**	30 yrs
Bathroom	30 yrs	**Door**	20 yrs
Central heating	15 yrs	**Water tanks**	40 yrs
Electrical	40 yrs	**Sprinklers**	15 yrs
Lifts	25 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	95 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.

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 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.

Under the original section 16, FRS102 required the Association to account for the floor space that its subsidiary, Co-op Homes (South) Limited, occupies at 8 Waldegrave Road as an investment property. Under the original section 16, an adjustment was required to the Group accounts to account for this floor space as a tangible fixed asset.

Following the triennial review, this is no longer required, and RHP has elected to account for the floor space as a tangible fixed asset in both the Association and Group accounts and to use the historical cost and depreciate as if the amount was always held at cost in both the Association and Group financial statements. An adjustment has been made to the prior year's accounts to account for this change.

Notes to the Financial Statements for the reporting date 31 March 2019

1A. ACCOUNTING POLICIES (CONTINUED)

INVESTMENT IN SUBSIDIARIES

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

RHP holds 1 £1 ordinary share in RHP Develop Limited and RHP Property Limited.

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 chosen to early adopt the triennial review of FRS102. This has resulted in changes to 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 (the lender), there are options to cancel the interest rates on two tranches of the loan to RHP at certain fixed points in the future. Under FRS102, this initially meant they did not meet the requirements of section 11.9 of FRS 102, so these two tranches were 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.

The addition of paragraph 11.9A to this section of the standard ensures that the two tranches of the Dexia loans with options to cancel the interest rates meet the principle-based description of a basic financial instrument and will now be held at amortised cost. A prior period adjustment has been made to the accounts to reflect this change.

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 credited to a Recycled Capital Grants Fund and included in the balance sheet in creditors.

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.

1B. SIGNIFICANT JUDGEMENTS & 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.

Management have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on EUV-SH or depreciated replacement cost. Management have also considered impairment based on their assumptions to define cash or asset generating units.

Notes to the Financial Statements for the reporting date 31 March 2019

1b. SIGNIFICANT JUDGEMENTS AND ESTIMATES

Due to the insolvency of the original developer on our scheme at Staines Road, we have carried out an ongoing review of impairment in accordance with FRS102. The impairment calculation is carried out on the units according to their tenure as this was the smallest identifiable group of assets within the scheme (each tenure 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.

Following an impairment in the 2017/18 accounts of £1.2m, a further review has been performed relating to the performance of the development in 2018/19. A valuation at 23 January 2019 determined that the MV-VP of the shared ownership units and the indicative EUV-SH valuation of the rented units were lower than the carrying values, resulting in a further impairment of £0.5m.

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 addition of paragraph 11.9A to section 11 of the standard means that the Dexia bank loan now meets this principle-based description and has been classified as non-basic financial instruments and is therefore held at cost.

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 amortised cost.

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.

Following the events at Grenfell Tower in June 2017, it was decided to retrofit sprinklers to our high rise blocks at Slade & Jameson House and our extra care schemes at Dean Road and Sandown Court. It has been determined that this is capital expenditure and a new component of sprinklers has been created with a useful life of 15 years.

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 £7.5m at 31 March 2019.

Under section 16, FRS102 required RHP to account for the floor space that Co-op Homes occupy at 8 Waldegrave Road as an investment property. An adjustment was required to the group accounts to account for this floor space as a tangible fixed asset.

Following the early adoption of the revised standard (see above), the floor space occupied by Co-op homes will now be treated as a tangible fixed asset in both the Association and Group financial statements and held at depreciated cost. An adjustment has been made to the prior year's accounts to account for this change.

SHARED OWNERSHIP

Our shared ownership viability assessments assume a first tranche portion based on the number of bedrooms. 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 percentage 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.

RECOVERY OF PROPERTIES DEVELOPED FOR SALE

Properties developed for sale are carried on the statement of financial position at the lower of cost or net realisable value. Cost is taken as the production cost which includes an appropriate proportion of attributable overheads. Net realisable value is based on estimated sale proceeds after allowing for further costs to completion and selling costs.

PENSIONS

Key judgements have been made in respect of the critical underlying assumptions in relation to the estimate of the SHPS and LGPS defined benefit scheme obligations such as standard rates of inflation, mortality, discount rate and anticipated future salary increases. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expense.

Notes to the Financial Statements (continued)

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

GROUP	Turnover £'000	Cost of sales £'000	Operating costs £'000	Gain on sale of fixed assets £'000	Operating surplus/ (deficit) £'000	2018 £'000
Social housing lettings	50,845	-	(31,014)	-	19,831	21,806
Other social housing activities						
Leasehold services	1,611	-	(1,675)	-	(64)	(2)
Leasehold major repairs	341	-	(773)	-	(432)	284
First tranche shared ownership sales	2,684	(2,089)	-	-	595	-
Development	-	-	(654)	-	(654)	(2,027)
Garages	985	-	(173)	-	812	741
Management fees	909	-	(778)	-	131	139
Other	(53)	-	(181)	-	(234)	(97)
RTA/RTB property sales	-	-	-	679	679	257
	57,322	**(2,089)**	**(35,248)**	**679**	**20,664**	**21,101**
Non-social housing activities						
Commercial	833	-	(530)	-	303	62
	58,155	**(2,089)**	**(35,778)**	**679**	**20,967**	**21,163**

ASSOCIATION	Turnover £'000	Cost of sales £'000	Operating costs £'000	Gain on sale of fixed assets £'000	Operating surplus/ (deficit) £'000	2018 Restated £'000
Social housing lettings	48,702	-	(29,888)	-	18,814	20,654
Other social housing activities						
Leasehold services	1,611	-	(1,675)	-	(64)	(2)
Leasehold major repairs	341	-	(773)	-	(432)	284
First tranche shared ownership sales	2,684	(2,089)	-	-	595	-
Development	-	-	(654)	-	(654)	(2,027)
Garages	985	-	(173)	-	812	741
Management fees	-	-	-	-	-	-
Other	117	-	(133)	-	(16)	19
RTA/RTB property sales	-	-	-	679	679	257
	54,440	**(2,089)**	**(33,296)**	**679**	**19,734**	**19,926**
Non-social housing activities						
Commercial	833	-	**(530)**	**-**	303	62
	55,273	**(2,089)**	**(33,826)**	**679**	**20,037**	**19,988**

Notes to the Financial Statements (continued)

3. INCOME & EXPENDITURE FROM SOCIAL HOUSING LETTINGS

GROUP	General needs housing £'000	Affordable housing £'000	Key workers £'000	Temporary housing £'000	Supported housing £'000	Shared ownership £'000	2019 Total £'000	2018 Total £'000
Rents receivable net of identifiable service charges	37,173	6,374	738	25	2,412	240	46,962	46,735
Service & other charges receivable	2,415	26	36	1	926	40	3,444	3,048
Charges for support services	-	-	-	-	52	-	52	542
Amortised government grants	217	114	2	-	45	9	387	342
Turnover from social housing lettings	**39,805**	**6,514**	**776**	**26**	**3,435**	**289**	**50,845**	**50,667**
Management	9,184	1,118	159	16	1,188	122	11,787	11,392
Service charge costs	1,646	124	17	1	439	13	2,240	2,249
Rents payable	-	-	-	14	-	-	14	14
Routine maintenance	2,983	338	48	10	225	37	3,641	3,221
Planned maintenance	3,286	400	57	-	235	44	4,022	3,291
Major repairs expenditure	1,968	245	35	-	144	8	2,400	2,779
Bad debts	(8)	22	(2)	4	2	-	18	419
Depreciation	4,395	1,262	68	-	600	3	6,328	5,336
Accelerated depreciation	406	42	1	-	94	-	543	143
Other costs	17	-	-	4	-	-	21	17
Operating costs on social housing lettings	**23,877**	**3,551**	**383**	**49**	**2,927**	**227**	**31,014**	**28,861**
Operating surplus/(deficit) for social housing lettings	**15,928**	**2,963**	**393**	**(23)**	**508**	**62**	**19,831**	**21,806**
Void losses	**(114)**	**(352)**	**-**	**(4)**	**(88)**	**(7)**	**(565)**	**(551)**

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	2019 Total £'000	2018 Restated Total £'000
Rents receivable net of identifiable service charges	35,319	6,374	738	2,412	240	45,083	44,795
Service & other charges receivable	2,286	26	36	926	40	3,314	2,921
Charges for support services	-	-	-	52	-	52	542
Amortised government grants	83	114	2	45	9	253	208
Turnover from social housing lettings	**37,688**	**6,514**	**776**	**3,435**	**289**	**48,702**	**48,466**
Management	8,999	1,118	159	1,188	122	11,586	11,100
Service charge costs	1,544	124	17	439	13	2,137	2,134
Routine maintenance	2,718	338	48	225	37	3,366	2,990
Planned maintenance	3,217	400	57	235	44	3,953	3,241
Major repairs expenditure	1,968	245	35	144	8	2,400	2,779
Bad debts	(28)	22	(2)	2	-	(6)	413
Depreciation	3,976	1,262	68	600	3	5,909	5,012
Accelerated depreciation	406	42	1	94	-	543	143
Operating costs on social housing lettings	**22,800**	**3,551**	**383**	**2,927**	**227**	**29,888**	**27,812**
Operating surplus for social housing lettings	**14,888**	**2,963**	**393**	**508**	**62**	**18,814**	**20,654**
Void losses	**(113)**	**(352)**	**-**	**(88)**	**(7)**	**(560)**	**(536)**

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	
Social housing – managed directly	**2019 No.**	**2018 No.**	**2019 No.**	**2018 No.**
General needs housing	6,053	6,066	5,752	5,765
Affordable housing	716	647	716	647
Key workers	102	111	102	111
Supported housing	421	421	421	421
Shared ownership	78	51	78	51
Total units in ownership	**7,370**	**7,296**	**7,069**	**6,995**
Accommodation managed on behalf of others	995	997	19	19
Accommodation managed on our behalf	46	33	46	33
Total units managed or owned	**8,411**	**8,326**	**7,134**	**7,047**
Leasehold	1,996	1,994	1,996	1,994
Total units in management (including Leasehold)	**10,407**	**10,320**	**9,130**	**9,041**

5. SURPLUS ON SALE OF FIXED ASSETS

GROUP & ASSOCIATION	2019					2018
Housing properties	**Shared ownership staircasing £'000**	**Right to buy £'000**	**Right to acquire £'000**	**Other £'000**	**Total £'000**	**Total £'000**
Disposal proceeds	-	2,016	688	-	2,704	1,257
Amounts payable to LBRuT under RTB sharing agreement	-	(1,779)	-	-	(1,779)	(654)
Cost of disposals	-	(183)	(55)	-	(238)	(331)
Selling costs	-	(5)	(1)	(2)	(8)	(15)
Surplus	**-**	**49**	**632**	**(2)**	**679**	**257**

Notes to the Financial Statements (continued)

6. OPERATING SURPLUS

This is arrived at after charging:

	GROUP		ASSOCIATION	
	2019 £'000	2018 £'000	2019 £'000	2018 Restated £'000
Depreciation of housing properties	6,328	5,336	5,909	5,012
Accelerated depreciation on component replacements	543	143	543	143
Depreciation of other tangible fixed assets	381	431	365	413
Amortisation of intangible fixed assets	402	389	402	389
Impairment of housing properties	536	1,237	536	1,237
Operating lease rentals				
- Land and buildings	14	14	-	-
- Vehicles	51	21	51	21
- Office equipment and computers	63	80	63	80
Auditors' remuneration (excluding VAT)				
- For audit of statutory accounts	58	63	46	51
- For service charge audit	9	9	9	9
- For other assurance services	5	3	5	3

7. INTEREST RECEIVABLE & OTHER SIMILAR INCOME

	GROUP		ASSOCIATION	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Interest receivable and other similar income	86	127	105	154

8. INTEREST PAYABLE

	GROUP		ASSOCIATION	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Loans and bank overdrafts	9,299	9,256	9,278	9,234
Disposal Proceeds Fund (Note 22)	6	7	6	7
Interest charge on pensions	231	160	215	153
Amortised finance cost	79	339	79	339
	9,615	**9,762**	**9,578**	**9,733**
Interest capitalised on construction of housing properties (Note 12,17)	(1,680)	(1,033)	(1,680)	(1,033)
	7,935	**8,729**	**7,898**	**8,700**

Notes to the Financial Statements (continued)

9. EMPLOYEES

	GROUP		ASSOCIATION	
	2019 No.	2018 No.	2019 No.	2018 No.
Average monthly number of employees:				
Administration	91	83	70	64
Development	9	10	9	10
Housing, support and care	145	145	145	145
	245	**238**	**224**	**219**
Average monthly number of employees expressed in full time equivalents:				
Administration	85	76	65	59
Development	9	7	9	7
Housing, support and care	136	132	136	132
	230	**215**	**210**	**198**

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

	GROUP		ASSOCIATION	
Employee costs	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Wages and salaries	8,268	7,626	7,507	6,940
Social security costs	772	713	695	644
Other pension costs	997	824	913	788
	10,037	**9,163**	**9,115**	**8,372**

	GROUP		ASSOCIATION	
Pensions costs	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Regular employer contributions to SHPS and WCPF	443	376	417	333
Pension deficit payments to SHPS and WCPF	554	485	496	485
Pension deficit liability provision movements	-	(37)	-	(30)
Total Pensions Costs	**997**	**824**	**913**	**788**

Notes to the Financial Statements (continued)

9. EMPLOYEES (continued)

Pensions costs recognised in other comprehensive income	GROUP 2019 £'000	GROUP 2018 £'000	ASSOCIATION 2019 £'000	ASSOCIATION 2018 £'000
Derecognition of liability for present value of SHPS deficit agreement	2,864	-	2,359	-
Initial recognition of SHPS pension liability	(5,331)	-	(4,683)	-
Actuarial loss on SHPS pension	(1,196)	-	(1,032)	-
Actuarial gain on WCPF pension	973	727	973	727
Total pensions costs	**(2,690)**	**727**	**(2,383)**	**727**

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

SOCIAL HOUSING PENSION SCHEME

Defined Contribution Pension Scheme

Employer contributions in respect of this scheme are charged to the Statement of Comprehensive Income as incurred.

	GROUP 2019 £'000	GROUP 2018 £'000	ASSOCIATION 2019 £'000	ASSOCIATION 2018 £'000
Employer contributions	230	133	200	110

Notes to the Financial Statements (continued)

9. EMPLOYEES (continued)

Defined Benefit Pension Scheme

The Group participates in the Social Housing Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK.

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 last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A recovery plan has been put in place with the aim of removing this deficit by 30 September 2026.

The Scheme is classified as a 'last-man standing arrangement'. Therefore the Group 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.

For financial years ending on or before 28 February 2019, it has not been possible for the Group to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the Group has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the Group to account for the Scheme as a defined benefit scheme.

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the Group's fair share of the Scheme's total assets to calculate the Group's net deficit or surplus at the accounting period start and end dates.

	GROUP		ASSOCIATION	
Present values of defined benefit obligation, fair value of assets and defined benefit asset (liability)	**2019 £'000**	**2018 £'000**	**2019 £'000**	**2018 £'000**
Fair value of plan assets	17,327	15,848	14,750	13,417
Present value of defined benefit obligation	(23,720)	(21,179)	(20,355)	(18,100)
Scheme deficit	(6,393)	(5,331)	(5,605)	(4,683)
Deferred tax	-	-	-	-
Net defined benefit liability to be recognised	**(6,393)**	**(5,331)**	**(5,605)**	**(4,683)**

Notes to the Financial Statements (continued)

9. EMPLOYEES (continued)

Reconciliation of opening and closing balance of the defined benefit obligation	GROUP 2019 £'000	ASSOCIATION 2019 £'000
Defined benefit obligation at start of period	21,179	18,100
Current service cost	485	427
Expenses	21	17
Interest expense	555	477
Contributions by plan participants	247	223
Actuarial gains due to scheme experience	(288)	(311)
Actuarial losses due to changes in demographic assumptions	63	53
Actuarial gains due to changes in financial assumptions	1,697	1,521
Benefits paid and expenses	(239)	(152)
Defined benefit obligation at end of period	**23,720**	**20,355**

Reconciliation of opening and closing balances of the fair value of plan assets	GROUP 2019 £'000	ASSOCIATION 2019 £'000
Fair value of plan assets at start of period	15,848	13,417
Interest income	420	358
Gain on plan assets (excluding amounts included in interest income)	276	231
Contributions by the employer	775	673
Contributions by plan participants	247	223
Benefits paid and expenses	(239)	(152)
Fair value of plan assets at end of period	**17,327**	**14,750**

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2019 was £589,000 (RHP) £722,000 (Group).

Notes to the Financial Statements (continued)

9. EMPLOYEES (continued)

	GROUP	ASSOCIATION
Defined benefit costs recognised in statement of comprehensive income (SoCI)	**2019 £'000**	**2019 £'000**
Current service cost	485	427
Expenses	21	17
Net interest expense	135	119
Defined benefit costs recognised in statement of comprehensive income (SoCI)	**641**	**563**

	GROUP	ASSOCIATION
Defined benefit costs recognised in other comprehensive income	**2019 £'000**	**2019 £'000**
Gain on plan assets (excluding amounts included in net interest cost)	276	231
Experience gains arising on the plan liabilities	288	311
Losses arising from changes in the demographic assumptions	(63)	(53)
Losses arising from changes in the financial assumptions	(1,697)	(1,521)
Total loss recognised in other comprehensive income	**(1,196)**	**(1,032)**

Notes to the Financial Statements (continued)

9. EMPLOYEES (continued)

	GROUP		ASSOCIATION	
Assets	**2019 £'000**	**2018 £'000**	**2019 £'000**	**2018 £'000**
Absolute return	1,499	1,936	1,276	1,639
Alternative risk premia	1,000	601	851	509
Corporate bond fund	808	651	688	551
Credit relative value	317	-	270	-
Distressed opportunities	315	153	268	130
Emerging markets debt	598	639	509	541
Fund of hedge funds	78	522	66	442
Global equity	2,915	3,130	2,482	2,650
Infrastructure	909	406	774	344
Insurance-linked securities	497	416	423	352
Liability driven investment	6,337	5,774	5,395	4,888
Long lease property	255	-	217	-
Net current assets	33	15	28	13
Over 15 Year gilts	-	-	-	-
Private debt	233	141	198	119
Property	390	730	332	618
Risk sharing	523	147	445	124
Secured income	620	587	528	497
Total assets	**17,327**	**15,848**	**14,750**	**13,417**

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

Key assumptions	**2019 %**	**2018 %**
Discount rate	2.36	2.60
Inflation (RPI)	3.24	3.13
Inflation (CPI)	2.24	2.13
Salary growth	3.24	3.13
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

Notes to the Financial Statements (continued)

9. EMPLOYEES (continued)

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

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

WANDSWORTH COUNCIL PENSION FUND (WCPF)

The Wandsworth Council Pension Fund is a multi-employer scheme, which is administered by Wandsworth Council under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme. RHP was part of the London Borough of Richmond Upon Thames Pension Fund which has now merged with the Wandsworth Council Pension Fund, and so Richmond Housing Partnership participates in the merged Wandsworth Council Pension Fund. 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.

	2019 %	2018 %
Rate of increase in salaries	N/A	N/A
Rate of increase in pensions in payment	2.40	2.35
Discount rate	2.40	2.55

Fair value of employer assets:	**2019 £'000**	**2018 £'000**
Equities	7,802	8,164
Gilts	330	676
Other bonds	1,307	916
Property	482	334
Cash	318	85
Multi asset fund	1,587	954
	11,826	**11,129**

Notes to the Financial Statements (continued)

9. EMPLOYEES (continued)

Life expectancy from age 65 (years):	31 March 2019 £'000	31 March 2018 £'000
Retiring today		
Males	23.4	24.5
Females	24.8	26.8
Retiring in 20 years		
Males	25.0	26.8
Females	26.6	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:	2019 £'000	2018 £'000
Present Value of funded liabilities	(14,679)	(14,923)
Fair value of employer assets (bid value)	11,826	11,129
Net Liability in the Statement of Financial Position	**(2,853)**	**(3,794)**

The amounts recognised in the statement of comprehensive income are as follows:	2019 £'000	2018 £'000
Net interest on the defined pension liability	96	119
Admin expenses	5	5
Total charged to current year Statement of Comprehensive Income	**101**	**124**

Reconciliation of opening and closing balances of the defined benefit obligation	2019 £'000	2018 £'000
Opening defined benefit obligation	14,923	15,365
Interest cost	377	411
Change in financial assumptions	506	(531)
Change in demographic assumptions	(820)	-
Estimated benefits paid	(307)	(322)
Closing defined benefit obligation	**14,679**	**14,923**

Notes to the Financial Statements (continued)

9. EMPLOYEES (continued)

Reconciliation of opening and closing balances of the fair value of employer assets	**2019 £'000**	**2018 £'000**
Opening fair value of employer assets	11,129	10,930
Contributions by the employer	69	68
Estimated benefits paid	(307)	(322)
Interest on assets	281	292
Admin expenses	(5)	(5)
Return on assets less interest	659	166
Closing fair value of employer assets	**11,826**	**11,129**

The total return on the fund assets for the year to 31 March 2019 is £940,000.

Reconciliation of opening and closing surplus	**2019 £'000**	**2018 £'000**
Movement in deficit during the year		
Association share of scheme liabilities at beginning of year	(3,794)	(4,435)
Movement in year:		
Current service cost	(5)	(5)
Contributions	69	68
Other finance costs	(96)	(119)
Actuarial gains	973	697
Association share of scheme liabilities at end of year	**(2,853)**	**(3,794)**

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	
	2019 £'000	**2018 £'000**	**2019 £'000**	**2018 £'000**
Executive directors' emoluments	608	457	608	457
Pension contributions in respect of services as directors	48	37	48	37
Amounts paid to non-executive directors	69	60	69	60
	725	**554**	**725**	**554**

The total amount payable to the Chief Executive, who is a Board member and is the highest paid director in respect of emoluments was £172k (2018: £168k). Pension contributions of £14k (2018: £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 below:

	GROUP		ASSOCIATION	
	2019 No.	**2018 No.**	**2019 No.**	**2018 No.**
£60,000 - £69,999	6	4	6	4
£70,000 - £79,999	5	3	5	3
£80,000 - £89,999	3	2	3	2
£90,000 - £99,999	2	4	1	3
£100,000 - £109,000	2	1	2	1
£110,000 - £119,000	-	-	-	-
£120,000 - £129,000	-	-	-	-
£130,000 - £139,000	2	-	2	-
£140,000 - £149,999	-	1	-	1
£150,000 - £159,999	-	-	-	-
£160,000 - £169,000	-	1	-	1
£170,000 - £179,000	1	-	1	-

Notes to the Financial Statements (continued)

11. TAXATION

	GROUP		ASSOCIATION	
UK Corporation tax	**2019 £'000**	**2018 £'000**	**2019 £'000**	**2018 Restated £'000**
Surplus on ordinary activities before tax	13,139	12,588	12,265	11,469
Surplus on ordinary activities multiplied by the effective rate of:				
Corporation tax in the UK of 19% (2018:20%)	2,496	2,518	2,330	2,294
Exempt from corporation tax	(2,496)	(2,518)	(2,330)	(2,294)
Current tax charge for the year	-	-	-	-

Notes to the Financial Statements (continued)

12. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

GROUP	PROPERTIES HELD FOR LETTING Completed £'000	PROPERTIES HELD FOR LETTING Under construction £'000	SHARED OWNERSHIP PROPERTIES Completed £'000	SHARED OWNERSHIP PROPERTIES Under construction £'000	Total £'000
Historic Cost					
At 1 April 2018	333,684	26,131	4,283	14,512	378,610
Works to existing properties	6,089	-	-	-	6,089
Additions – construction costs	-	19,502	-	19,472	38,974
Schemes completed	17,689	(17,689)	5,783	(5,783)	-
Disposals	(296)	-	-	-	(296)
Disposals – components	(1,076)	-	-	-	(1,076)
At 31 March 2019	**356,090**	**27,944**	**10,066**	**28,201**	**422,301**
Depreciation					
At 1 April 2018	49,941	-	2	-	49,943
Depreciation charged in year	6,325	-	3	-	6,328
Released on disposal	(58)	-	-	-	(58)
Released on disposal – components	(533)	-	-	-	(533)
At 31 March 2018	**55,675**	**-**	**5**	**-**	**55,680**
Impairment					
At 1 April 2018	-	1,237	-	-	1,237
Impairment charged in the year	-	162	-	374	536
At 31 March 2019	**-**	**1,399**	**-**	**374**	**1,773**
Net book value					
At 31 March 2019	**300,415**	**26,545**	**10,061**	**27,827**	**364,848**
At 31 March 2018	283,743	24,894	4,281	14,512	327,430

The impairment relates to the social rented and shared ownership units at Staines Road and is detailed in note 1b significant judgements and estimates.

Notes to the Financial Statements (continued)

12. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES (continued)

ASSOCIATION	PROPERTIES HELD FOR LETTING Completed £'000	PROPERTIES HELD FOR LETTING Under construction £'000	SHARED OWNERSHIP PROPERTIES Completed £'000	SHARED OWNERSHIP PROPERTIES Under construction £'000	Total £'000
Historic Cost					
At 1 April 2018	309,970	26,131	4,283	14,512	354,896
Works to existing properties	5,697	-	-	-	5,697
Additions – construction costs	-	19,502	-	19,472	38,974
Schemes completed	17,689	(17,689)	5,783	(5,783)	-
Disposals	(296)	-	-	-	(296)
Disposals – components	(974)	-	-	-	(974)
At 31 March 2019	**332,086**	**27,944**	**10,066**	**28,201**	**398,297**
Depreciation					
At 1 April 2018	46,634	-	2	-	46,636
Depreciation charged in year	5,906	-	3	-	5,909
Released on disposal	(58)	-	-	-	(58)
Released on disposal – components	(431)	-	-	-	(431)
At 31 March 2019	**52,051**	**-**	**5**	**-**	**52,056**
Impairment					
At 1 April 2018	-	1,237	-	-	1,237
Impairment charged in the year	-	162	-	374	536
At 31 March 2019		**1,399**	**-**	**374**	**1,773**
Net book value					
At 31 March 2019	**280,035**	**26,545**	**10,061**	**27,827**	**344,468**
At 31 March 2018	263,336	24,894	4,281	14,512	307,023

Notes to the Financial Statements (continued)

12. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES (continued)

	GROUP		ASSOCIATION	
Completed housing properties compromise:	**2019 £'000**	**2018 £'000**	**2019 £'000**	**2018 £'000**
Freehold	357,851	320,384	339,929	302,484
Long leasehold	6,997	7,046	4,539	4,539
	364,848	**327,430**	**344,468**	**307,023**

	GROUP		ASSOCIATION	
Interest Capitalisation	**2019 £'000**	**2018 £'000**	**2019 £'000**	**2018 £'000**
Interest capitalised in the year	1,317	884	1,317	884
Cumulative interest capitalised to date	4,437	3,120	4,437	3,120
Effective interest rate used on interest capitalised in the year	4.07%	4.11%	4.07%	4.11%

Notes to the Financial Statements (continued)

13. OTHER FIXED ASSETS

GROUP	Freehold office £'000	Temporary social housing improvements £'000	Furniture, fixtures & fittings £'000	Computers, office equipment & vehicles £'000	Total £'000
Cost					
At 1 April 2018	8,465	97	2,005	847	11,414
Transfer to intangible fixed assets (note 14)	-	-	-	(448)	(448)
Transfer to investment properties (note 15)	(9)	-	-	-	(9)
Additions	-	3	74	69	146
Disposals	-	-	-	-	-
At 31 March 2019	**8,456**	**100**	**2,079**	**468**	**11,103**
Depreciation & Impairment					
At 1 April 2018	1,950	87	1,306	491	3,834
Transfer to intangible fixed assets (note 14)	-	-	-	(235)	(235)
Transfer to investment properties (note 15)	(2)	-	-	-	(2)
Charged in the year	35	3	259	84	381
Disposals	-	-	-	-	-
At 31 March 2019	**1,983**	**90**	**1,565**	**340**	**3,978**
Net book value					
At 31 March 2019	**6,473**	**10**	**514**	**128**	**7,125**
At 31 March 2018	6,515	10	699	356	**7,580**

Notes to the Financial Statements (continued)

13. OTHER FIXED ASSETS (continued)

ASSOCIATION	Freehold offices £'000	Furniture, fixtures & fittings £'000	Computers, office equipment & vehicles £'000	Total £'000
Cost				
At 1 April 2018	7,787	1,954	763	10,504
Prior year adjustment	678	-	-	678
At 1 April 2018 (restated)	8,465	1,954	763	11,182
Transfer to intangible fixed assets (note 14)	-	-	(448)	(448)
Transfer to investment properties (note 15)	(9)	-	-	(9)
Additions	-	67	69	136
Disposals	-	-	-	-
At 31 March 2019	**8,456**	**2,021**	**384**	**10,861**
Depreciation & Impairment				
At 1 April 2018	1,793	1,248	442	3,483
Prior year adjustment	157	-	-	157
At 1 April 2018 (restated)	1,950	1,248	442	3,640
Transfer to intangible fixed assets (note 14)	-	-	(235)	(235)
Transfer to investment properties (note 15)	(2)	-	-	(2)
Charged in the year	35	246	84	365
Disposals	-	-	-	-
At 31 March 2019	**1,983**	**1,494**	**291**	**3,768**
Net book value				
At 31 March 2019	**6,473**	**527**	**93**	**7,093**
At 31 March 2018 (restated)	6,515	706	321	**7,542**

Under section 16, FRS102 required RHP to account for the floor space that Co-op Homes occupy at 8 Waldegrave Road as an investment property and an adjustment was required to the Group accounts to account for this floor space as a tangible fixed asset.

Following the early adoption of the revised standard, the floor space occupied by Co-op homes will now be treated as a tangible fixed asset in both the Association and Group financial statements and held at depreciated cost.

The prior year adjustment reflects this change in accounting treatment.

Notes to the Financial Statements (continued)

14. INTANGIBLE FIXED ASSETS

Group & Association	Computer software £'000
Cost	
At 1 April 2018	1,369
Transferred from other fixed assets (note 13)	448
Additions	782
Disposals	-
At 31 March 2019	**2,599**
Depreciation & Impairment	
At 1 April 2018	885
Transferred from other fixed assets (note 13)	235
Charged in the year	402
Disposals	-
At 31 March 2019	**1,522**
Net book value	
At 31 March 2019	**1,077**
At 31 March 2018	484

Notes to the Financial Statements (continued)

15. INVESTMENT PROPERTIES

	GROUP	ASSOCIATION
	£'000	**£'000**
As at 1 April 2018	6,948	7,503
Prior year adjustment	-	(555)
At 1 April 2018 (restated)	6,948	6,948
Transferred from housing properties (note 12)	-	-
Transferred from other fixed assets	7	7
Additions	5	5
Movement in fair value	21	21
As at 31 March 2019	**6,981**	**6,981**

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 2019 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 2.88%*

  Equivalent Yield 7.02%

  *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. For 2018/19, the results of RHP Property Ltd and RHP Development Ltd, which are both dormant subsidiaries of the Association have also been consolidated.

The Association has the right to appoint members to the Boards of the four 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.

RHP Property Ltd was incorporated on 13 April 2018 and has not traded since that date. As at 31 March the Association held one £1 share in the Company.

RHP Develop Ltd was incorporated on 28 March 2018 and has not traded since that date. As at 31 March the Association held one £1 share in the Company.

ASSOCIATION	2019 £'000	2018 £'000
Investment in RHP Finance plc	13	13
Investment in RHP Property Limited	-	-
Investment in RHP Develop Limited	-	-
	13	13

Notes to the Financial Statements (continued)

17. PROPERTIES FOR SALE

	GROUP		ASSOCIATION	
	2019 £'000	**2018 £'000**	**2019 £'000**	**2018 £'000**
Shared ownership properties:				
Work in progress	11,581	5,775	11,581	5,775
Completed properties held for sale	940	448	940	448
As at 31 March	**12,521**	**6,223**	**12,521**	**6,223**
Capitalised interest included in the above	**512**	**149**	**512**	**149**

The amount of stock taken to cost of sales in the year was £2,007,583 (2018: £nil)

18. DEBTORS

	GROUP		ASSOCIATION	
	2019 £'000	**2018 £'000**	**2019 £'000**	**2018 £'000**
Debtors receivable within one year				
Rent and service charges receivable	2,513	2,395	2,324	2,228
Less: provision for bad and doubtful debts	(670)	(889)	(543)	(787)
	1,843	**1,506**	**1,781**	**1,441**
Other debtors	643	515	634	419
Amount owed from subsidiary undertaking	-	-	1,060	702
Prepayments and accrued income	1,662	1,962	1,653	1,942
Debtors receivable after more than one year				
Amount owed from subsidiary undertaking	-	-	-	1,250
Total Debtors	**4,148**	**3,983**	**5,128**	**5,754**

The Association provided Co-op Homes (South) Limited with a loan facility for £8.5m in 2005/6.

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 2019, £1.1m of this loan was outstanding (2018: £1.9m).

Notes to the Financial Statements (continued)

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		ASSOCIATION	
	2019 £'000	**2018 £'000**	**2019 £'000**	**2018 £'000**
Bank loans (Note 21)	51	63	-	-
Trade creditors	1,161	1,294	945	1,043
Rent and service charges received in advance	1,196	1,099	1,196	1,099
Other taxation and social security	-	37	-	-
Disposal Proceeds Fund (Note 22)	1,792	777	1,792	777
Deferred capital grant (Note 24)	389	353	255	219
Amounts owed to subsidiary undertaking	-	-	686	686
SHPS deficit	-	510	-	434
Other creditors	3,271	1,814	3,035	1,610
Accruals and deferred income	12,860	9,616	11,943	8,712
	20,720	**15,563**	**19,852**	**14,580**

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

	GROUP		ASSOCIATION	
	2019 £'000	**2018 Restated £'000**	**2019 £'000**	**2018 Restated £'000**
Bank loans and borrowings (Note 21)	224,269	211,436	85,936	73,120
Disposals Proceeds Fund (Note 22)	-	475	-	475
Recycled Capital Grant Fund (Note 23)	-	197	-	197
Amount owed to subsidiary undertaking	-	-	138,021	137,952
Deferred temporary social housing grant	5	5	-	-
Deferred capital grant (Note 24)	39,689	37,152	29,464	26,793
SHPS pension deficit	-	2,354	-	1,925
Commercial deposits	22	22	22	22
	263,985	**251,641**	**253,443**	**240,484**

Notes to the Financial Statements (continued)

21. LOANS AND BORROWINGS

GROUP	Bank loans 2019 £'000	2048 Bond 2019 £'000	Total 2019 £'000
In one year or less, or on demand	51	-	51
In more than one year but not more than two years	15,052	-	15,052
In more than two years but not more than five years	13,187	-	13,187
More than five years	59,073	140,000	199,073
	87,363	**140,000**	**227,363**
Capitalised finance costs	(1,064)	(1,979)	(3,043)
	86,299	**138,021**	**224,320**

GROUP	Bank loans 2018 Restated £'000	2048 Bond 2018 £'000	Total 2018 Restated £'000
In one year or less, or on demand	63	-	63
In more than one year but not more than two years	43	-	43
In more than two years but not more than five years	16,136	-	16,136
More than five years	58,185	140,000	198,185
	74,427	**140,000**	**214,427**
Capitalised finance costs	(880)	(2,048)	(2,928)
	73,547	**137,952**	**211,499**

Notes to the Financial Statements (continued)

21. LOANS AND BORROWINGS (continued)

ASSOCIATION	Bank loans 2019 £'000	Loan from RHP Finance plc 2019 £'000	Total 2019 £'000
In one year or less, or on demand	-	-	-
In more than one year but not more than two years	15,000	-	15,000
In more than two years but not more than five years	13,000	-	13,000
More than five years	59,000	140,000	199,000
	87,000	**140,000**	**227,000**
Capitalised finance costs	(1,064)	(1,979)	(3,043)
	85,936	**138,021**	**223,957**

ASSOCIATION	Bank loans 2018 Restated £'000	Loan from RHP Finance plc 2018 £'000	Total 2018 Restated £'000
In one year or less, or on demand	-	-	-
In more than one year but not more than two years	-	-	-
In more than two years but not more than five years	15,000	-	15,000
More than five years	59,000	140,000	199,000
	74,000	**140,000**	**214,000**
Capitalised finance costs	(880)	(2,048)	(2,928)
	73,120	**137,952**	**211,072**

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

The Dexia loan tranches bear interest at fixed rates ranging from 3.19% to 6.88%. We have drawn £13m of revolving credit facilities at a margin of 0.8% plus 3 month LIBOR.

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 2019 the group had undrawn fully secured loan facilities of £82m (2018: £95m).

Notes to the Financial Statements (continued)

22. DISPOSAL PROCEEDS FUND

	GROUP & ASSOCIATION	
	2019 £'000	**2018 £'000**
At 1 April	1,252	2,199
Net sales proceeds	-	-
Interest accrued	6	7
Utilised in the year (Note 24)	-	(954)
Capital grant written back to fund	534	-
Balance at 31 March	**1,792**	**1,252**
Due within one year	1,792	777
Due after more than one year	-	475
Balance at 31 March	**1,792**	**1,252**

23. RECYCLED CAPITAL GRANT FUND

	GROUP & ASSOCIATION	
	2019 £'000	**2018 £'000**
At 1 April	197	-
Grant recycled on disposals (Note 24)	-	18
Grant recycled due to change of use (Note 24)	-	179
Utilised in the year	(197)	-
Balance at 31 March	**-**	**197**

Notes to the Financial Statements (continued)

24. DEFERRED CAPITAL GRANT

	GROUP	ASSOCIATION
	£'000	**£'000**
At 1 April	37,505	27,012
Grant received in the year	3,297	3,297
Transfer from Recycled Capital Grant Fund (Note 23)	197	197
Transfer from Disposal Proceeds Fund (Note 22)	(534)	(534)
Grant recycled on disposals (Note 23)	-	-
Grant recycled due to change of use (Note 23)	-	-
Released to income in the year	(387)	(253)
At 31 March	**40,078**	**29,719**
Due within one year	389	255
Due after more than one year	39,689	29,464
Balance at 31 March	**40,078**	**29,719**

Notes to the Financial Statements (continued)

25. FINANCIAL ASSETS AND LIABILITIES

	GROUP		ASSOCIATION	
	2019 £'000	2018 Restated £'000	2019 £'000	2018 Restated £'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	1,843	1,506	1,781	1,441
Amounts owed by subsidiary undertakings	-	-	1,060	1,952
Other debtors	2,305	2,477	2,287	2,361
Financial liabilities at fair value				
Bank loans	-	-	-	-
Financial liabilities measured at amortised cost				
Amounts owed to subsidiary undertakings	-	-	138,021	137,952
Loans	224,320	211,499	85,936	73,120
Trade creditors	1,161	1,294	945	1,043
Other creditors	59,224	54,411	48,393	42,949
	288,853	**271,187**	**278,436**	**260,831**

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

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 addition of paragraph 11.9A to section 11 of the standard means that the Dexia bank loan now meets this principle-based description and has been classified as non-basic financial instruments and is therefore held at amortised cost.

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 0.65%. 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 3.97% at 31 March 2019 (2018: 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 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. These covenants are monitored regularly to ensure compliance and we use stress testing scenarios in the annual business plan to ensure that any potential risks are highlighted at the earliest possible stage.

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. NET DEBT RECONCILIATION

GROUP	1 April 2018 £'000	Cash flows	31 March 2019 £'000
Cash and cash equivalents			
Cash	5,596	(150)	5,446
Cash equivalents	15,602	(10,500)	5,102
	21,198	**(10,650)**	**10,548**
Borrowings			
Debt due within one year	63	(12)	51
Debt due after one year	214,364	12,948	227,312
	214,427	**12,936**	**227,363**
	193,229	**23,586**	**216,815**

Notes to the Financial Statements (continued)

27. PROVISION FOR LIABILITIES

Provision for end of lease dilapidations costs	Group £'000
Brought forward	102
Paid in year	-
At 31 March 2019	102

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.

28. NON-EQUITY CAPITAL

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

Number of members	2019	2018
At 1 April	**18**	19
Joining during the year	-	1
Leaving during the year	**(1)**	(2)
At 31 March	**17**	18

Notes to the Financial Statements (continued)

29. LEASES

Operating lease payments amounting to £119k (2018: £74k) are due within one year. The leases to which this relates are as follows:

Group	2019 Land & buildings £'000	2019 Vehicles, office equipment & computers £'000	2019 Total £'000	2018 Land & buildings £'000	2018 Vehicles, office equipment & computers £'000	2018 Total £'000
Lease payments						
Within one year	14	105	119	14	60	74
One to five years	57	222	279	57	133	190
Beyond five years	10	20	30	25	1	26
	81	**347**	**428**	**96**	**194**	**290**

Association	2019 Land & Buildings £'000	2019 Vehicles, Office equipment & Computers £'000	2019 Total £'000	2018 Land & Buildings £'000	2018 Vehicles, Office equipment & Computers £'000	2018 Total £'000
Lease payments						
Within one year	-	105	105	-	60	60
One to five years	-	222	222	-	133	133
Beyond five years	-	20	20	-	1	1
	-	**347**	**347**	**-**	**194**	**194**

Notes to the Financial Statements (continued)

30. CAPITAL COMMITMENTS

	GROUP & ASSOCIATION	
	2019 £'000	**2018 £'000**
Commitments contracted but not yet provided for:		
Construction or purchase of housing properties	53,545	25,997
Commitments approved by the board but not yet contracted for:		
Construction or purchase of housing properties	3,769	24,405
	57,314	**50,402**

Capital commitments for the Group and Association will be funded as follows:

	GROUP & ASSOCIATION	
	2019 £'000	**2018 £'000**
Social Housing Grant	13,259	8,724
Cash and cash equivalents	10,548	20,893
Borrowings	33,507	20,785
	57,314	**50,402**

31. 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 2018. 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.

32. RELATED PARTIES

During the year there were two tenants, Angelika Chaffey and Shannel Adams and one leaseholder, Toby D'Olier, who are members of the Board. Ms Chaffey paid £126.17 per week (2018: £127.22 per week) and had no amounts outstanding to RHP at 31 March 2019. Miss Adams paid £109.55 per week and had no amounts outstanding to RHP at 31 March 2019. Mr D'Olier paid service charges of £996.33 (2018: £841.19) and had no amounts outstanding to RHP at 31 March 2019. The tenancies and lease are on normal commercial terms and none of these individuals were 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.

RHP Property Ltd was incorporated as a subsidiary of RHP on 13 April 2018 and has not traded since that date. As at 31 March the Association held one £1 share in the Company.

RHP Develop Ltd was incorporated as a subsidiary of RHP on 28 March 2018 and has not traded since that date. As at 31 March the Association held one £1 share in the Company.

Notes to the Financial Statements (continued)

33. PRIOR PERIOD ADJUSTMENT

The triennial review of FRS102 was completed by the FRC in June 2018 and is effective for accounting periods beginning on or after 1 January 2019 with an opportunity to adopt early. This update has been reflected in the Statement of Recommended Practice: Accounting by Registered Social Landlords issued in September 2018 (SORP 2018) and the Accounting Direction for Private Registered Providers of Social Housing 2019. The Group has adopted these changes in FRS102 one year earlier than required and reflects these changes in these 2018/19 financial statements.

Under the original section 16, FRS102 required RHP to account for the floor space that Co-op Homes occupy at 8 Waldegrave Road as an investment property in the Association accounts and a tangible fixed asset in the Group accounts. Following the triennial review, this is no longer required, and RHP has elected to account for the floor space as a tangible fixed asset in both the Association and Group accounts and use the historic cost and depreciate as if the amount had always been held at cost.

This has resulted in a movement of the value of this unit from investment properties to tangible fixed assets in the Association's accounts. Additional depreciation of £4k has been charged and the revaluation of investment properties has been reduced by £30k in 2017/18 and in the opening reserves.

The addition of paragraph 11.9A to the financial instruments section of the standard has resulted in the two cancellable tranches of the Dexia loan meeting the principle-based description of a basic financial instrument. These loans had previously been held at fair value, but will now be held at amortised cost.

Restatement of reserves	**Group £'000**	**Association £'000**
Reserves as stated at 31 March 2017	83,736	78,132
Write off of fair value adjustment on financial instruments	5,695	5,695
Restated reserves at 31 March 2017	**89,431**	**83,827**

Restatement of surplus	**Group £'000**	**Association £'000**
Surplus for the year ended 31 March 2018	13,792	12,707
Fair value adjustment on financial intruments	(1,204)	(1,204)
Additional depreciation of other fixed assets	-	(4)
Reduction in revaluation of investment property	-	(30)
Restated reserves at 31 March 2017	**12,588**	**11,469**