

YOUR HOUSING GROUP LIMITED

Annual Report and Financial Statements

Year ended 31 March 2019

Co-operative and Community Benefit Society Registration Number: 30666R
Homes England Registration Number: L4203
Company Registration Number: IP030666

YOUR HOUSING GROUP LIMITED

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YOUR HOUSING GROUP LIMITED
BOARD AND SENIOR OFFICERS

NON – EXECUTIVE DIRECTORS

Kathy Doran	Chair (From 1 June 2018)
Mark Tattersall	Chair (Resigned 31 May 2018)
Val Aherne	
Alison Cambage	(Appointed 1 June 2018)
Paul Carhart	(Resigned 31 July 2018)
Derek Cash	
Roy Grant	
Richard Groome	
Alistair How	(Resigned 30 June 2019)
Chris Mackenzie-Grieve	(Appointed 22 August 2019)
Brenda Smith	
Paula Steer	(Appointed 1 June 2018)

EXECUTIVE DIRECTORS

Brian Cronin	
Jeremy Earnshaw	
Stephen Fensom	(Appointed 21 March 2018)

COMPANY SECRETARY

Clare Oakley

REGISTERED OFFICE

602 Aston Ave
Birchwood
Warrington
WA3 6ZN

EXTERNAL AUDITOR

Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester
M3 3EB

INTERNAL AUDITOR

KPMG LLP
One St. Peter's Square
Manchester
M2 3AE

YOUR HOUSING GROUP LIMITED

INTRODUCTION FROM THE CHAIR AND GROUP CHIEF EXECUTIVE

This year we have taken the opportunity to review and refine our business strategy to ensure we continue to deliver our vision to create more places for people to thrive and to be recognised as a sector leading landlord.

We believe this vision is now more pertinent than ever when the persistent lack of housebuilding in the UK is pricing people out of home ownership and more and more are turning to renting than ever before. Rents are rising faster than incomes in many areas, and with increasing pressure on the sector, concerns are frequently being raised over the quality of service on offer from a growing number of private landlords.

Despite the somewhat uncertain political and economic backdrop created by Brexit, we feel the work we have done in recent years to restructure our Group and our finances and to transform our business leaves us well placed to play our part in delivering safe and affordable housing and services which meet the needs of people's lifestyles today.

We have ambitious plans to develop over 4,000 new homes in the next five years, and at the year end the Board have approved over £140m of investment on development and we have already started on site with 294 units. This year also saw us make our first strategic land purchase, acquiring an 11-acre site in East Manchester, on which we will build 220 new homes for rent and shared ownership. We were delighted in February when our development plans received a further boost with the announcement of our strategic partner status with Homes England which will see us work together to deliver over 2,300 affordable new homes with the benefit of grant funding.

Alongside our investment in new development we have also continued to invest in our existing stock and this year have delivered over 1,000 new bathrooms, kitchens and boilers to improve our customers' homes. We have made a good start in 2018/9 spending £7m on our existing stock. Over the next five years we are planning on spending in excess of £80m on improvement works.

The safety of our customers will always be our number one priority and this year we achieved 100% compliance in respect of all our statutory landlord responsibilities. We also have a fire safety group which, in addition to reviewing ongoing fire risk assessments, has been considering how we can best implement the recommendations of the Hackitt Review. Our action plan will be implemented in 2019/20.

We don't want renting to be seen as a poor substitute for home ownership and want to improve security for our customers in our private rented sector. That's why, this year, we introduced three-year tenancies for those that want them, giving them the certainty they need when renting a home.

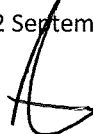
We recognise that to deliver all we want to in the future, we will need to continue to transform our business and invest in technology and new ways of working which will make us more efficient and effective and improve the services we deliver to our customers. It is important for us to continue to deliver strong financial performance and effective governance of our business. Our achievement in this area was recognised again in December by the Regulator of Social Housing's strapline judgement of G1/V1, the highest possible ratings.

We know that a dedicated and capable workforce is central to the delivery of our success and it was fantastic that once again our employee survey showed increased levels of engagement amongst the people we have working at the Group. During the year we also launched our Balance for Better programme, focusing on identifying and resolving issues relating to the gender pay gap, and our LEAD programme, which develops future leaders for the organisation. We are continuing to support apprenticeships with a growing number across our business. We are confident that these programmes will help us to further develop the capability we will need to deliver our strategy to better serve our customers.

We believe have a compelling vision for the future, underpinned by strong finances and a resilient business model, and our strategy articulates how we will deliver our vision. The Board and Executive are absolutely committed to delivering our plan. Approved and authorised for issue by the Board on 12 September 2019 and signed on its behalf by:



Kathy Doran
Chair



Brian Cronin
Group Chief Executive

YOUR HOUSING GROUP LIMITED

STRATEGIC REPORT

WHO ARE WE?

Your Housing Group (the Group or YHG) is one of the largest providers of affordable housing in the UK, managing over 27,000 homes across the North West, Yorkshire and the Midlands.

The Group provides:

- Affordable homes to rent
- Community regeneration schemes, creating sustainable neighbourhoods
- Hostels and Foyer accredited schemes, which support vulnerable people
- Specialist retirement solutions for older people
- Homes for sale, both outright and through shared ownership
- Key worker accommodation
- Private Rent Sector (PRS) lettings

OUR BUSINESS STRATEGY

Our strategy is overseen and directed by the Group Board. During the year we further evolved and refined our business plan, to deliver our overall enduring purpose which is stated in our corporate mission:

“Through our innovative approach we will finance, build and manage more homes to increase choice and drive value for our customers”

Our vision is:

“Creating more places for people to thrive and be recognised as a sector leading landlord”

We know that people need quality homes that they can afford.

Our strategy is designed to ensure we build and manage appropriate homes for our customers at all stages of their life’s journey and that we make our customers’ lives easier by offering great quality homes at a price they can afford. This means delivering a mixed tenure portfolio of developments and taking a commercial approach to delivery to demonstrate value for money. It also means that we will provide appropriate services to suit the needs of the customer.

To achieve this, we are continuing to transform and evolve our business model, driving out further cost efficiencies whilst retaining and improving our relationship with our customers.

We will continue to use technology and digital innovations to improve our business systems, increasing efficiency and improving productivity. Through the operational efficiencies we will be able to reinvest in our existing assets and maintain our profitability.

People are at the core of our strategy, together we will demonstrate our values and behaviours in accordance with our desired culture; to be ‘a place where people can thrive’.

When people are thriving, they are constantly growing, developing, learning, performing and flourishing.

We will continue to listen and engage with our colleagues via our surveys, conferences and employee feedback channels, working together we will provide clarity, consistency and a commitment to improving and modernising the way that we work. Pushing the boundaries of both the employee and employer experience.

OUR BUSINESS PRIORITIES

To deliver our strategy and allocate our resources we must make choices. We have prioritised five key areas of our business. These cover what we do and how we do it:



Priority 1 - Keep everyone safe

Priority 2 - Be a great landlord

Priority 3 - Deliver new affordable homes

Priority 4 - Use innovation and technology to transform our business

Priority 5 - Maintain business viability and balance sheet strength

Underpinning and central to all of this are our staff, and our aim is to provide a working environment where people can thrive.

PRIORITY 1 – KEEP EVERYONE SAFE

Our number one business priority is to keep everyone safe. To provide safe homes for our customers and ensure that our staff are safe doing their job.

“Building a Safer Future”: Independent Review of Building Regulations and Fire Safety (Hackitt Report) introduces a new regulatory framework to increase the focus on creating and maintaining safe buildings, whilst also providing greater reassurance and recourse for customers. We will implement a new framework and capability for managing complex buildings as complete systems, which will improve transparency of building safety and effectiveness and efficiency of service delivery.

Our future customer engagement strategy will set out how we will share information with residents on building safety. We believe that our residents have an important role to play in identifying and reporting issues that may impact on the safety of the building and co-operating with crucial safety related works, to ensure their own safety and that of their neighbours.

Additionally, we are investing to build stronger face to face relationships with our customers, to improve our knowledge of their needs and better managing delivery of service at the point of need, with the specific objective of customer safety as a component of overall customer experience.

We place the utmost importance on the safety of our staff. It is our duty to protect the health, safety and welfare of our employees and other people who might be affected by our business. This means ensuring that workers and others are protected from anything that may cause harm, effectively managing any risks to injury or health that could arise in the workplace.

Our business outcomes:

- We comply with all current safety regulations
- People working for us are / feel safe doing their job

YOUR HOUSING GROUP LIMITED

STRATEGIC REPORT

PRIORITY 2 – BE A GREAT LANDLORD

We plan to build stronger, long-term relationships with our customers, based upon knowledge and respect – seeking to provide a service offer that reflects their needs. We will also provide options of flexible and long-term tenancies to better reflect modern lifestyles.

Our customer base is complex and varied and – like all customers – their needs evolve over time as their circumstances change. We will deliver a data led approach to understanding needs and shaping our service delivery to support customers throughout their relationship with us.

We continue to develop the flexibility for customers to choose how and when they obtain services from us through deployment of technologies. Simultaneously, we are focused upon ensuring our vulnerable customers do not become more isolated, through doubling our capacity to visit our customers’ homes and neighbourhoods to ensure our services are being delivered effectively.

We have significantly increased our focus upon customer involvement and connection to help us continuously understand and improve our performance.

Our research demonstrates that customers view their safety and security as top priority. Whilst a number of our customers already have long-term tenancies, many do not, which impacts their ability to make decisions over the medium term. We have already provided a longer-term option for these tenants and over the life of this business plan we aim to introduce portable, long-term tenancies to allow tenants more control and flexibility over where they live and the choices that they make regarding their personal and employment opportunities.

We are already known as a leading provider of Young People Services through our Foyers and Older Peoples Services through our ExtraCare schemes. We recognise the UK Government’s increasing focus on securing better futures for Homeless people across the UK. We are using our experience in our current areas of Supported customers to develop and offer solutions in this area. This will both support the Government agenda and strengthen our position as a leader in Supported Housing.

In short, we are in it for the long term for all our customers. We will continue to provide safe and decent homes. We are proactively investing in our customers’ homes to ensure that they continue to meet our standards.

This means our homes will be free of hazards that pose a risk to residents, be in a reasonable state of repair, have reasonably modern facilities and services such as kitchens and bathrooms and efficient heating and effective insulation. We intend to increasingly use our in-house contractor Fix 360 to deliver our repairs service, both for reactive and planned work, and move from being a single service to a bundled service provider.

In addition to maintaining our homes we also provide essential services outside the home, in our neighbourhoods – grounds maintenance and window cleaning for example. We believe that our responsibility goes beyond the home and we also deliver ongoing community projects that are locally driven and delivered according to the neighbourhood and business circumstances that arise for that location.

When things do go wrong, we provide access to our online complaints process. We understand that customers expect a timely response and for issues to be resolved quickly.

Our business outcomes:

- Every home and environment meet the YHG standard
- Our customer satisfaction rates are top quartile for the sector, as are complaint rates
- Our repair quality and response rates are top quartile for the sector
- Our customers would recommend us as a landlord

PRIORITY 3 – DELIVER NEW AFFORDABLE HOMES

Our plan sets out an ambitious growth strategy for the future. We are committed to help solve the national housing crisis and meet the demand for new homes.

Our growth strategy delivers a balanced portfolio of developments to serve the needs of a range of customers and that will deliver revenues which are counter cyclical, and resistant to economic and political influences that cannot be controlled by YHG. Our plan is to hold our new assets, with less than 35% of our planned developments being offered on a shared ownership affordable basis and a nominal amount for open market sale.

Over the next five years, we have ambitions to invest over £525m in building over 4,000 new homes. Building the right homes and renting at prices local people can afford.

We know that we operate in areas of high housing stress - where the cost of housing (either a mortgage or rental) is high relative to household income. As a rule of thumb, a household spending 30 per cent or more of its income can be considered under housing stress, and under "extreme" housing stress if spending exceeds 50 per cent. In our areas, an average three-bedroom home now costs around 8x the average earnings.

When we are deciding where to invest and build new homes we look at the overall affordability of an area. We have created a new metric - "liveability index" - which starts to create a more real-world and accurate picture of what affordability actually is. This informs us where more affordable housing new build is most urgently needed.

We also look for sites near good schools, good transport links, employment and community infrastructure. The sites that satisfy this search criteria tend to be in brownfield locations and we are working with industry leading specialist to explore options.

A lack of land available for housing, especially in the least affordable areas, has been one of the key reasons for England's undersupply of housing. We are actively looking at larger sites to give us certainty of supply and a lower cost per acre and there is a long-term plan to control, either through ownership, option agreement or partnership a pipeline of land for 1,500 plots.

We are adopting a commercial approach to our development supply chain and are looking to acquire land, delivering a mix of affordable home ownership, social and private for rent homes in our developments. We have secured our first land site in Manchester and we are continuing to search for appropriate sites in the areas that align with our growth strategy.

We are working to reduce the cost of building new homes. Traditional methods of house building have barely changed in the last 100 years and the rate of modernisation has not kept pace with technological innovation in other sectors of society. At present, there are relatively few established off-site manufacturers and only a modest (though not insignificant) number of buildings that have been constructed using "modern methods" in England.

We are at the early stages of understanding the business impact of using modern methods of construction. At present, initial explorations are proving to be cost prohibitive on a project by project basis, but we will continue to pursue an approach with a few selective partners with the aim of delivering units to site faster and cheaper than we do now.

In February 2019 we were awarded Strategic Partnership status with Homes England. This means that we will receive grant funding of £87m (£87m new grant plus £9m RCGF) to fund 2,315 new-build affordable homes in our plan. In addition to the funding aspect, our partnership with Homes England will assist in unlocking and procuring land. The Wave 2 programme includes funding to deliver 168 new social rented homes and 60 new supported homes.

We are exploring new funding opportunities, whilst preserving the resilience of the YHG balance sheet going forward. We believe there is merit in developing an Affordable Housebuilding Equity and Innovation Fund. This would provide a vehicle for pension funds to invest in affordable housing in return for a reliable long-term yield.

YOUR HOUSING GROUP LIMITED

STRATEGIC REPORT

Our business outcomes:

- New affordable homes delivered
- Land pipeline / bank – via strategic land company
- Reduced time and cost to build
- Innovative funding sources secured

PRIORITY 4 – USE INNOVATION AND TECHNOLOGY TO TRANSFORM OUR BUSINESS

Innovation and the use of technology are helping us transform our business, increasing efficiency and improving productivity. We are re-imagining the business to create a 21st century organisation that is innovative, flexible, customer focused digital and sector leading.

We will continue to ingrain innovation and creativity throughout our organisation, including finding further encouragement for our employees and customers to co-design change with us ensuring our customers have access to a faster, more convenient and efficient service whilst maintaining excellent levels of customer satisfaction.

Our core principles are:

- To put customers in control; allowing customers to reach us and consume our services in a way and at a time to suit their needs
- To design and deliver services and operate digitally
- To deliver services empathetically at the point of delivery

To deliver against these principles we are making fundamental changes to the organisation to be more efficient and customer-focused, through a multi-year programme of change covering capabilities, process, systems, data and organisational design.

A successful digital business is driven by having great people, not just great technology, so we will continue to create a climate for our people to thrive, and build our strong employer brand in and out of the sector.

Our business outcomes:

- A digital, efficient and scalable business that contributes to further reductions in our cost base, releasing capacity to fund building more homes and delivering value for money for our customers.

PRIORITY 5 – MAINTAIN BUSINESS VIABILITY AND BALANCE SHEET STRENGTH

Our ambitious growth strategy needs a solid platform and our plan continues to maintain a resilient business.

We will ensure that we can deliver on our investment and development plans whatever the economic or political hindrances.

Our treasury strategy is designed over a ten-year period to ensure that there is enough funding in place to deliver the business plan, with enough liquidity for the next 12 to 24 months. Over the medium term our aim is to achieve funding which is less covenant restrictive, working with our treasury advisers to present options to the Board. We anticipate this will result in exiting some lenders who are unable to provide the flexibility we require.

We currently have c. £160m unused facilities (March 2019) but this will reduce over the next 2 years of the plan as it is drawn. £170m of RCFs mature in July 2022 and we are working with our treasury advisors to develop a plan to re-finance the business and spread the loan maturity dates so we don't have such cliff edges in future.

Our current regulatory rating is G1/V1 – given the need for an increased level of asset maintenance and our plan to develop new affordable homes this will impact on our level of EBITDAS.

Our business outcomes:

- Long-term solid financial strength and capacity
-

OUR CULTURE AND VALUES

Our values make us different

Values are the ethos, character and spirit of an organisation.

Our company values are **passion, pride, creativity** and **accountability** and these values will guide all aspects of business decisions, from choosing talent to the way we interact with our customers, staff and stakeholders.

Living our values through our cultural transformation

Our cultural shift will see an organisation where staff are thriving and maintaining an excellent work life balance, using the best technology available to them and delivering the very best customer experience, every day.

Our 2022 culture will deliver on both sides of the employee deal; our staff will be engaged and living our values without thought, and we will see high levels of discretionary outputs.

We will reach this by:

- Maintaining excellent levels of staff engagement
- Maintaining YHG as the great place it is to work
- Being consistent in our ever-moving wheel of continuous improvement
- Continuing to listen to our people and fix what is broken or not effective
- Taking the business to the next level

YOUR HOUSING GROUP LIMITED
OPERATING AND FINANCIAL REVIEW – SUMMARY RESULTS

Statement of Comprehensive Income (£m)	2018/19	2017/18	2016/17
Turnover	148.7	161.9	185.3
Operating surplus (excluding surplus on the sale of fixed assets)	29.9	52.1	50.1
Earnings before interest, depreciation, amortisation and sales (EBITDAS)	50.3	68.8	68.5
Earnings before tax (EBT)	22.1	(15.8)	36.7

Statement of Financial Position (£m)	2018/19	2017/18	2016/17
Fixed assets	1,086.9	1,079.0	1,173.0
Net current (liabilities)/assets	(10.4)	(27.0)	13.7
Long term creditors – debt	337.2	327.0	393.3
Long term creditors – grants	405.0	411.1	458.2
Long term creditors – other and provisions	41.9	21.2	30.0
Reserves	292.3	292.5	304.5

Further details of operating performance and the statement of financial position can be found on page 13.

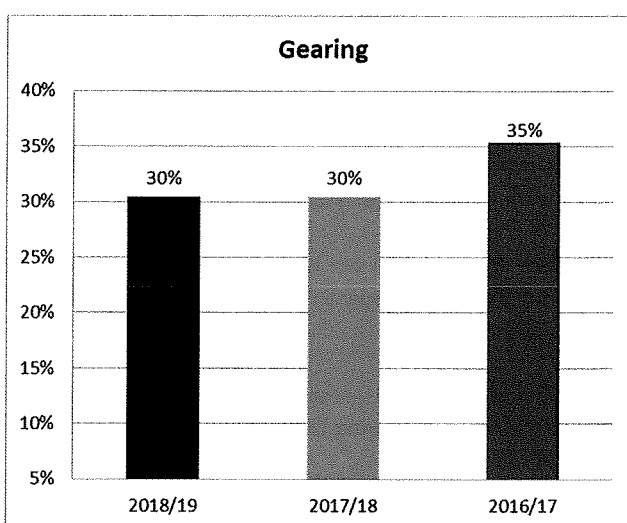
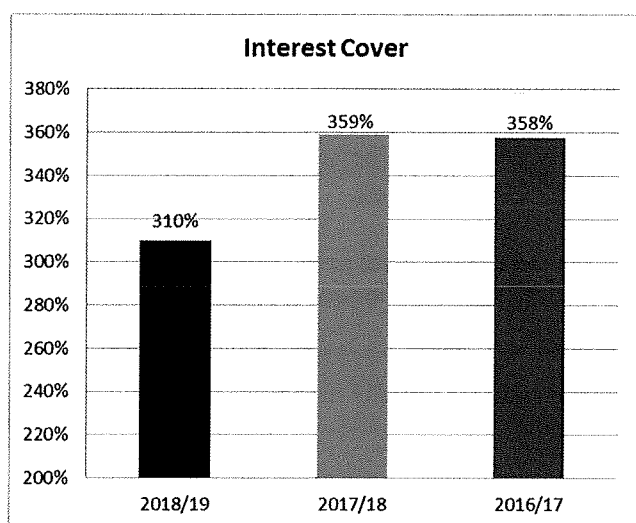
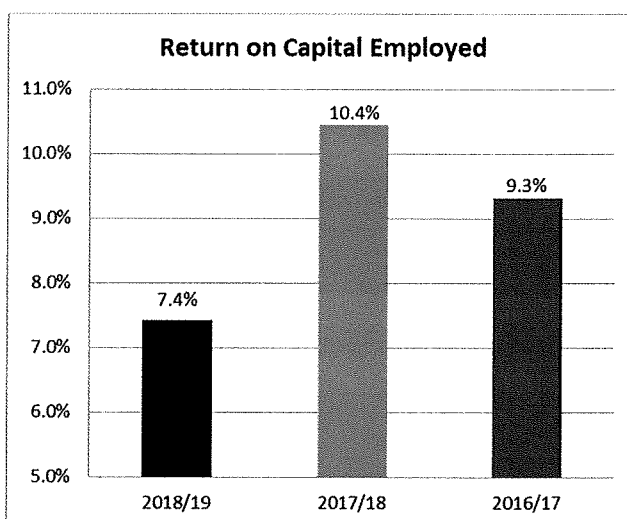
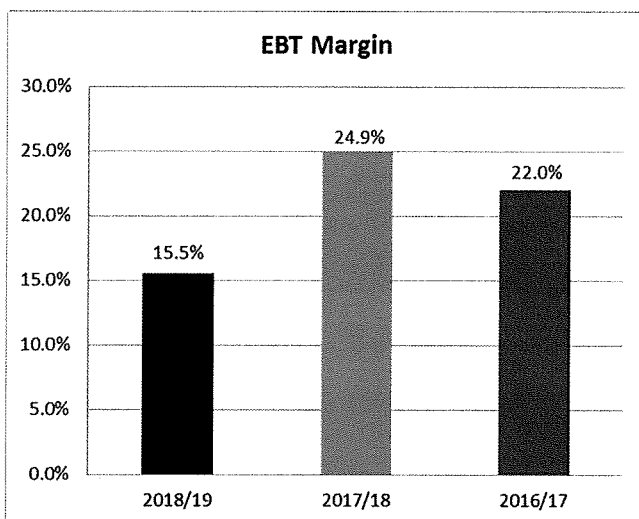
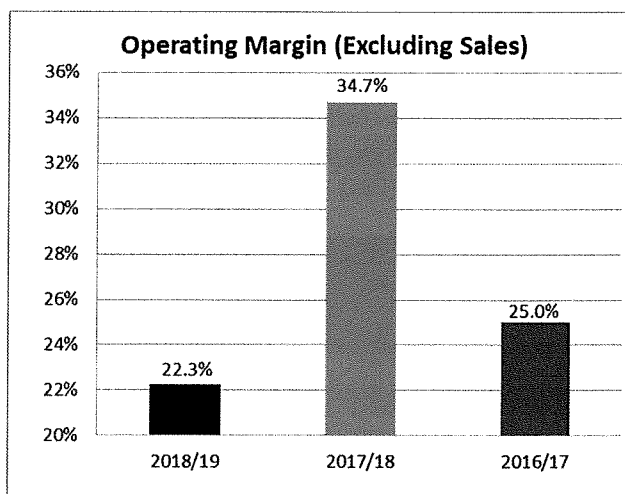
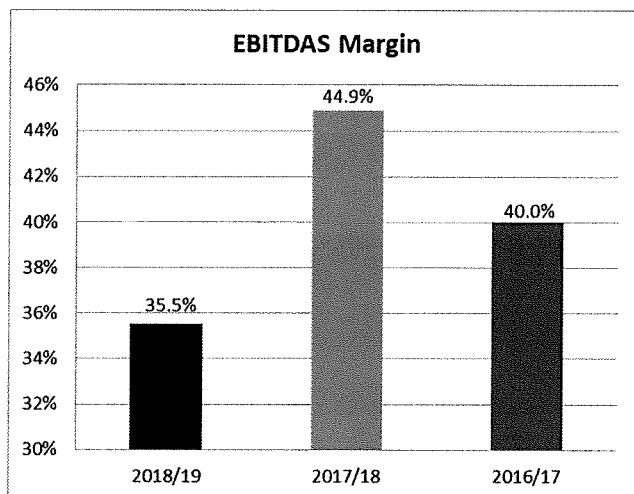
Accommodation figures	2018/19	2017/18	2016/17
Total owned and managed – during the year	27,730	27,818	33,277

Ratios	2018/19	2017/18	Restated 2016/17
Operating margin (excluding sales)	22%	35%	25%
EBITDAS margin	35%	45%	40%
Interest cover	310%	359%	358%
EBT margin	16%	25%	22%
Gearing	30%	30%	35%
Return on Capital Employed (ROCE)	7.4%	10.4%	9.3%

All ratios are based on our internal measures of performance and therefore will not necessarily correlate with the industry standard metrics included on pages 18 and 19. Both have been included in this report for completeness.

The calculations for interest cover, gearing and ROCE have been restated in 2016/17 to provide a like for like comparison following the refinancing of loan facilities in the prior year.

YOUR HOUSING GROUP LIMITED
OPERATING AND FINANCIAL REVIEW – SUMMARY RESULTS



YOUR HOUSING GROUP LIMITED

OPERATING AND FINANCIAL REVIEW – KEY ACHIEVEMENTS IN THE YEAR

REGULATOR CONFIRMED G1/V1 IN ITS STRAPLINE JUDGEMENT

In December 2018 the Regulator again assessed us as G1/V1, the highest ratings possible for Governance and Financial Viability respectively.

100% COMPLIANCE

The Health & Safety of our customers continues to be our number one priority and during the year we maintained 100% compliance in respect of our statutory compliance activities.

INCREASED EMPLOYEE ENGAGEMENT

We recognise that our workforce is pivotal in delivering services to our customers and helping us to achieve our ambitious plans. Our annual employee survey demonstrated that we have continued to build engagement, with a year on year increase of 11%

HOMES ENGLAND PARTNERSHIP

In February 2019, Homes England announced their next wave of strategic partnerships. We were delighted to be selected by Homes England as one of a few housing associations across England who are prepared to be more ambitious to significantly increase housing delivery. Through this partnership, and utilising approx. £96m of grant funding, we will work together to deliver more than 2,300 new affordable homes.

FIRST STRATEGIC LAND PURCHASE

In December 2018, we made our first strategic acquisition of land in Openshaw, Manchester. This represents a step change in our approach to development and we believe buying larger pieces of land, which we can ultimately develop, will allow us to build even more homes in a cost-effective way.

OVER £140M INVESTMENT IN NEW HOMES APPROVED

In 2017 we launched our growth strategy, articulating our ambition to contribute to helping to solve the housing crisis. This year has seen significant progress and by the end of the year the Board had approved over £140m investment in new homes across a mix of property types and tenures.

LIVEABILITY INDEX REPORT PUBLISHED

In February 2019 we published our second annual 'Liveability Index'. This leading and innovative research, now used by policy makers, brings measures of housing availability and affordability together with some of the essentials people on modest incomes need for living, to identify areas in the North West where more affordable new homes are required.

THREE YEAR TENANCIES

In 2019 we became one of the few landlords who offer fixed term three-year tenancies to their private rented sector (PRS) customers. We felt this was really important so that we could support customers and provide them with a level of security about their home to allow them to put down roots.

YOUR HOUSING GROUP LIMITED

OPERATING AND FINANCIAL REVIEW – OPERATING PERFORMANCE AND STATEMENT OF FINANCIAL POSITION

Our strategy is to drive increasingly efficient performance, leading to enhanced surpluses that can be reinvested back in to our existing homes, and invested in new homes as part of our growth objective.

We take a long-term view on surpluses and cash availability, focusing on maintaining a very healthy balance sheet, whilst maximising the opportunity to deploy capital in to our primary operating activities.

Having restructured our treasury facilities to facilitate much larger investment, we have now been able to rapidly increase our development of new homes. Currently, we have over £140 m of approved new home schemes in progress, a substantial increase on previous levels of activity. We expect this magnitude of development to continue, and our long-term financial and treasury plan has the facility to develop well over 1,000 new homes per annum, which would place us in the top 10% of housing association developers in the UK.

Alongside our strategy of development of new homes, is our commitment to maintaining a high quality of living standard in our existing homes. By working with our partners across the organisation, we can now confirm that our planned programme of reinvestment in existing homes is over £1 billion over the next 30 years. Our financial and treasury management demonstrates that we can combine both our development of new homes alongside our reinvestment of existing homes, and maintain a financially strong organisation going forward.

By focusing on the long-term view, and our key delivery targets, we can manage our organisation around the achievement of strategic objectives, rather than short-term annual performance. In FY19 for example, we have purposely increased spend in core areas compared to more recent years, delivering increased service level and compliance standards. As a result, despite a reduction in overall surplus compared to very recent periods, we have, as mentioned above, been able to rapidly increase our spend on both developments and reinvestment. We expect to maintain this long-term strategy, continually focusing on ensuring the organisation has very healthy cash and liquidity reserves to support our growth plans.

To further our charitable objectives the Group has several Associate investments. These are detailed in note 15 of the financial statements.

OPERATING PERFORMANCE

Key performance measures for the year were:

- Income reduced to £148.7m (2018: £161.9m), a decrease due to the 1% rent reduction, disposal of Derwent and Solway and the divestment of housing stock during 2018. Proceeds from the sale of development properties also reduced to £1.5m (2018: £3.8m).
- Earnings before interest, tax, depreciation, amortisation and sales (EBITDAS) margin reduced to 35% (2018: 45%), a decrease due to a reduction in income and increased spend in core areas to improve service level and compliance standards.
- Earnings before tax margin reduced to 16% (2018: 25%), a reduction in EBITDAS and a £2.6m charge incurred in relation to a complete review of the Group wide ICT architecture, which was undertaken. This review assessed not just the capability now of the architecture required to deliver an efficient service to both external and internal customers, but also an assessment of how the group would need to develop its systems in the future.

The clear conclusion from this work (which was attested to by external subject matter experts) was that the group should immediately advance its ICT development in a different direction, for the benefit of its customers. This resulted in the group taking the decision to suspend projects which may not meet the necessary requirements in the future, and the consequence of this was to impair the carrying financial value of such projects (including historic legacy expenditure), the impact of which has been recognised in the current year financial statements.

YOUR HOUSING GROUP LIMITED

OPERATING AND FINANCIAL REVIEW – OPERATING PERFORMANCE AND STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION

At 31 March 2019, the Group's Statement of Financial Position demonstrated strength, and that the Group remained financially robust. Key performance measures were:

- The Net Book Value (NBV) of fixed assets was £1,087m (2018: £1,079m). There was an overall increase in the value of fixed assets due to investments in new homes.
- At the year end the Group had invested £34m in relation to properties under construction.
- The Group owned and managed 27,730 homes.
- The Group had £31.3m of cash and cash equivalents with £163m additional undrawn facilities, based on existing debt facilities.
- Gearing was maintained at 30%.
- The Group had reserves of £292.3m.
- During the year, the Group has been provided with sufficient information to value the Social Housing Pension Scheme (SHPS) on a defined benefit basis. As a result of this information we have recognised an increase to the Your Housing Limited balance sheet liability of £32.9m with respect to our SHPS pension obligations. This resulted in a charge of £14.2m to other comprehensive income. Whilst not unexpected, the anticipated impact of this is a need to increase the future Group cash requirements to service the ongoing pension scheme deficit.

The Group specifically recognises future pension scheme cash commitments in its financial planning and forecasting processes, and also applies sensitivity and stress testing to all potential key variables. As a result, the Group is very confident it has more than sufficient cash resources to fund its current and future level of obligations.

YOUR HOUSING GROUP LIMITED

OPERATING AND FINANCIAL REVIEW – DEBT STRUCTURE AND MONITORING

Our Treasury Strategy is designed to ensure that there is sufficient funding in place for all developments for the next 12 to 24 months, and that refinancing risk is managed to ensure that there is no need to refinance significant amounts of debt in any one year.

A detailed three-year rolling cash flow forecast is prepared and reviewed each month as part of the management information provided to the Group Board and the Executive Leadership Team. These forecasts include short-term operational cash flows and the agreed and expected investment and reinvestment programmes.

As at 31 March 2019, the Group had total borrowings of £360.8m (2018: £361.8m) with a further £162.8m (2018: £178.5m) available to be drawn from existing agreed facilities principally in the form of revolving credit facilities. This ensures we are well placed to respond to future opportunities that meet our desired returns.

The weighted average cost of funds for the Group at 31 March 2019 was 3.86% (2018: 3.88%), this cost of funds is particularly low and compares favourably to peers in the sector.

Surplus funds are invested with counterparties meeting the terms of our Group investment policy and these are regularly monitored to ensure compliance. Our investment policy is risk averse for counterparty risk and aims to minimise the risk of financial loss or liquidity exposure. We do not hold any financial instruments for speculative purposes.

The Group's loan covenants primarily consist of interest cover and gearing. All covenants within the year to 31 March 2019 had been met. Covenants are monitored monthly and through the 30-year forward-looking business planning process. Our business plan shows that we are able to operate within our committed facilities under a number of stress tested scenarios. Stress testing is performed on a single and multi-variate basis to demonstrate break points in the plan in order that they can be managed.

YOUR HOUSING GROUP LIMITED

OPERATING AND FINANCIAL REVIEW – RISKS AND UNCERTAINTIES

The risk and assurance framework is fully embedded across our business and during the year, we have reviewed and refreshed our Risk Management Strategy including risk appetite.

This includes the regular identification, management and review of risks at Board and Directorate level. Progress on risk management is reported to the Board as part of the Board Assurance Framework and via the Audit and Risk Committee.

During the year, we have worked with our internal audit partner, KPMG, to conduct a comprehensive programme of internal audits to help identify areas that are robust from an internal control perspective or where risk needs to be mitigated. Internal audit activity is an integral part of our risk and assurance framework and ensures that a holistic view can be taken to the management of risk and assurance that appropriate levels of mitigation are in place.

We have identified key risks that threaten the achievement of our strategic objectives which have been considered in line with the Sector Risk Profile produced by the Regulator of Social Housing. In identifying and evaluating strategic risks the Board has considered the potential impact that Brexit, including a no deal Brexit, may have on those risks. The Audit and Risk Committee has ensured that both strategic and operation level risks are appropriately mitigated and there is an appropriate assurance framework to assess the effectiveness of the identified controls. A summary of the key strategic risks are as follows:

RISKS

Financial viability

Financial capacity to deliver the business plan.

This risk is concerning maintaining sufficient liquidity and funding to deliver all the aspirations in the business plan. This includes credit and market risks from borrowing.

Financial capacity to service deficits in relation to defined benefit pension schemes including The Social Housing Pension Scheme (SHPS).

People

Our key people risk is that the Group will not have the people with the right skills, experience and behaviours to successfully deliver the business plan.

MITIGATIONS

Mitigation controls in place include a comprehensive strategic 30-year business plan approved by Group Board to assess capacity and requirements for growth. This includes multi-variate stress testing for the potential variables (including welfare reform and changes to the political environment), showing and testing the breaking points in the plan. The business plan specifically recognises future cash payments in relation to defined benefit pension deficits.

The Group's Financial Golden Rules provide minimum return rates for all activities to ensure the appropriate level of return is achieved.

Monthly treasury reporting include liquidity and working capital requirements both short and long term.

Credit risk is managed by only investing surplus cash with counterparties that have an A or better rating. Similarly, the lender with whom undrawn facilities are maintained have a credit rating of A or better.

Interest rate risk in relation to borrowings is maintained by holding a proportion of borrowings at fixed rates. At the 31 March 2019, 69% (2018: 70%) of borrowings were at fixed rates. Assessment and monitoring of VFM is done within the business plan objectives. Reporting is made to Group Board and the Group's Executive via financial reporting, KPIs and project updates on a monthly basis.

Mitigation controls in place include an assessment of capability required and a development plan to address capability gaps.

The Group has a development and talent management programme to support staff development.

Bi-annual staff culture surveys are conducted, with agreed actions to support the creation of the Group's desired culture.

YOUR HOUSING GROUP LIMITED

OPERATING AND FINANCIAL REVIEW – RISKS AND UNCERTAINTIES

Operational

There is a risk arising from internal processes and systems, such as the Complex change programme, ICT capability the need for robust testing of the Groups Business Continuity arrangements.

Mitigating controls include a robust project governance process, which ensures that there is appropriate degree of control and oversight is in place to support the level of change within the business.

The Group has also developed its ICT capability and infrastructure to enable growth and to protect against failures and attacks which effect the operation of the group.

Compliance and legal

The Group have identified two key strategic health and safety risks concerning keeping staff and customers safe.

Mitigating controls include a robust health and safety management system, including a group wide health and safety audit plan, which acts as a second line of defence.

The Group monitors its compliance with statutory obligations through a series of system driven analytical data. This not only ensures that compliance activities are well controlled, but also provide assurance to the Group that any gaps in the servicing process are highlighted and addressed.

There is a risk from the external regulatory and legal environment including Brexit.

Horizon scanning including proposed changes to the legal and regulatory environment is carried out monthly and reported to the Executive and the Board. The Group has considered the impact that Brexit may have on its key strategic risks and will undertake stress testing to ensure appropriate mitigations are in place.

Reputation

There is a risk that the Group fails to maintain its good reputation, trust and confidence in it with key external partners, customers and stakeholders.

The Group has internal policies and procedures to ensure that issues are minimised, and the Group is compliant in all areas. These are subject to review and monitoring by management and internal audit, in key areas.

Growth

There is a risk of not achieving our targets for growth and not delivering the designed number of new homes in our growth strategy.

Counterparty risks, in particular within the supply chain, which may impact the Groups Development ambitions are also considered.

Mitigation controls in place include maintaining proactive relationships with local authorities, professional advisors, developers and contractors. The Group proactively seeks land and planning opportunities to manage its counterparty risk.

The Group recognises that changes in the external construction environment (including changes as a result of Brexit such as access to labour and cost of materials) may impact the growth targets and therefore mitigations also include monitoring of the external environment and developing the supply chain.

Data

The Group has two key data related risks, in relation to the need for accurate, intelligent customer data and a robust and data strategy to underpin business decision making and direction.

The Group also recognises the risk of ensuring that Data is appropriately secured and managed in line with the Data Protection Act and GDPR requirements.

The Group recognise that data accuracy is an important enabling factor in ensuring the delivery of effective services and complying with regulations. Mitigations include the development of a data team and a customer insight process to establish a Data strategy and detailed view of customer needs and gaps to enable the delivery of service improvements.

The Group has carried out training and staff development to raise awareness of the significance of data protection, particularly the collection and storing of personal data.

YOUR HOUSING GROUP LIMITED

OPERATING AND FINANCIAL REVIEW – RISKS AND UNCERTAINTIES

IMPACT OF BREXIT

During the year we have considered and evaluated the potential impact Brexit, including a no deal Brexit, may have on our business. Where relevant we have reflected the results of this exercise in the evaluation of our current strategic risks.

POTENTIAL IMPACT

Interest, inflation and currency risk

EVALUATION/MITIGATIONS

The stress testing we undertake on a regular basis includes the range of Brexit scenarios developed by the Bank of England, as part of the stress testing the Board have developed a range of mitigations.

On an ongoing basis our treasury team monitor the market and consult with treasury advisors.

Deteriorating housing market conditions

We do not rely on open market sales to cross-subsidise social development but will monitor the impact of any deterioration in the housing market on PRS, shared ownership sales and the divestment programme. Maintaining a mixed portfolio helps us to be more resilient to changes in the housing market.

We have also considered that a fall in land prices may benefit our strategic land acquisitions to help to deliver the annual development programme.

Access to finance

We currently have good financial reserves and liquidity and we have stress tested around this issue.

Availability of labour

We are not currently heavily reliant on EEA nationals in our labour pool, however we recognise that this could be an issue for some of our suppliers, which may impact on our repairs, maintenance, development and services contracts. We are managing this through our procurement strategy, involving large scale procurements to deliver economies of scale and strong relationship and contract management.

Access to materials and components

Our procurement strategy is designed to deliver VFM through competitive processes and economies of scale where possible. Our stress testing also includes scenarios around an increase in costs.

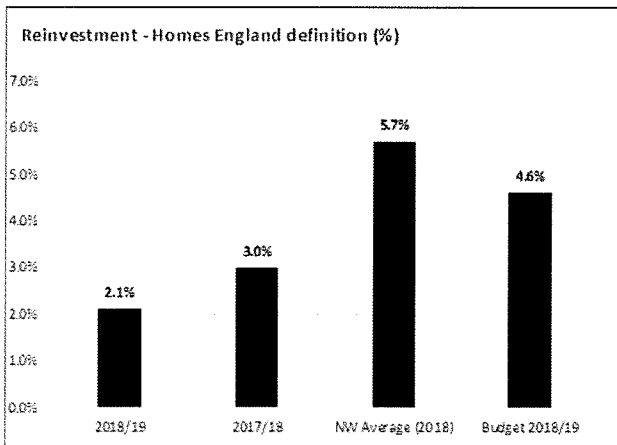
Access to Data

As part of the work undertaken in preparation for GDPR, we have established where all key data is held and do not believe that this will be an issue post-Brexit.

Value for Money scorecard

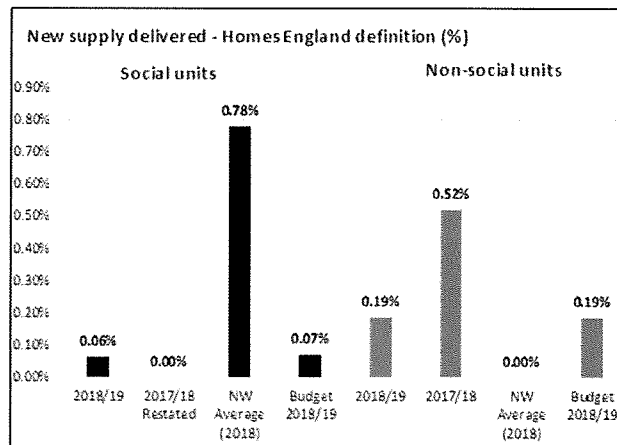
The Group has a Value for Money (VFM) strategy which defines what VFM is and the framework for how it is delivered, monitored and reported. The aim of the VFM strategy is to ensure that VFM is not regarded as something special or different, that it is embedded in the way the organisation operates and does business, and is an integral part of the Group’s business plans. VFM is defined as the balance between Economy, Efficiency and Effectiveness.

In accordance with the new Regulatory Value for Money Standard, the Group reports on key metrics. The Group also benchmarks against others in the sector to measure its performance.



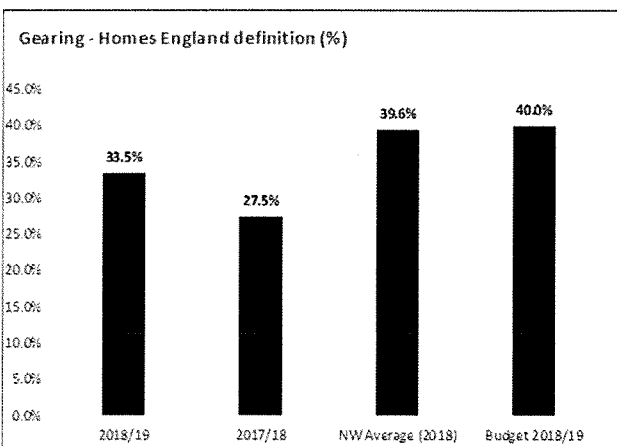
This metric looks at the investment in properties (existing stock as well as new supply) as a percentage of the value of total properties held.

During 2018/19, Reinvestment has been lower across the Group as a consequence of the consolidation of the restructuring which took place in 2017. Reinvestment on existing units was behind budget, the expectation is that this expenditure will increase significantly in the next financial year. Spend on new developments was also behind budget, however is projected to rise significantly in forthcoming years due to the Group’s development plans which are projected to lead to the Group being amongst the top quartiles of performers within the next 5 years.



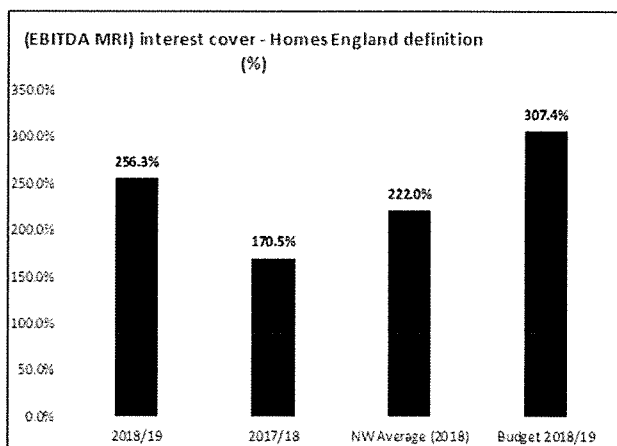
The New supply metric sets out the number of new social housing units/non-social units (owned/managed) that have been acquired or developed in the year as a proportion of total social housing units/total units (owned/managed) at period end.

We are improving our performance on the delivery of new social homes. During 2018/19 we have built 69 new homes, of these 17 units were social and 52 non-social units. This was in line with targets for year. In the financial year we also commenced work on 405 new homes, with a further 800 expected to start on site in 2019/20. We expect 195 new homes to be completed by March 2020, including 52 social units and 143 non-social units. This in-year delivery is the start of a rapidly increasing programme of new homes being built. The 2017/18 figure for social units has been restated due to a miscalculation.



This metric assesses how much of the adjusted assets are made up of debt and the degree of dependence on debt finance.

Peer comparisons for 2017/2018 shows that the Group performs well on the Gearing metric. Gearing for 2018/19 has increased as the Group draws down on facilities to invest in new homes. Gearing is expected to increase in coming years to fund the development of new homes.

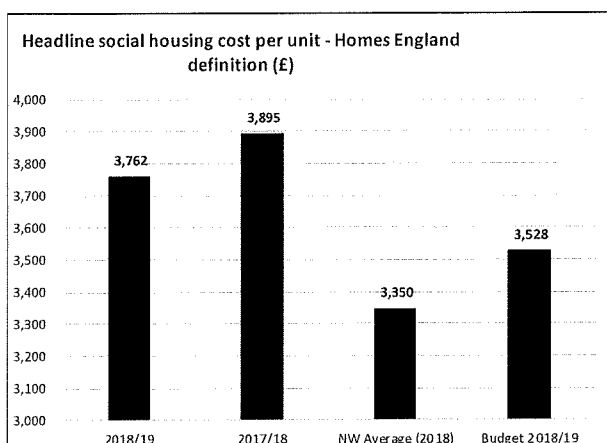


The (EBITDA MRI) interest cover measure is a key indicator for liquidity and investment capacity. It seeks to measure the level of surplus that a registered provider generates compared to interest payable.

Performance on EBITDA (MRI) during 2018/19 has improved by almost 81%, with the amount of interest we are paying reducing by half. The improvement is due to significant refinancing costs in 2017/18 which were exceptional in nature. Compared to budget performance was lower than anticipated due to reduced operating surplus. It is expected that this will reduce further in 2019/20 as the cost of servicing our debt increases due to facilities being utilised for the development of new homes. Performance is expected to remain higher than the 2017/18 north west average.

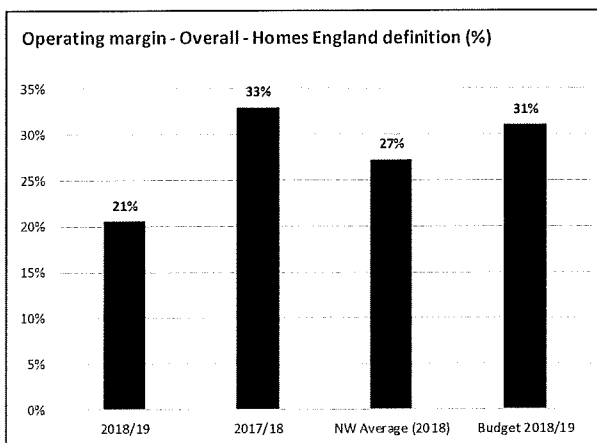
YOUR HOUSING GROUP LIMITED

OPERATING AND FINANCIAL REVIEW – VALUE FOR MONEY SCORECARD



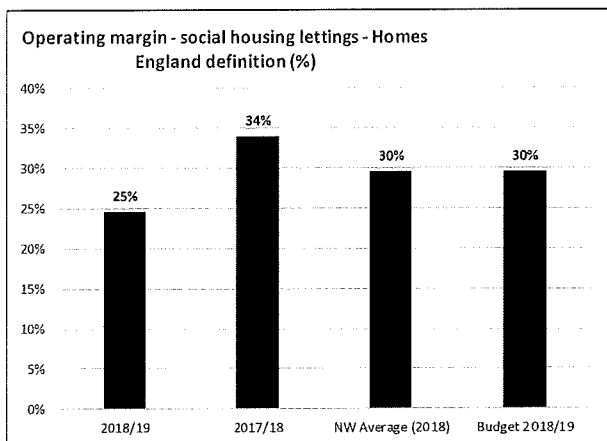
The unit cost metric assesses the headline social housing cost per unit as defined by the regulator.

Although comparison of our Headline Social Costs per unit shows that the Group's costs are higher than the peer group for 2017/18, the figures are also reflective of the levels of supported housing and housing for older people which has an overall higher cost per unit and reflects our plans to deliver quality homes that meet the needs of our customers lifestyles, both now and in the future. The Headline Social cost per unit has fallen during 2018/19, this was due to a reduction in reinvestment spend during the year on existing properties. In 2019/20 reinvestment is expected to increase as we seek to improve the quality of our stock, therefore we expect the headline cost to also increase. In the long-term we expect that the work that we undertake under priority four of our business strategy, innovating and using technology to transform our business, will increase efficiency and improve productivity, reducing this cost.



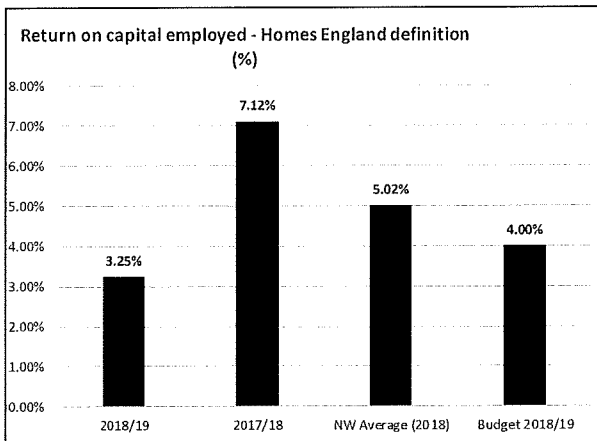
The Operating Margin demonstrates the profitability of operating assets before exceptional expenses are taken into account. Any gains/(losses) on disposal of fixed assets are excluded in the above.

Comparison of our Operating Margin for 2017/2018 years showed that in the previous year, Group performance on this metric was higher than the North West average, indicating that the Group has generally provided good value for money. The metric in 2018/19 was behind budget due to increased costs as a result of investment in improving our operating efficiency, increase spend on our compliance programme, and in increasing the capacity of Fix360, our in-house contractor. Investing in increasing capacity in Fix 360 will allow us to deliver more services to our customers in the longer term, ensuring we can control costs and improve services in the future. The Group has designed a corporate structure which includes charitable and non-charitable entities, development subsidiaries (Nuvo Development Limited and Your Housing (Development) Limited) and an in-house contractor (Fix 360 Limited). The design of the Group allows us to effectively manage our activities, ensure we are tax efficient, and protect our social assets from commercial risks whilst maintaining control over performance. In this way we believe our Group structure delivers VFM. Going forward the expectation is that we will continue to invest in providing excellent service to tenants, therefore we expect this metric to remain stable.



The Operating Margin demonstrates the profitability of operating assets before exceptional expenses are taken into account. Any gains/(losses) on disposal of fixed assets are excluded in the above.

Comparison of our Social Housing Operating Margin for 2017/2018 years showed that in the previous year, Group performance on this metric was higher than the North West average, indicating that the Group has generally provided good value for money. The metric in 2018/19 was behind budget due to the Group purposely spending more on compliance and its in-house contractor operation. Investing in increasing capacity in Fix 360 will allow us to deliver more services to our customers in the longer term, ensuring we can control costs and improve services in the future. Going forward the expectation is that we will invest more in providing excellent service to tenants and therefore we expect the metric to reduce slightly in the coming year.



This metric compares the operating surplus to total assets less current liabilities and is a common measure to assess the efficient investment of capital resources.

Looking at YHG's performance in 2017/18 against our sector peers, performance on ROCE put the Group in the top quartile. The decrease in ROCE for 2018/19 was expected as it reflects the Group's increased use of funding to deliver our strategic aims in investing in our assets and the delivery of new housing. As the Group employs more of its capital on new developments this metric is expected to reduce further, however in the longer-term this will reverse as new homes are completed and improved returns realised.

The charts on this page reflect the set of metrics specified by the English Regulator to measure and compare VFM across the sector. The HouseMark global accounts comparison tool has been used to obtain benchmark data for the North West regional group.

YOUR HOUSING GROUP LIMITED

REPORT OF THE BOARD

GOVERNANCE

Our Group Board is responsible for the long-term strategy and viability of the Group and during FY19 comprised of nine Non-executive directors and two executive directors (the Group Chief Executive and the Chief Financial Officer).

Our Board is responsible for providing leadership for the Group within a framework of prudent and effective controls. It sets out our strategic direction, objectives, values and standards, reviews management performance and ensures that the necessary financial, material and human resources are in place for the us to meet our objectives.

The Board has reserved the following matters for its consideration in accordance with the provisions of the National Housing Federation (NHF) Code of Governance 2015:

- Setting and ensuring compliance with the values, vision, mission and strategic objectives of the organisation, ensuring its long-term success;
- Setting a positive culture, with a strong customer focus;
- Ensuring that the organisation operates effectively, efficiently and economically;
- Providing oversight, direction and constructive challenge to the organisation's chief executive and executives;
- The appointment and, if necessary, the dismissal of the chief executive;
- Satisfying itself as to the integrity of financial information, approving each year's budget, business plan and annual accounts prior to publication;
- Establishing, overseeing and reviewing a framework of delegation and systems of internal control; and
- Establishing and overseeing a risk management framework to safeguard the assets and reputation of the organisation.

Delivery of the business strategy is delegated to our Executive Leadership Team (ELT). The ELT is made up of the Group Chief Executive who is responsible for leading the development and execution of our business plan and growth strategy, a Chief Operating Officer, responsible for the asset management and service delivery to our customers, and a Chief Financial Officer, responsible for all financial matters, funding, risk and governance of the Group.

We also have a group of Operational Directors who work to deliver our business plan and objectives at an operational and functional level.

GROUP STRUCTURE

Following our Group restructure in 2017, we have continued to improve our governance procedures. The Group Governance Framework and Group Policy Framework were updated to reflect our current group structure and clarify the relationships between the Group entities.

The following dormant companies were removed from the Group structure during the year: Arena Homes Limited, Arena Options Limited, Partington Housing Association Limited, Arena Development a Construction Limited and Arena Futures Limited.

We operate a Common Board structure for our parent and our two stock-owning entities, Your Housing Limited (YHL) and Frontis Homes Limited (FHL). Our Governance Framework determines how we are governed and sets out the relationships and delegated authorities and responsibilities between the parent and subsidiaries. The Group Board Committees also exercise oversight of the Group subsidiaries where practicable.

THE GROUP BOARD

During the year, our Group Board continued to focus on providing effective leadership and oversight of our strategic objectives.

Our previous Chair, Mark Tattersall, retired in May 2018 having reached his maximum term of office. We appointed Kathy Doran as Chair with effect from 1 June 2018 following a thorough recruitment process. Kathy had previously been the Deputy Chair, and following her appointment as Chair, Richard Groome was appointed by the Board as Deputy Chair.

YOUR HOUSING GROUP LIMITED REPORT OF THE BOARD

Mark's retirement and that of Paul Carhart who retired on 31 July 2018 having also reached the end of his maximum term of office, created vacancies on the Board. We undertook a skills analysis of the existing board members to understand the strengths and any skill gaps on the Board, and as a result, two new Non-executive directors, Paula Steer and Alison Cabbage were appointed to the board in June 2018. In addition, our Board Committees were restructured to ensure that directors were placed in Committees that best suited their skills and experience.

In addition to the annual Board skills analysis, every Board member also undergoes an annual appraisal which supports their personal development. We also undertook a Board collective effectiveness review in the year. Information from the skills analysis, Board member appraisals and collective effectiveness review has been used to develop individual and collective Board training and development activities.

During the year, the Board held seven formal meetings and five strategy days.

Attendance

Brian Cronin	100%
Jeremy Earnshaw	100%
Mark Tattersall ¹	100%
Kathy Doran	100%
Alistair How	92%
Brenda Smith	100%
Derek Cash	67%
Paul Carhart ²	100%
Roy Grant	83%
Richard Groome	100%
Val Aherne	100%
Alison Cabbage	80%
Paula Steer	90%

¹retired 31 May 2018

²retired 31 July 2018

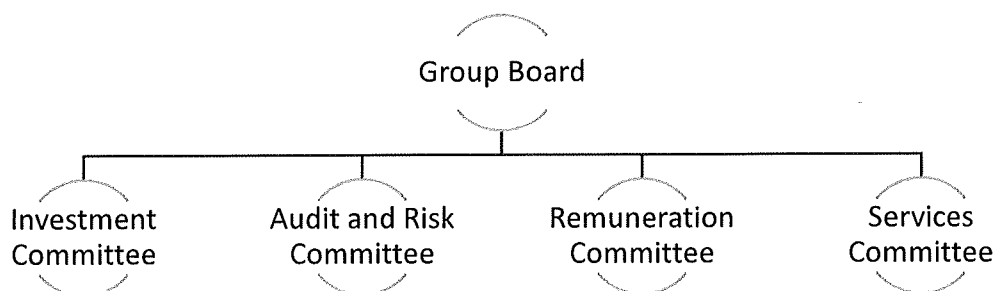
BOARD REMUNERATION

Group Board members are paid for their services, which increases the Group's ability to attract and retain high-calibre members. Current Non-Executive Director remuneration is detailed in note 11 to the financial statements on page 52.

BOARD COMMITTEES

We have four Board Committees which oversee our Group operations as delegated to them by the Board in their specific Terms of Reference. The performance of our Group operations is further delegated to the ELT and Senior Managers as necessary. The Committees also oversee some of the activities of our Group subsidiaries as delegated to them by the Board.

Minutes of the meeting of the Committees are made available to all the members of the Board for their information.



**YOUR HOUSING GROUP LIMITED
REPORT OF THE BOARD**

COMMITTEE COMPOSITION

Committee	Members
Investment Committee	Kathy Doran (Chair)
	Richard Groome
	Derek Cash
	Brenda Smith
	Paula Steer
	Alison Cabbage
Audit and Risk Committee	Brenda Smith (Chair)
	Val Aherne ¹
	Roy Grant
	Phil Edington ²
	Paul Carhart ³
	Derek Cash ⁴
	Alistair How
	Kathy Doran ⁵
	Richard Groome
	Alison Cabbage
Remuneration Committee	Roy Grant (Chair)
	Mark Tattersall ⁶
	Alistair How
	Kathy Doran
	Paul Carhart ⁷
	Richard Groome ⁸
	Derek Cash ⁹
	Val Aherne
	Brenda Smith
Services Committee	Philip Webb (Chair)
	Andrea Hampton
	Fred Leatherbarrow
	Dorothy McKeith
	Alan Young
	Pamela Moores
	Derek Cash
	Val Aherne
	Paul Covell
	Kathy Doran ¹⁰
	Simon Holt ¹¹

¹⁻¹⁰ not a member of the committee following committee restructure in May

¹¹ resigned 31 December 2018

COMMITTEE ACTIVITY

Investment Committee

Our Investment Committee is responsible for growth, investment, stock acquisition and divestment, large capital project approvals up to the delegated limits. The Committee functions as the Investment Committee of the Parent and the Registered Provider (RP) subsidiaries: Your Housing Limited (YHL) and Frontis Homes Limited (FHL).

YOUR HOUSING GROUP LIMITED

REPORT OF THE BOARD

During the year the Committee had six Non-Executive members and met four times. The Executives also attend the Committee meetings to deliver reports and updates on relevant issues. The Committee is Chaired by a Non-Executive Director.

Some of the matters considered by the Committee during the year were the:

- Approval of schemes for development and recommending schemes to the Board for approval where they were in excess of the Committee's delegated authority;
- Review and approval of the Group supported housing investment parameters;
- Review and recommending to the Board the land acquisition strategy;
- Review and approval of developments, schemes and investments;
- Periodic updates on the Group's investments; and
- Approval of disposals in accordance with the Group's Divestment Strategy.

The Committee has reviewed its activities for the year in line with its Terms of Reference and is satisfied that it has fulfilled all its functions.

Audit and Risk Committee

Our Audit and Risk Committee ensures that there is an effective system of internal control in the Group and oversees the implementation of the group risk management strategy. The Committee also oversees the appointment and activities of the internal and external auditors.

During the year the Committee consisted of Five Non-Executive Directors. The Committee Terms of Reference provide that the Group Board chair and employees of the Group are not eligible to members of the Committee. However, the Committee meetings were attended by employees and the auditors for reports and updates on various issues. The Committee met four times during the year.

Some of the key activities of the Committee during this period include:

- Reviewing internal audit reports and management responses throughout the year presented by the Internal Auditors, KPMG;
- Updates on the implementation of the audit recommendation of the external auditors;
- Approving the internal and external audit plans for the year;
- Reviewing Statutory Annual Reports and Accounts for the Group and all subsidiaries;
- Reviewing the scope and findings of the Annual Audit of the Financial Statements;
- Reviewing all whistleblowing allegations;
- Reviewing all regulatory and compliance matters;
- Reviewing Group accounting policies;
- Risk referrals in specific areas of the business to gain assurance on matters of concern to the Board and / or the Committee; and
- Review of Annual declarations and the Group's gifts and hospitality register.

The Committee has reviewed its activities during the year in line with its Terms of Reference and is satisfied that it has fulfilled its functions.

Remuneration Committee

Our Remuneration Committee reviews and make recommendations on the remuneration of the Group Chief Executive, Non-Executive directors and the Executive Leadership Team. The Committee also reviews the culture of the organisation and approves the remuneration principles for all employees across the Group. The Committee is responsible for the Group and all its subsidiaries. The Committee had five Non-Executive directors as members and met four times during the period under review.

YOUR HOUSING GROUP LIMITED

REPORT OF THE BOARD

During the year, the Committee:

- Reviewed and made recommendations on the remuneration of the Group Chief Executive;
- Approved bonus payments to the senior and executive leadership team;
- Reviewed and approved remuneration principles for all staff across the Group;
- Approved an internal board appraisal for 2018;
- Led the appointment of the Deputy Group Chair, recruitment of two Non-Executive Directors and Service Committee members;
- Approved the review of the composition of the Board Committees; and
- Received periodic updates on the implementation on the Culture Change Strategic Plan.

The Committee has reviewed its activities for the year in line with its Terms of Reference and is satisfied that it has fulfilled its functions.

Services Committee

The Services Committee provides assurance to the Group Board on the appropriate discharge of the Group's legal and regulatory duties in respect of its core landlord and specialist support services. The Committee is responsible for the registered providers in the Group: Your Housing Group Limited, Your Housing Limited and Frontis Homes Limited.

The Committee consisted of nine members, seven customer members and two non-executive directors. The members of the Committee also serve as champions for various customer related areas of the Group's business and report to the Committee on their activities at each meeting. The Committee met six times during the year, one of which was a joint strategy meeting with the Board. The Committee meetings are also attended by employees of the Group and the Members of the Customer Assurance Panel when necessary.

During the year the Committee:

- Engaged with customer service development projects and procurement activity of the Group;
- Ensured compliance with the consumer standards by reviewing and approving the Group's compliance statements and customer Annual Reports;
- Commissioned scrutiny reports by the Customer Assurance Panel, monitoring actions arising from scrutiny activity; and
- Reviewed and approved new and existing operational policies.

GOVERNANCE COMPLIANCE STATEMENT

The Group's governance structures comply with best standards and practices in corporate governance and are predicated on compliance with the National Housing Federation's (NHF) Code of Governance 2015 (the Code), the Group's Rules, Governance Framework and Corporate Governance best practices.

In May 2019, the Group received an annual report on compliance with the Code. The Board confirms that, throughout the year, the Group has applied the main principles and complied with the relevant provisions set out in the NHF Code of Corporate Governance 2015 and international best practice in corporate governance.

Also, the Regulator of Social Housing issued its strapline judgement of the Group in December 2018 and confirmed the Groups ratings of G1 and V1 demonstrating our high standards of governance, together with our robust financial plan. In addition, the internal auditors, KPMG conducted an internal audit of the Governance operations of the Group in March 2019 and concluded that there was significant assurance of the Group's governance operations.

YOUR HOUSING GROUP LIMITED REPORT OF THE BOARD

REGULATORY COMPLIANCE STATEMENT

We recognise the impact that any legislative or regulatory breaches can have on the Group and its customers, and so we monitor and co-ordinate compliance activities through our Risk & Assurance team and each year assesses ourselves against the Regulator of Social Housing's Regulatory Standards.

We have recently become aware of latent defects in roofs at two retirement living schemes (one in Your Housing Limited and one in Ascent Housing LLP) which have caused the roofs to fail much earlier than their expected life. Investigations have concluded that the roofs cannot be satisfactorily repaired and must be replaced, which is planned for the coming year. Due to the failure of the roofs, 224 homes are considered not to currently meet the Decent Home Standard and we have therefore concluded that for the 2018/19 year, in this matter, we have failed to comply with the Home Standard

The Board has determined that, for the 2018/19 year, YHG was compliant with the Governance & Viability Standard.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

We have maintained Directors' and Officers' liability insurance throughout the year and up to the date of approval of the financial statements.

YOUR HOUSING GROUP LIMITED

REPORT OF THE BOARD – STATEMENT OF INTERNAL CONTROL

STATEMENT OF INTERNAL CONTROL

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and provide reasonable assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance regarding the preparation and reliability of financial and operational information and the safeguarding of the Group's assets and interests.

The Board has adopted a risk-based approach to internal controls, which are embedded within the day to day management and governance process. This approach includes the regular evaluation of the risks that the Group may be exposed to and meets the principle of the National Housing Federation's Code of Governance, Section C (Provisions regarding the board) which includes a requirement that the boards functions must include:

- Satisfying itself as to the integrity of financial information.
- Establishing, overseeing and reviewing a framework of delegation and systems of internal control.
- Establishing and overseeing a risk management framework to safeguard the assets and reputation of the organisation.

Your Housing Group has a zero-tolerance policy to fraud, and in addition to the normal checks and balances to prevent fraud the employee code of conduct clearly sets out employee's responsibilities and standards of conduct. A whistleblowing policy is also in place and employees are encouraged to report any wrongdoing they become aware of. All suspected frauds are investigated, recorded in the fraud register, and are presented to the Audit and Risk Committee. No significant frauds have occurred during the year.

The Audit and Risk Committee, on behalf of the Board has received the Risk & Assurance Manager's report and has conducted its annual review of the effectiveness of the system of internal control. The Board has a number of mechanisms in place to support the Group's systems of internal control. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud detection and prevention. Financial control is exercised through the setting of detailed budgets each year which feed into the financial planning process, coupled with a reporting and monitoring system that is driven by key performance indicators. The Board receive a quarterly Board Assurance Framework which highlights key areas of interest in relation to the management of risk and assurance activity.

The Group's internal audit partner reports directly to each meeting of the Audit and Risk Committee and all recommendations for improvement are followed up. Based on the work undertaken by KPMG during the year we can confirm that there are no signs of material weaknesses in the framework of control.

Conclusion

It should be noted that assurance can never be absolute, the statement of assurance is not a guarantee that all aspects of the internal control system are adequate and effective. It does confirm that, based on the evidence from internal audit, risk and assurance arrangements (both internal and external) and internal control mechanisms, there are no signs of material weaknesses in the framework of control in 2018-19.

Your Housing Group has maintained its G1 V1 status, which was awarded as a strapline judgement by the Regulator during this financial year. The Board is confident that the Group will ensure that appropriate assurance is provided on compliance with all regulatory standards within the coming financial year.

YOUR HOUSING GROUP LIMITED

REPORT OF THE BOARD – GOING CONCERN

GOING CONCERN

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Operating and Financial Review. The Group continues to be affected by uncertainty from the regulatory environment, government policy and economic factors. These include a reduction in social rents of 1% per annum between 2016/17 and 2019/20, a direct and indirect impact from Brexit, potential inflationary pressures and reductions in demand for some of the Group's stock.

The Group has long-term business plans addressing the factors affecting its activities. The business plans take into account a number of different variables to support the headroom within the debt facilities. They have also been subject to multi-variate stress testing. The business plans and long-term debt facilities demonstrate that the Group has adequate resources to provide the finance required to support committed reinvestment, development programmes, loan repayments (of which £23.1m are due within 12 months), along with the Group's day-to-day operations. Bank covenants have been met in all plans and forecasts.

On this basis, the Board has reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 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.

YOUR HOUSING GROUP LIMITED

STATEMENT OF THE RESPONSIBILITIES OF THE BOARD FOR THE REPORT AND FINANCIAL STATEMENTS

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

Co-operative and Community Benefit Society legislation requires the board to prepare financial statements for each financial year. Under that law the board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws), including FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. Under the Co-operative and Community Benefit Society legislation the board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the association and group for that period. In preparing these financial statements, the board are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers 2014, 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 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 association and enable it 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 (April 2015). It is also responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board are responsible for the maintenance and integrity of the corporate and financial information included on the association's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Grant Thornton UK LLP has indicated its willingness to continue in office. A resolution concerning the re-appointment of external auditors will be proposed at the forthcoming Annual General Meeting.

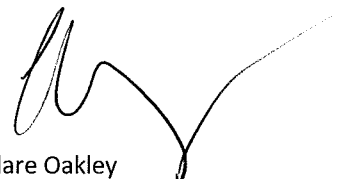
The strategic report, operating and financial review, report of the Board and statement of responsibility of the board for the report and financial statements was approved on 12 September 2019 and signed on its behalf by:



Kathy Doran
Chair



Brian Cronin
Group Chief Executive



Clare Oakley
Group Company Secretary

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF YOUR HOUSING GROUP LIMITED

Opinion

We have audited the financial statements of Your Housing Group Limited (the 'parent association') and its subsidiaries (the 'group') for the year ended 31 March 2019, which comprise the group and association Statement of Comprehensive Income, the group and association Statement of Financial Position, the group and association Statement of Changes in Reserves, the group Statement of Cash Flows 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 parent association's affairs as at 31 March 2019 and of the group's and parent association's income and expenditure for the year then ended;
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with regulations made under that Act. 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 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's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or parent 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.

Other information

The board is responsible for the other information. The other information comprises the information included in the Annual Report, set out on pages 2 to 28 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF YOUR HOUSING GROUP LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the parent association has not kept proper accounting records;
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

Responsibilities of the board for the financial statements

As explained more fully in the Statement of Board's Responsibilities set out on page 28, 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 determines 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's and parent 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 parent association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Use of our report

This report is made solely to the association's members, as a body, in accordance with regulations made under Sections 87 and 98(7) of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.



Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds

19 September 2019

YOUR HOUSING GROUP LIMITED
GROUP STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2019

	Notes	2019 £'000	2018 £'000
TURNOVER	3.1	148,719	161,862
OPERATING EXPENDITURE	3.1	(118,866)	(109,629)
GAIN ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT	5	4,809	22,877
TOTAL OPERATING SURPLUS	7	<u>34,662</u>	<u>75,110</u>
Share of associates operating surplus		309	321
Loss on disposal of subsidiaries		-	(62,571)
Interest receivable and other income	8	407	502
Interest payable and similar costs	9	(15,373)	(30,505)
Movement in fair value of investments		2,134	1,390
SURPLUS/(DEFICIT) ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>22,139</u>	<u>(15,753)</u>
Tax on surplus on ordinary activities	12	(666)	(272)
SURPLUS/(DEFICIT) ON ORDINARY ACTIVITIES AFTER TAXATION		<u>21,473</u>	<u>(16,025)</u>
Attributable to non-controlling interests		171	83
SURPLUS/(DEFICIT) FOR THE FINANCIAL YEAR		<u>21,644</u>	<u>(15,942)</u>
Movement in hedging reserve		(9)	811
Actuarial (loss)/gain in respect of pension schemes	30	(7,465)	3,216
Remeasurement of the Social Housing Pension Scheme	30	(14,206)	-
TOTAL COMPREHENSIVE INCOME		<u>(36)</u>	<u>(11,915)</u>

The notes form an integral part of the financial statements.

Approved and authorised for issue by the Board on 12 September 2019 and signed on its behalf by:


Kathy Doran
Chair


Brian Cronin
Group Chief Executive


Clare Oakley
Group Company Secretary

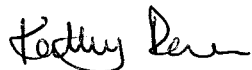
Notes for the financial statements including accounting policies can be found on pages 36 to 81.

YOUR HOUSING GROUP LIMITED
ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
TURNOVER	3.2	33,189	28,250
OPERATING EXPENDITURE	3.2	(33,511)	(31,602)
GAIN ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT	5	-	5
GIFT AID RECEIVED		-	2,000
DONATION FROM SUBSIDIARY		13,253	-
OPERATING SURPLUS/(LOSS)	7	12,931	(1,347)
Interest receivable and other income	8	15	8
Interest payable and similar costs	9	-	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		12,946	(1,339)
Tax on surplus on ordinary activities	12	-	-
PROFIT/(LOSS) FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME		12,946	(1,339)

All amounts relate to continuing activities. The notes form an integral part of the financial statements.

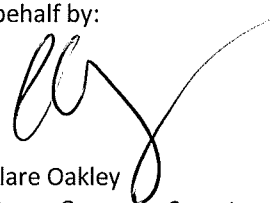
Approved and authorised for issue by the Board on 12 September 2019 and signed on its behalf by:



Kathy Doran
Chair



Brian Cronin
Group Chief Executive



Clare Oakley
Group Company Secretary


YOUR HOUSING GROUP LIMITED
STATEMENT OF FINANCIAL POSITION – GROUP AND ASSOCIATION
For the year ended 31 March 2019

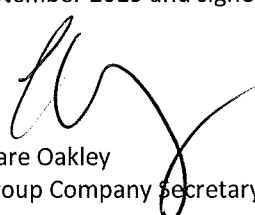
	Notes	Group		Association	
		2019 £'000	Restated 2018 £'000	2019 £'000	2018 £'000
FIXED ASSETS					
Tangible fixed assets	13	1,013,797	1,023,997	-	31
Intangible fixed assets	14	1,188	1,631		
Investments	15	68,729	50,354	13,252	-
Share of associates	15.3	3,231	3,009	-	-
		<u>1,086,945</u>	<u>1,078,991</u>	<u>13,252</u>	<u>31</u>
CURRENT ASSETS					
Inventories	16	11,951	904	-	-
Trade and other debtors	17	10,176	15,696	4,288	6,349
Cash and cash equivalents		31,273	31,385	2,020	2,520
		<u>53,400</u>	<u>47,985</u>	<u>6,308</u>	<u>8,869</u>
CREDITORS: amounts falling due within one year	18	(63,811)	(74,971)	(5,294)	(7,591)
NET CURRENT (LIABILITIES)/ASSETS		<u>(10,411)</u>	<u>(26,986)</u>	<u>1,014</u>	<u>1,278</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,076,534</u>	<u>1,052,005</u>	<u>14,266</u>	<u>1,309</u>
CREDITORS: amounts falling due after more than one year	19	(742,276)	(738,145)	-	-
PROVISIONS FOR LIABILITIES	25	(2,521)	(15,569)	(109)	(98)
PENSION LIABILITY	30	(39,397)	(5,744)	-	-
TOTAL NET ASSETS		<u>292,340</u>	<u>292,547</u>	<u>14,157</u>	<u>1,211</u>
CAPITAL AND RESERVES					
Share capital	26	-	-	-	-
Revaluation reserve		12,281	10,147	-	-
Hedging reserve		(952)	(943)	-	-
Revenue reserve		281,463	283,624	14,157	1,211
Attributable to non-controlling interests		(452)	(281)	-	-
GROUP'S/ASSOCIATION'S FUNDS		<u>292,340</u>	<u>292,547</u>	<u>14,157</u>	<u>1,211</u>

The notes form an integral part of the financial statements. The Group Statement of Financial Position has been restated for 2018, further details can be found in note 2.

These financial statements were approved and authorised for issue by the Board on 12 September 2019 and signed on its behalf by:


Kathy Doran
Chair


Brian Cronin
Group Chief Executive


Clare Oakley
Group Company Secretary

Notes for the financial statements including accounting policies can be found on pages 36 to 81.

YOUR HOUSING GROUP LIMITED
GROUP STATEMENT OF CHANGES IN RESERVES
For the year ended 31 March 2019

	Revaluation reserve £'000	Hedging reserve £'000	Revenue reserves £'000	Attributable to non controlling interest £'000	Total £'000
Balance as at 1 April 2017	8,757	(1,754)	297,740	(198)	304,545
Deficit for the year	-	-	(16,142)	(83)	(16,225)
Other comprehensive income	-	-	4,227	-	4,227
Reserves transfer	1,390	811	(2,201)	-	-
Balance as at 31 March 2018	<u>10,147</u>	<u>(943)</u>	<u>283,624</u>	<u>(281)</u>	<u>292,547</u>
Surplus for the year	-	-	21,644	(171)	21,473
Other comprehensive income	-	-	(21,680)	-	(21,680)
Reserves transfer	2,134	(9)	(2,125)	-	-
Balance as at 31 March 2019	<u>12,281</u>	<u>(952)</u>	<u>281,463</u>	<u>(452)</u>	<u>292,340</u>

ASSOCIATION STATEMENT OF CHANGES IN RESERVES
For the year ended 31 March 2019

	Revenue reserves £'000
Balance as at 1 April 2017	2,550
Deficit for the year	(1,339)
Balance as at 31 March 2018	<u>1,211</u>
Surplus for the year	12,946
Balance as at 31 March 2019	<u>14,157</u>

Notes for the financial statements including accounting policies can be found on pages 36 to 81.

YOUR HOUSING GROUP LIMITED
GROUP STATEMENT OF CASH FLOWS
For the year ended 31 March 2019

	Notes	2019 £'000	Restated 2018 £'000
Net cash generated from operating activities	28	<u>46,395</u>	<u>56,143</u>
Cash flow from investing activities			
Purchase of housing properties		(21,310)	(26,147)
Purchase of other fixed assets		(13,351)	(11,089)
Grants received		5,162	192
Grants repaid		(152)	-
Purchase of investments		(10,291)	(4,315)
Proceeds from the sale of investments		281	2,514
Proceeds from the sale of tangible fixed assets		8,073	53,759
Dividends received from associates		29	96
Interest received		407	502
Disposal of subsidiaries		-	(17,214)
		<u>(31,152)</u>	<u>(1,702)</u>
Cash flow from financing activities			
Interest paid		(14,710)	(18,812)
Refinancing costs		-	(11,250)
Loan repayments		(645)	(70,147)
		<u>(15,355)</u>	<u>(100,209)</u>
Net change in cash and cash equivalents		(112)	(45,768)
Cash and cash equivalents at the beginning of the year		31,385	77,153
Cash and cash equivalents at the end of the year		<u><u>31,273</u></u>	<u><u>31,385</u></u>

The notes form an integral part of the financial statements.

The Group Statement of Cash Flows has been restated for the prior year to align the presentation with the requirements of FRS102, further details can be found in note 2.

YOUR HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

1. LEGAL STATUS

The Association is registered under the Co-operative and Community Benefit Societies Act 2014 and is a registered housing provider. The principal activity includes the provision of affordable homes to rent, homes for sale, sheltered and supported accommodation for older people, and hostels and foyers accredited schemes which support vulnerable people.

The Group includes several smaller entities which help to support principal activities. These include a repairs and maintenance company and development companies which are registered companies. The Group also includes limited liability partnership which provide non-social housing for rental. Further details can be found in note 29.

2. ACCOUNTING POLICIES

Basis of accounting

The financial statements of the Group and Association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including Financial Reporting Standard 102 (FRS102) and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

In accordance with the amendment to FRS102 section 28 employee benefits issued in May 2019, the Group has chosen to adopt the amendment early in relation to the Social Housing Pension Scheme (SHPS). In accordance with the provisions of FRS102 no Statement of Cash Flows is prepared for the parent on the basis a Consolidated Statement of Cash Flows is provided. The functional and presentational currency is Sterling (£). The Association is a Public Benefit Entity.

Restatements

IT Software previously held as tangible fixed assets has been reclassified to intangible fixed assets to more closely align with the nature of the assets and ensure compliance with the accounting requirements of FRS102. The change in classification has resulted in £1,631,000 being reclassified from tangible fixed assets to intangible fixed assets in the prior period. Depreciation of £636,000 had previously been charged on the assets and this has been reclassified to amortisation, in line with the accounting standards. There has been no change to the reported profit or net assets of the company.

The Group Statement of Cash Flows has been restated for the prior year to align the presentation with the requirements of FRS102. Interest received of £502,000 has been reclassified from financing to investing activities, £53,759,000 of proceeds from the sale of fixed assets has been reclassified from operating to investing activities and a £17,214,000 reduction in cash relating to the disposal of subsidiaries has been reclassified to investing activities.

Going concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Operating and Financial Review. The Group continues to be affected by uncertainty from the regulatory environment, government policy and economic factors. These include a reduction in social rents of 1% per annum between 2016/17 and 2019/20, a direct and indirect impact from Brexit, potential inflationary pressures and reductions in demand for some of the Group's stock.

The Group has long-term business plans addressing the factors affecting its activities. The business plans take into account a number of different variables to support the headroom within the debt facilities. They have also been subject to multi-variate stress testing. The business plans and long-term debt facilities demonstrate that the Group has adequate resources to provide the finance required to support committed reinvestment, development programmes, loan repayments (of which £23.1m are due within 12 months), along with the Group's day-to-day operations. Bank covenants have been met in all plans and forecasts.

On this basis, the Board has reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 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.

YOUR HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

2. ACCOUNTING POLICIES (CONTINUED)

Significant judgements and estimates

The following are the significant management judgements and estimates made in applying the accounting policies of the Group that have the most significant effect on the financial statements:

- **Categorisation of housing properties** – In determining the intended use, the Group has considered if the asset is held for social benefit or to earn commercial rentals. The Group has determined that market rented properties are investment properties and are disclosed in note 15.
- **Useful economic lives** – Useful economic lives are based on management's expectation of the lives of assets. The rates are such to depreciate the cost of assets to their residual value over their expected lives. Management review the Association's estimate 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 advances, changes in the expected use and changes to decent homes standards. The total depreciation/amortisation charge for the year is disclosed in note 7, 13 and 14.
- **Capitalisation of property development costs** – Qualifying costs which directly relate to the assets are capitalised from the start of the construction of an asset and are disclosed in notes 13 and 15. Costs are agreed at the start of a project and monitored throughout development. Capitalisation of costs ceases when the asset comes into use. If an asset changes fundamentally during construction or the project is terminated the costs and recoverability are revaluated and provisions are made if required.
- **Fair value of investment properties** – Investment properties are held at fair value, based on external valuers' assessments. The valuations are updated on a regular basis to ensure the properties remain at fair value. In years when a valuation is not performed an assessment is undertaken by management to confirm the valuations for properties remain appropriate. Disclosure is provided in the note 14 of the financial statements.
- **Government grants** – Government grants are held against structure and amortised over the expected life of structure, 100 years, using the accruals method. The value of government grants and amortisation during the year are disclosed in note 22.
- **Impairment** – Impairment assessments are performed annually considering impairment triggers. If an impairment trigger is identified a full impairment review is conducted, considering whether the recoverable value is higher than carrying value. Impairment reviews are based on cash generating units, these are not set, but depend on the area of the business under review. The impairment charge for the year is disclosed in note 13 and 14.
- **Bad debts** – Arrears and other debtors are provided for based on the age of debt, as this is considered to indicate recoverability. The provision is disclosed in note 17 and the charge during the year in note 7.
- **Fair value of financial derivatives** – Financial derivatives are included at the year end at their fair value, provided by external sources and are disclosed in note 19 and 21.
- **Basic/Non-basic debt categorisation** – The Group has certain fixed interest loans with the potential that if the loan was exited early and market interest rates were in the Group's favour this could result in the loan being repaid for less than the capital amount of the loan. None of these loans at the year-end if exited would result in a gain. The Group has considered these loans and concluded they meet the definition of basic under Section 11 of FRS102. This treatment is considered to reflect the risk profile and nature of the loans.
- **Defined Benefit Obligations (DBO)** – Management's estimate of the DBO is based on a number of critical underlying assumptions such as rates of inflation, mortality, discount rate and future salary increases. Variations in these assumptions may significantly impact the DBO amount and the annual defined benefit expense. The assumptions used to calculate the total liability are disclosed in note 30.
- **Supporting people** – Management judgement is applied in determining the extent to which the risks and benefits are transferred to the Group when considering the income to be recognised. The total income recognised is disclosed in note 3.

YOUR HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

2. ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

The Group financial statements consolidate the financial statements of the Association and all of its subsidiaries at 31 March 2019 using the purchase method.

The consolidated financial statements incorporate the financial statements of the Association and entities controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where the Group does not control 100% of a subsidiary, the entire results for the year are included in the Group financial statements and the non-controlling interests are shown in the Statement of Financial Position.

All intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Associates

Undertakings that are not subsidiaries but where the Group has significant influence are classified as associates (i.e. the power to participate in the financial and operating policy decisions) and are accounted using the equity method of accounting, accounting for the Group's share of assets and liabilities.

Turnover and revenue recognition

Turnover comprises rental income receivable in the year, income from shared ownership first tranche sales, sales of properties built for sale and other services included at the invoiced value (excluding VAT, where recoverable) 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, net of any voids. Service charge income is recognised in the period to which it relates net of losses from voids.

Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

Employee Benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

Gift aid donations

In 2018, the Association received charitable donations from its wholly owned subsidiary, Frontis Homes Limited.

Donations from subsidiaries

All donations from subsidiaries are cash transfers and recognised on receipt.

Interest payable

Interest is capitalised on borrowings to finance the development of qualifying assets to the extent that it accrues in respect of the period of development if it represents:

- a) Interest on borrowing specifically financing the development programme after deduction of related grants in advance; or
- b) A fair amount of interest on borrowings of the Association as a whole after deduction of Government Grant received in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to the Statement of Comprehensive Income in the year.

YOUR HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

2. ACCOUNTING POLICIES (CONTINUED)

Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable surplus for the current or past reporting period using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred taxation

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is recognised when income and expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- The Group is able to control the reversal of the timing difference, and
- It is probable that the timing difference will not reverse in the foreseeable future.

Deferred tax relating to investment property that is measured at fair value is measured using the tax rates and allowances that apply to the sale of the asset, except for investment property that has a limited useful life and is held in a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time.

Deferred tax is calculated using the tax rates and law that have been enacted or substantively by the reporting date that are expected to apply to the reversal of the timing difference.

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and liabilities are only off set where there is a legal right to do so.

Movements in actuarial assumptions can lead to the recognition of gains and losses in respect to the impact of these assumptions on pension liabilities and assets. These movements are non-cash movements and as such can create timing differences in respect of tax which would be reflected through deferred tax assets and liabilities.

VAT

The Group charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group and is not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year end is included as a current liability or asset.

Housing properties

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at cost less accumulated depreciation and impairment losses. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period.

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. When an existing component is replaced the component is disposed of and the new component added.

YOUR HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

2. ACCOUNTING POLICIES (CONTINUED)

Housing properties (continued)

Expenditure on shared ownership properties are split proportionally between current and fixed assets based on the elements relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover, and the remaining element is classed as fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

Capitalisation of interest

Interest is capitalised while properties are under construction. This is based on the weighted average cost of capital and the total capital employed.

Donated land and other assets

Land and other assets donated by local authorities and other government sources are added to cost at the fair value of the land at the time of the donation. Where the land is not related to a specific development and is donated by a public body an amount equivalent to the increase in value between fair value and consideration is paid as a non-monetary government grant and recognised on the statement of financial position as deferred income within liabilities. Where the donation is from a non-public source, the value of the donation is included as income.

Investment properties

Investment properties consist of commercial properties and other properties not held for social benefit or for use in the business. Investment properties are initially measured at cost and subsequently at fair value as at the year end, with changes in fair value recognised in the Statement of Comprehensive Income. It is not considered possible to accurately measure the value of properties that are under construction. Where this is the case the properties are measured at cost and revalued on completion.

Government grants

Government grants include grants receivable from the Homes England, local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure under the accruals model, being 100 years.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received.

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

Government grants received for housing properties are subordinated to the repayment of loans by agreement with Homes England. Government grants released on the sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the statement of financial positions in creditors.

If there is no requirement to recycle or repay the grant on disposal of the asset, any amortised grant remaining within creditors is released and recognised as income in the Statement of Comprehensive Income.

Other grants

Grants received from non-government sources are recognised using the performance model. A grant which does not impose specific future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the Association is recognised when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

YOUR HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

2. ACCOUNTING POLICIES (CONTINUED)

Depreciation of housing properties

The Group separately identifies the major components which comprise its housing properties, and charges depreciation so as to write-down the cost of each component to its estimated residual value, on a straight line basis, over its estimated useful economic life.

The Group depreciates the major components of its housing properties over the following annual rates:

Structure	100 Years
Roofs	60 Years
Kitchens	20 Years
Bathrooms	25 Years
Electrical Systems	30 Years
Doors	30 Years
Windows	30 Years
Boilers	15-20 Years
Central Heating	40 Years
Loft Insulation	30 Years
Renewable technology	20 Years

Freehold land is not depreciated.

Leasehold properties are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

Impairment

Housing properties are annually assessed for impairment indicators. Where indicators are identified any assessment for impairment is undertaken comparing the carrying amount to its recoverable amount. Where carrying amount is deemed to exceed its recoverable amount, the assets are written down to recoverable amount. The resulting impairment loss is recognised as operating expenditure. Where assets are currently deemed not to be providing service potential to the Group, recoverable amount is its fair value less costs to sell. For all other asset balances, the approach to impairment is to focus on the future economic value of capitalised project spend. The impairment charge for the year and accumulated impairment is disclosed in notes 13 and 14.

Other tangible fixed assets

Other tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on the freehold land.

The principal annual rates used for other assets are:

Freehold office buildings	40 years
Leasehold property	Lower of life of lease or 40 years
Communal assets	15, 20, 30 years
Garages	25 years
Furniture, fixtures, fittings & office equipment	5 years
Mobile technology	2 years
Computer hardware and telephony equipment	4 years
Motor vehicles	4 years

YOUR HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

2. ACCOUNTING POLICIES (CONTINUED)

Intangible Fixed Assets

Intangible fixed assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is provided evenly on the cost of intangible fixed assets to write them down to their estimated residual values over their expected useful lives.

The principal annual rates used for intangible assets are:

Computer software	5 years
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Leased Assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership of the leased assets to the Group. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at the fair value of the leased asset (or, if lower, the present value of minimal lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring the surplus or deficit. Assets held under finance leases are included in tangible fixed assets and depreciation and assessed for impairment in the same ways as owned assets.

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

The aggregate benefit of lease incentives is recognised as a reduction to the expense recognised over the lease term on a straight-line basis.

Properties for sale

Shared ownership first tranche sales and completed properties for outright sale and property under construction are valued at the lower of cost or net realisable value. Cost comprises materials, direct labour, direct development overheads and capitalised borrowing costs. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Shared ownership properties, including those under construction, are split between housing properties and properties held for sale. The split is determined by the percentage of the property to be sold under a first tranche disposal which is shown on initial recognition as a property held for sale, with the remainder classified as a fixed asset within the housing properties note 13.

Debtors and creditors

Short term debtors and creditors are measured at transaction price. Debtors are shown less any impairment. Where deferral of payment terms has been agreed below market rate, and where material, the balance is shown at the present value, discounted at a market rate.

Financial instruments – debt

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS102 are accounted for under an amortised cost model.

Non-basic financial instruments are recognised at fair value using a valuation technique. For non-basic financial instruments FRS102 section 12 has been applied.

All financial instruments relate to interest rate swaps.

YOUR HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

2. ACCOUNTING POLICIES (CONTINUED)

Hedging arrangements

The Group applies hedge accounting for transactions entered into to manage the cash flow exposures of borrowings. Interest rate swaps are held to manage the interest rate exposures and are designated as cash flow hedges of floating rate borrowings.

Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised directly in equity. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the Statement of Comprehensive Income.

The gain or loss recognised in other comprehensive income is reclassified to the Statement of Comprehensive Income when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised, or the hedging instrument is terminated.

Loan issue costs

Costs incurred on the issue of loan finance are initially recorded as a deduction from the gross proceeds of the loan and included in creditors greater than one year. The costs are then subsequently amortised to the Statement of Comprehensive Income over the term of the loans.

Provisions for liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the presentation obligation at the end of the reporting period, taking into account the risk and uncertainties surrounding it.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at its present value, using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the Statement of Comprehensive income, in the period it arises.

The Group recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

Pension costs

The Group participates in two multi employee defined benefit schemes the Social Housing Pension Scheme (SHPS) and the Staffordshire County Council Pension Fund, and a defined benefit pension scheme: The Arena Group Pension Scheme.

In the previous year, the association was unable to recognise its share of the scheme assets and scheme liabilities, therefore had applied defined contribution accounting in respect of the SHPS. For the year ended 31 March 2018, Your Housing Limited had recognised a past service deficit liability of £14,293k, within provisions, based on the present value of the association's deficit funding agreement.

For the year ended 31 March 2019, the association is able to identify its share of the scheme assets and scheme liabilities from 1 April 2018 and therefore has applied defined benefit accounting from this date onwards. For accounting purposes, the relevant date for accounting for this change from defined contribution to defined benefit accounting is 1 April 2018. The scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high-quality corporate bond rates.

YOUR HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

2. ACCOUNTING POLICIES (CONTINUED)

Pension costs (continued)

The deficit funding agreement liability that was previously recognised within provisions of £14,293,000 was derecognised on the 1 April 2018, and an initial net defined benefit pension liability of £28,418,000 was recognised at this date in the statement of financial position. The resulting net difference of £14,206,000 on initial recognition of the SHPS obligation was recognised in other comprehensive income.

As at the year ended 31 March 2019, the net defined benefit pension deficit liability was £32,926,000, which has been included within the provisions for pensions liability in the financial statements.

In the year ended 31 March 2019, 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 within the income and expenditure account. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income. Refer to note 30 for more details.

For the Staffordshire County Council Pension Fund, it is possible to identify the share of underlying assets and liabilities. The Group's share of pension scheme assets is measured at fair value. The Group's share of pension scheme liabilities is measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme asset is recognised only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the Statement of Financial Position date. A pension scheme liability is recognised to the extent that the company has a legal or constructive obligation to settle the liability. Current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are spread over the period until the benefit increases vest. Interest is calculated on the net defined benefit liability. Re-measurements are reported in other comprehensive income. The Group is no longer an active member of the scheme.

For the Arena Group Pension Scheme, the scheme is closed to future accrual. The pension scheme assets and liabilities are valued using the same methodology as the Staffordshire County Council Pension Fund, recognising the fair value of the pension scheme assets and the liabilities using a projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency.

The current service costs and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period. Net interest costs are calculated by applying the discount rate to the net defined benefit liability and are recognised in the Statement of Comprehensive Income as a finance cost. Re-measurements are reported in other comprehensive income.

For the defined contribution arrangements, the amount charged to the Statement of Comprehensive Income in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

Reserves

The revenue reserves are unrestricted and available for use within the Group's activities. The Hedging reserve is the hedging transaction asset or liability at the year end. The revaluation reserve is the difference between fair value and historic costs for the affected assets.

YOUR HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

3.1 TURNOVER, OPERATING EXPENDITURE AND OPERATING RESULT – GROUP

	2019		2018			
	Turnover £'000	Operating Expenditure £'000	Operating surplus/ (deficit) £'000	Turnover £'000	Operating expenditure £'000	Operating surplus/ (deficit) £'000
Social housing lettings (note 4.1)	137,250	(103,479)	33,771	148,748	(97,718)	51,030
Other social housing activities	1,488	(1,209)	279	2,028	(1,745)	283
Shared ownership first tranche sales	-	(8)	(8)	865	(803)	62
Shared equity property sales	-	(2)	(2)	885	(714)	171
Outright property sales	1,778	(1,593)	185	2,126	(1,733)	393
Supporting People contract income	922	(1,196)	(274)	-	(518)	(518)
Neighbourhood regeneration	-	(164)	(164)	-	(1,032)	(1,032)
Development costs not capitalised	1,378	(1,166)	212	1,659	(2,089)	(430)
Management services	463	(7,175)	(6,712)	939	(1,648)	(709)
Other	6,029	(12,513)	(6,484)	8,502	(10,282)	(1,780)
Non-social housing activities	5,440	(2,874)	2,566	4,612	(1,629)	2,983
Lettings (note 4.2)	5,440	(2,874)	2,566	4,612	(1,629)	2,983
	148,719	(118,866)	29,853	161,862	(109,629)	52,233

YOUR HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

	2019 £'000	2018 £'000
3.1 TURNOVER, OPERATING EXPENDITURE AND OPERATING RESULT – GROUP (continued)		
Operating surplus analysed:		
Lettings	36,337	54,107
Shared ownership first tranche sales	279	1,134
Management services	212	152
Sale of properties	(10)	233
Other	(6,965)	(2,543)
	<u>29,853</u>	<u>52,233</u>

3.2 TURNOVER, OPERATING EXPENDITURE AND OPERATING RESULT – ASSOCIATION

	2019 Turnover £'000	2019 Operating expenditure £'000	2019 Operating deficit £'000	2018 Turnover £'000	2018 Operating expenditure £'000	2018 Operating deficit £'000
Other income and expenditure						
Management services to group undertakings	33,189	(33,511)	(322)	28,250	(31,602)	(3,352)

YOUR HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

4.1 INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS – GROUP

	General Housing £'000	Supported housing & housing for older people £'000	Low cost home Ownership £'000	Care Homes £'000	Key Worker £'000	Other £'000	Total 2019 £'000	Total 2018 £'000
Income from social housing lettings								
Rent receivable net of identifiable service charges	83,652	17,879	4,558	57	1,882	192	108,220	116,190
Service charges receivable	4,610	11,164	3,163	-	227	286	19,450	22,017
Charges for support services	32	204	29	-	-	-	265	346
Facility fee	-	-	-	-	300	-	300	303
Government grant taken to income	3,224	1,088	289	-	-	1	4,602	4,757
Other income	306	4,048	54	-	5	-	4,413	5,135
	<u>91,824</u>	<u>34,383</u>	<u>8,093</u>	<u>57</u>	<u>2,414</u>	<u>479</u>	<u>137,250</u>	<u>148,748</u>

YOUR HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

4.1 INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS – GROUP (CONTINUED)

	General Housing £'000	Supported housing & housing for older people £'000	Low cost home ownership £'000	Care Homes £'000	Key Worker £'000	Other £'000	Total 2019 £'000	Total 2018 £'000
Expenditure on social housing letting activities								
Management	(23,914)	(11,405)	(2,772)	(33)	(1,134)	(11)	(39,269)	(35,679)
Routine maintenance	(13,783)	(2,582)	(223)	(8)	(68)	(33)	(16,697)	(12,767)
Planned maintenance	(5,597)	(1,733)	(130)	(4)	(116)	(14)	(7,594)	(7,425)
Major repairs expenditure	(703)	(108)	(10)	-	-	(15)	(836)	(995)
Decommissioning costs	(300)	-	-	-	-	-	(300)	-
Services	(4,789)	(8,731)	(984)	(67)	(738)	(32)	(15,341)	(16,402)
Cost of support services	(1)	(342)	(22)	-	-	-	(365)	(1,255)
Rent losses from bad debts	(639)	65	(8)	32	8	(30)	(572)	(784)
Housing property depreciation	(11,911)	(3,086)	(661)	(1)	(145)	(3)	(15,807)	(16,797)
Ground rent	(513)	(3)	(31)	-	-	(1)	(548)	(530)
Impairment	(200)	(451)	(29)	-	-	-	(680)	-
Cheshire PFI – lease rentals	-	(4,285)	(1,185)	-	-	-	(5,470)	(5,084)
Total expenditure on social housing lettings	(62,350)	(32,661)	(6,055)	(81)	(2,193)	(139)	(103,479)	(97,718)
Operating surplus/(deficit) on social housing lettings	29,474	1,722	2,038	(24)	221	340	33,771	51,030
Void losses	(996)	(669)	(62)	-	(289)	(87)	(2,103)	(2,628)

YOUR HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

4.2 PARTICULARS OF TURNOVER FROM NON-SOCIAL HOUSING LETTINGS – GROUP

	2019	2018
	£'000	£'000
Full market rent	2,794	1,894
Intermediate market rent	797	785
Key worker	1,288	1,328
Other	561	605
	<u>5,440</u>	<u>4,612</u>

5. GAIN ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Group	2019	2018
	£'000	£'000
Proceeds of sales	8,233	50,566
Cost of sales	(3,424)	(27,689)
	<u>4,809</u>	<u>22,877</u>

During 2018 the Group realised a gain on disposal of £19,114,000 in relation to portfolio divestments.

Association – During the year the Association incurred a gain of £nil on disposal of assets (2018: £5,000 gain).

6. ACCOMMODATION IN MANAGEMENT - GROUP

The number of units in management at 31 March for each class of accommodation is as follows:

	2019	2018
	No.	No.
General needs	17,219	17,002
Housing for older people	5,203	5,460
Low cost home ownership	1,869	1,938
Supported housing	871	824
Market rented	449	392
Intermediate market rented	70	57
Other	65	-
Care homes	15	91
Key worker	635	713
Accommodation managed on behalf of other associations	1,334	1,341
	<u>27,730</u>	<u>27,818</u>
Managed by others	-	-
Total owned and managed	<u>27,730</u>	<u>27,818</u>

The Association does not own any properties.

YOUR HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

7. OPERATING SURPLUS/LOSS

Operating surplus/loss is stated after charging:	Group		Association	
	2019 £'000	Restated 2018 £'000	2019 £'000	2018 £'000
Depreciation of housing properties	16,604	17,716	-	-
Depreciation of other tangible fixed assets	4,423	3,124	-	-
Amortisation of intangible fixed assets	274	636	-	-
Impairment of housing properties	614	(25)	-	-
Impairment of intangible fixed assets	2,578	-	-	-
Impairment of inventories	66	-	-	-
Bad and doubtful debts	3,998	796	-	-
Operating lease rentals - land and buildings	5,431	3,612	-	-
Auditor's remuneration audit services (excluding VAT)				
- for audit services (parent)	18	10	18	10
- for audit services (subsidiaries)	106	93	106	-
	<u>124</u>	<u>103</u>	<u>124</u>	<u>10</u>
Auditor's remuneration non-audit services (excluding VAT)				
- for non-audit services (tax compliance)	27	29	23	29
- for non-audit services (advisory services)	25	23	29	23
	<u>52</u>	<u>52</u>	<u>52</u>	<u>52</u>

The depreciation charge for other fixed assets and amortisation of intangible fixed assets have been restated. Further details can be found in note 2.

8. INTEREST RECEIVABLE AND OTHER INCOME

Interest receivable	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
	407	502	15	8
	<u>407</u>	<u>502</u>	<u>15</u>	<u>8</u>

YOUR HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

9. INTEREST PAYABLE AND SIMILAR COSTS - GROUP

	2019	2018
	£'000	£'000
Loans and bank overdrafts	14,782	30,299
Interest payable capitalised on assets	(376)	(76)
Unwinding of discount factor – SHPS (note 25 and 30)	-	(165)
Pension interest	867	349
Finance leases	100	98
	<u>15,373</u>	<u>30,505</u>

Interest is capitalised using an average monthly interest rate of 3.50% (2018: 3.54%).

Included in 2018 interest payable is £11,250,000 in relation to the one-off costs associated with the refinancing of the Group and the transfers of engagement which completed in July 2017. Of these costs £8,618,000 related to break costs incurred in relation to certain fixed rate loans.

Also included in 2018 interest payable are break costs amounting to £2,215,000 in relation to the early prepayment of one of the Group's lenders.

10. EMPLOYEES

Average monthly number of employees expressed as full time equivalents	Group		Association	
	2019	2018	2019	2018
	No.	No.	No.	No.
Administration	178	367	161	188
Housing, support and care	681	492	264	160
Development	19	52	17	20
	<u>878</u>	<u>911</u>	<u>442</u>	<u>368</u>
Staff costs:	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Wages and salaries	25,619	26,485	14,673	14,007
Social Security costs	2,266	2,266	1,460	1,320
SHPS pension re-measurement	-	(2,853)	-	-
Other pension costs	1,006	988	715	602
	<u>28,891</u>	<u>26,886</u>	<u>16,848</u>	<u>15,929</u>

As part of the disposal of Derwent and Solway Housing Association Limited on the 31st July 2017 it was agreed that an apportionment of Your Housing Limited's Social Housing Pension Scheme (SHPS) deficit liability would be transferred. This resulted in a £3,002,000 reduction in the groups scheduled payments and a release in the provision of £2,853,000 in 2018.

Your Housing Limited participates in the SHPS. Further details are provided in note 30.

YOUR HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

10. EMPLOYEES (continued)

The full time equivalent number of Directors and senior staff who received emoluments (excluding pension contributions):	2019 No	2018 No
£60,001 to £70,000	11	15
£70,001 to £80,000	8	6
£80,001 to £90,000	6	6
£90,001 to £100,000	2	2
£100,001 to £110,000	5	1
£110,001 to £120,000	2	2
£120,001 to £130,000	1	4
£130,001 to £140,000	1	2
£140,001 to £150,000	-	1
£150,001 to £160,000	1	-
£160,001 to £170,000	2	-
£170,001 to £180,000	-	1
£180,001 to £190,000	1	1
£190,001 to £200,000	-	1
£200,001 to £210,000	1	-
£210,001 to £220,000	-	1

11. KEY MANAGEMENT PERSONNEL

The emoluments of the highest paid executive, the Group's Chief Executive, are; basic salary £168,480 (2018: £168,640), car allowance £16,864 (2018: £16,864), target based remuneration £18,550 (2018: £25,296), payment in lieu of annual leave £3,243 (2018: £nil) and Benefits in Kind £2,662 (2018: £2,349). The Group's Chief Executive is an ordinary member of the Social Housing Pension Scheme, he receives no enhanced or special terms.

The Executive directors include all the senior executive team of the Group. They are all ordinary members of the Social Housing Pension Scheme and do not receive any enhancements or special terms.

The emoluments of the Executive and Non-Executive directors' members were:

	Salary £'000	Benefits in kind £'000	Pension contributions £'000	2019 Total £'000	2018 Total £'000
Executive directors	590	8	45	643	621
Non-executive directors	114	-	-	114	122
	<u>704</u>	<u>8</u>	<u>45</u>	<u>757</u>	<u>743</u>

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11. BOARD MEMBERS AND EXECUTIVE MANAGEMENT TEAM (CONTINUED)

Your Housing Group operates a Common Board structure, the Common Board operates on behalf of the following entities – Your Housing Group Limited, Your Housing Limited and Frontis Homes Limited.

All the Common Board members have a role in addition to their Board role; they either chair a Committee, Subsidiary or are a Committee member. Their level of remuneration reflects these additional responsibilities. The disclosure below relates to Non-Executive member of the Board.

	2019	2018
	£'000	£'000
Kathy Doran	23	15
Mark Tattersall	3	25
Val Aherne	9	9
Alison Cambage	7	-
Paul Carhart	4	9
Derek Cash	13	9
Phil Edgington	-	9
Roy Grant	13	13
Richard Groome	13	9
Alistair How	9	9
Brenda Smith	13	13
Paula Steer	7	-
Kevin Stewart	-	2
	<u>114</u>	<u>122</u>

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12. TAX ON SURPLUS ON ORDINARY ACTIVITIES

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Taxation charge for the year	415	340	-	-
Adjustment for prior periods	83	(224)	-	-
Total current tax	<u>498</u>	<u>116</u>	<u>-</u>	<u>-</u>
Share of associates tax charge	58	56	-	-
	<u>556</u>	<u>172</u>	<u>-</u>	<u>-</u>
Deferred taxation – Origination and reversal of timing differences	110	100	-	-
Total tax on results on ordinary activities	<u>666</u>	<u>272</u>	<u>-</u>	<u>-</u>

The standard rate of tax for the year based on the UK standard rate of corporation tax is 19% (2018: 19%). The actual tax charge for the current and previous year differs from the standard rate for the reasons set out in the reconciliation below.

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Surplus/(deficit) on ordinary activities before tax	<u>22,139</u>	<u>(15,753)</u>	<u>-</u>	<u>-</u>
Theoretical tax at 19% (2018: 19%)	4,206	(2,993)	-	-
Effects of:				
Expenditure adjusted in tax computation	(114)	(204)	-	-
Difference between capital gain for accounts and tax purposes	78	(147)	-	-
Adjustment for prior periods	83	(224)	-	-
Charitable activities	(3,755)	3,684	-	-
Total tax charge	<u>498</u>	<u>116</u>	<u>-</u>	<u>-</u>

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13. TANGIBLE FIXED ASSETS

13.1 NET BOOK VALUE (NBV)

	Group		Association	
	2019	Restated 2018	2019	2018
	£'000	£'000	£'000	£'000
Housing Properties (Note 13.2)	980,391	996,485	-	-
Other Fixed Assets (Note 13.6)	33,406	27,512	-	-
Other Fixed Assets (Note 13.8)	-	-	-	31
	<u>1,013,797</u>	<u>1,023,997</u>	<u>-</u>	<u>31</u>

IT Software previously held as tangible fixed assets has been reclassified to intangible fixed assets to more closely align with the nature of the assets and ensure compliance with the accounting requirements of FRS102. This has resulted in note 13.1 and 13.6 being restated. Further details can be found in note 2.

YOUR HOUSING GROUP LIMITED
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13.2 HOUSING PROPERTIES – GROUP

	Housing properties held for letting £'000	Housing properties under construction £'000	Low cost home ownership held for letting £'000	Total £'000
Cost				
At 1 April 2018	1,115,096	12,646	73,122	1,200,864
Additions – works to existing properties	7,238	-	9	7,247
Additions – new properties developed	6,162	7,131	5	13,298
Schemes completed in year	446	(898)	452	-
Transfer from/to current assets	(8,387)	(1,346)	(1,455)	(11,188)
Disposals	(5,558)	(7,311)	(2,144)	(15,013)
At 31 March 2019	1,114,997	10,222	69,989	1,195,208
Depreciation				
At 1 April 2018	193,184	-	6,896	200,080
Charge for year	16,002	-	602	16,604
Transfer from/to current assets	(1,768)	-	(187)	(1,955)
Disposals	(2,963)	-	(204)	(3,167)
At 31 March 2018	204,455	-	7,107	211,562
Impairment				
At 1 April 2018	3,867	302	130	4,299
Charge for year	585	-	29	614
Disposals	(1,370)	(269)	(19)	(1,658)
At 31 March 2019	3,082	33	140	3,255
Net Book Value				
At 31 March 2019	907,460	10,189	62,742	980,391
At 31 March 2018	918,045	12,344	66,096	996,485

YOUR HOUSING GROUP LIMITED
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13.3 MAJOR REPAIRS EXPENDITURE ON EXISTING PROPERTIES – GROUP

	2019	2018
	£'000	£'000
Capitalised major repairs works	7,247	17,158
Revenue major repairs works charge to income and expenditure	839	995
	<u>8,086</u>	<u>18,153</u>

13.4 SOCIAL HOUSING ASSISTANCE – GROUP

	2019	2018
	£'000	£'000
Total accumulated social housing grant received or receivable at 31 March:		
Recognised in the Statement of Comprehensive Income	4,177	4,095
Held as deferred income	359,653	364,351
	<u>363,830</u>	<u>368,446</u>

13.5 FINANCE COSTS – GROUP

	2019	2018
	£'000	£'000
Aggregate amount of finance costs included in the cost of housing properties	75	12

YOUR HOUSING GROUP LIMITED
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13.6 OTHER TANGIBLE FIXED ASSETS – GROUP

	Freehold Office property £'000	Short Leasehold property £'000	Furniture, fixtures, fittings, office equipment £'000	Restated Computer and telephone equipment £'000	Motor Vehicles £'000	Scheme Assets £'000	Assets Under Construction £'000	Restated Total £'000
Cost								
At 1 April 2018 restated	10,205	1,877	795	18,360	36	8,960	94	40,327
Additions	-	-	141	3,701	-	6,667	433	10,942
Disposals	(1,448)	(4)	(226)	(4,515)	(36)	(347)	-	(6,576)
Reclassification	(1,164)	877	287	57	-	5	(62)	-
At 31 March 2019	7,593	2,750	997	17,603	-	15,285	465	44,693
Depreciation								
At 1 April 2018 restated	2,550	981	552	5,967	36	1,730	-	11,816
Charge for year	193	160	131	3,022	-	917	-	4,423
Disposals	(867)	(4)	(223)	(4,515)	(36)	(306)	-	(5,951)
Reclassification	(15)	-	15	-	-	-	-	-
At 31 March 2019	1,861	1,137	475	4,474	-	2,341	-	10,288
Impairment								
At 1 April 2018	954	-	-	45	-	-	-	999
Charge for the year	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
At 31 March 2019	954	-	-	45	-	-	-	999
Net book value								
At 31 March 2019	4,778	1,613	522	13,084	-	12,944	465	33,406
At 31 March 2018 restated	6,701	896	243	12,348	-	7,230	94	27,512

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13.7 IMPAIRMENT

During the year an impairment review has been undertaken to consider whether there are any impairment triggers, which would require a wider impairment review.

Impairment triggers in relation to housing properties consider known issues, long term void performance and other economic factors. During the year a charge of £614,000 was incurred in relation to component defects.

For all other tangible asset balances, the approach to impairment is to focus on the future economic value of capitalised project spend. No impairment was charged during the year.

The £1,658,000 impairment disposal in note 13.2 relates to properties that have been disposed in prior years. The impairment charge has been released to reflect this.

13.8 OTHER TANGIBLE FIXED ASSETS – ASSOCIATION

	Short Leasehold property £'000	Total £'000
Cost		
At 1 April 2018	31	31
Additions	-	-
Disposals	(31)	(31)
At 31 March 2019	<u>-</u>	<u>-</u>
Depreciation		
At 1 April 2018	-	-
Charge for year	-	-
Disposals	-	-
At 31 March 2019	<u>-</u>	<u>-</u>
Net book value		
At 31 March 2019	<u>-</u>	<u>-</u>
At 31 March 2018	<u>31</u>	<u>31</u>

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14. INTANGIBLE FIXED ASSETS

	Software
	£'000
Cost	
At 1 April 2018 restated	3,821
Additions	2,409
Disposals	(4,558)
At 31 March 2019	<u>1,672</u>
Amortisation	
At 1 April 2018 restated	2,190
Charge for year	274
Disposals	(1,980)
31 March 2019	<u>484</u>
Impairment	
At 1 April 2018 restated	-
Charge for year	2,578
Disposals	(2,578)
31 March 2019	<u>-</u>
Net book value	
At 31 March 2019	<u>1,188</u>
At 31 March 2018 restated	<u>1,631</u>

During the year an impairment review has been undertaken to consider whether there are any impairment triggers, which would require a wider impairment review.

For all intangible fixed asset balances, the approach to impairment is to focus on the future economic value of capitalised project spend. A charge of £2,578,000 was incurred following a review of the Association's ICT architecture which resulted in the Association taking the decision to suspend projects which may not meet the necessary requirements in the future. The ICT system that this relates to has also been disposed during the year.

The IT Software previously held as tangible fixed assets has been reclassified to intangible fixed assets to more closely align with the nature of the assets and ensure compliance with the accounting requirements of FRS102. This has resulted in restatement of the note. Further details can be found in note 2.

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15.1 FIXED ASSET INVESTMENTS – GROUP

	Investments £'000	Associates Investment fund £'000	Market Rented Properties held for letting £'000	Shared equity investment £'000	Total £'000
Cost/Valuation					
At 1 April 2018	12	3,383	43,739	3,220	50,354
Additions	-	-	16,522	-	16,522
Repayments	-	-	-	(281)	(281)
Unrealised	-	-	2,134	-	2,134
At 31 March 2019	<u>12</u>	<u>3,383</u>	<u>62,395</u>	<u>2,939</u>	<u>68,729</u>

Investments

The Group had an interest in the following entities as at 31 March 2019:

Name of undertaking	Country of registration	Description of shares held	Proportion of nominal value of issued shares held
Avantage (Cheshire) Holdings Limited	England	Ordinary £1 shares	33.3%
Grove Village Holdings Limited	England	Ordinary £1 B shares	25.5%
Sapphire Extra Care (Holding) Limited	England	Ordinary £1	25%

Avantage (Cheshire) Holdings Limited, Grove Village Holding Limited and Sapphire Extra Care (Holdings) Limited are considered to be associate undertakings.

Associates

The Group holds a 25.5% interest in the ordinary share capital of Grove Village Holdings Limited, a company registered in England and Wales. The principal activity of the company is that of designing, refurbishing, financing, maintaining property and providing housing management services on the A6 Plymouth Grove social housing estate in Manchester, under a contract under the Government's Private Finance Initiative (PFI). During 2007 the Group provided long-term funding in the form of unsecured loan notes to Grove Village Limited of £952,000, the balance of outstanding notes at 31 March 2019 was £464,000 (2018: £464,000). The loan notes are due for final redemption in 2031 and accrue interest at 9.07% p.a.

The Group holds a 33.3% interest in the ordinary share capital of Avantage (Cheshire) Holdings Limited, a company registered in England and Wales. The principal activity of the company is that of design, finance, build and provision of management and maintenance services of extra care housing facilities under a Private Finance Initiative ('PFI') contract with Cheshire West and Cheshire Council. During 2010 the Group provided long-term funding in the form of unsecured loan notes to Avantage (Cheshire) Limited of £1,711,000, the balance of outstanding notes at 31 March 2019 was £1,238,000 (2018: £1,238,000). The loan notes are due for final redemption in 2039 and accrue interest at 10.45% p.a.

During 2014 the Group provided long term funding in the form of unsecured loan notes to Sapphire Extra Care (Holding) Limited of £1,718,000, the balance of outstanding notes at 31 March 2019 was £1,706,000 (2018: £1,706,000). The loan notes are due for final redemption in 2039 and accrue interest at 11.5% p.a. The Group holds a 25.0% interest in the ordinary share capital of Sapphire Extra Care (Holding) Limited, a company registered in England and Wales. The principal activity of the company is that of design, finance, build and provision of management and maintenance services of extra care housing facilities under a Private Finance Initiative ('PFI') contract with Stoke-On-Trent City Council.

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15.1 FIXED ASSET INVESTMENTS – GROUP (continued)

Shared equity investment

The Group operates a scheme by lending a percentage of the cost to home purchasers, secured on the property. All loans have an interest free period and repayable on the sale of the property or on early settlement by the home owner. On settlement a fixed percentage of the market value of the property is repaid.

During the year £281,000 of loans have been repaid and no new loans issued. No interest has been charged during the year. Loans are treated as concessionary loans and held at cost.

15.2 FIXED ASSET INVESTMENTS – ASSOCIATION

During the year the association set up Nuvu Development Limited, investing capital to the value of £9,420,000. The association also set up Nuvu Living LLP investing capital of £3,832,000 in Nuvu Living LLP, both entities are 100% owned subsidiaries of the Group. All investments are held at cost.

15.3 ASSOCIATES – GROUP

The Group had the following aggregate interests in associates:

	2019	2018
	£'000	£'000
Share of net assets	<u>3,231</u>	<u>3,009</u>

16. INVENTORIES – GROUP

	2019	2018
	£'000	£'000
Outright sales – completed	6,941	699
Shared ownership - completed	994	58
Outright sales – under construction	2,252	-
Shared ownership – under construction	1,609	-
Repairs stock	155	147
	<u>11,951</u>	<u>904</u>

17. TRADE AND OTHER DEBTORS

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Due within one year				
Arrears of rent and service charges	9,314	8,696	-	-
Less: provisions for bad and doubtful debts	(3,893)	(4,020)	-	-
	<u>5,421</u>	<u>4,676</u>	<u>-</u>	<u>-</u>
Amounts due from group undertakings (note 29)	-	-	2,346	2,086
Corporation tax debtor	-	51	-	-
Grants Due	-	3,880	-	-
Other debtors and prepayments	4,755	7,089	1,942	4,263
	<u>10,176</u>	<u>15,696</u>	<u>4,288</u>	<u>6,349</u>

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18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Bank loans	4,088	14,904	-	-
Other loans	19,000	19,000	-	-
Finance lease obligations	10	-	-	-
Amounts due to group undertakings (note 29)	-	-	14	1,154
Rent and service charges received in advance	6,835	5,449	-	-
Trade Creditors	2,854	1,930	689	224
Social Housing Grant received in advance	233	-	-	-
Recycled Capital Grant Fund (note 23)	3,710	2,170	-	-
Disposal Proceeds Fund (note 24)	1,347	1,219	-	-
Corporation tax	171	-	-	-
Deferred grant income (Note 22)	4,651	4,867	-	-
Other taxation and social security	871	830	871	830
Other creditors and accruals	19,103	23,664	3,595	5,318
Cheshire PFI – Deferred Income	781	425	-	-
Deferred income – services	157	513	125	65
	<u>63,811</u>	<u>74,971</u>	<u>5,294</u>	<u>7,591</u>

Other loans relate to a loan from Staffordshire Moorlands District Council (SMDC). SMDC own 49% of the voting rights of Ascent Housing LLP. The loans include terms which allow either party to request repayment with 3 months' notice. The loans have been disclosed within short term liabilities.

19. CREDITORS: AMOUNTS DUE AFTER MORE THAN ONE YEAR

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Bank loans	340,762	341,786	-	-
Debt issue costs	(1,433)	(1,823)	-	-
Bank loans – due within one year	<u>(4,088)</u>	<u>(14,904)</u>	-	-
Bank loans – due after more than one year (note 20)	335,241	325,059	-	-
Financial derivatives	952	943	-	-
Disposals Proceeds Fund (note 24)	7	131	-	-
Recycled Capital Grant Fund (note 23)	7,741	7,728	-	-
Deferred Grant Income (note 22)	397,300	403,238	-	-
Finance Lease obligations (note 20)	1,035	1,046	-	-
	<u>742,276</u>	<u>738,145</u>	<u>-</u>	<u>-</u>

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20. DEBT ANALYSIS

Bank debt is repayable as follows:

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Due within one year	4,088	14,904	-	-
Between one and two years	4,393	3,985	-	-
Between two and five years	57,443	42,210	-	-
After five years	273,405	278,864	-	-
	<u>339,329</u>	<u>339,963</u>	-	-
Plus debt issue costs	1,433	1,823	-	-
	<u>340,762</u>	<u>341,786</u>	-	-

The loans are secured by fixed charges on individual properties. As at 31 March 2019, the weighted average interest rate was 3.86%.

Bank and other loans comprise the following:

	£'000	Fixed/variable	Interest rates	Repayment profile
Bank and building society loans	310,341	Fixed and variable	1.12% to 8.05%	Bullet and instalments by January 2042
Other loans	30,421	Fixed	5.50% to 12.60%	Bullet and instalments by March 2045
	<u>340,762</u>			

Finance leases are repayable as follows:

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Due within one year	10	-	-	-
Between one and two years	15	-	-	-
Between two and five years	42	-	-	-
After five years	978	1,046	-	-
	<u>1,045</u>	<u>1,046</u>	-	-

The finance leases are secured over individual assets.

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21. FINANCIAL ASSETS AND LIABILITIES

The Treasury Strategy is designed to ensure that the Group has sufficient funding in place for all developments for the next 12 to 24 months, and that refinancing risk is managed to ensure that the Group does not need to refinance material amounts of debt in any one year. The Group does not hold any financial instruments for speculative purposes.

The Treasury Strategy manages short term cash flows by depositing facilities until they are required. Returns are maximised using money market deposits for free cash balances.

Financial assets and liabilities are categorised as follows:

	2019	2018
	£'000	£'000
Cash and cash equivalents	31,273	31,385
Financial instruments measured at fair value – under hedge accounting	(15,000)	(30,000)
Financial instruments measured at amortised cost – debt	(340,762)	(341,786)
Financial instruments measured at amortised cost – other loans	(19,000)	(19,000)
Financial derivatives	(952)	(943)
Finance leases	(1,045)	(1,046)
	<u>(345,486)</u>	<u>(361,390)</u>

The Group holds £15,000,000 of financial derivative swaps to protect against interest rate risk. Hedge accounting has been applied to these financial instruments. The terms of the hedged item and hedged instrument have been assessed, using the critical terms methodology, to confirm the effectiveness of the hedge. The hedge relationship is deemed to be 100% effective. Hedge accounting is applied using the terms of FRS102 section 12. Gains and losses on these are reported after Surplus/(Deficit) for the year. In 2018 the Group refinanced, this had no impact on effectiveness of the hedge.

22. DEFERRED GRANT INCOME – GROUP

	2019	2018
	£'000	£'000
At 1 April	408,105	459,870
Additions	1,442	2,548
Government grants taken to income	(4,648)	(4,797)
Grants recycled	(2,796)	-
Grants repaid	(152)	-
Disposals	-	(36,125)
Transferred on disposal of subsidiaries	-	(13,391)
At 31 March	<u>401,951</u>	<u>408,105</u>
Due in less than one year (note 18)	4,651	4,867
Due in greater than one year (note 19)	397,300	403,238
	<u>401,951</u>	<u>408,105</u>

The grant value above is shown net of amortisation, the gross value is £470,593,000 (2018: £472,387,000).

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23. RECYCLED CAPITAL GRANT FUND – GROUP

	2019	2018
	£'000	£'000
At 1 April	9,898	4,111
Grants recycled	1,481	6,813
Interest accrued	72	18
Purchase/development of properties	-	(982)
Transfer from DPF (note 24)	-	54
Transferred on disposal of subsidiaries	-	(116)
At 31 March	<u>11,451</u>	<u>9,898</u>
Due in less than one year (note 18)	3,710	2,170
Due in greater than one year (note 19)	7,741	7,728
	<u>11,451</u>	<u>9,898</u>

24. DISPOSAL PROCEEDS FUND – GROUP

	2019	2018
	£'000	£'000
At 1 April	1,350	2,213
Interest accrued	4	-
Grants recycled	-	48
Transfer to RCGF (note 23)	-	(54)
Transferred on disposal of subsidiaries	-	(857)
At 31 March	<u>1,354</u>	<u>1,350</u>
Due in less than one year (note 18)	1,347	1,219
Due in greater than one year (note 19)	7	131
	<u>1,354</u>	<u>1,350</u>

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25. PROVISIONS FOR LIABILITIES

Deferred taxation	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
At 1 April	1,111	1,011	-	-
Charge to the Statement of Comprehensive Income	110	100	-	-
At 31 March	<u>1,221</u>	<u>1,111</u>	<u>-</u>	<u>-</u>

Analysis of deferred tax balances	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Accelerated capital allowances	511	469	-	-
Provision for rollover relief	710	642	-	-
Discounted provision for deferred tax	<u>1,221</u>	<u>1,111</u>	<u>-</u>	<u>-</u>

SHPS obligations	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
At 1 April	14,293	19,785	-	-
Release of the provision	(14,293)	-	-	-
Deficit contributions paid	-	(2,579)	-	-
Re-measurement charge	-	(3,018)	-	-
Unwinding of the discount factor	-	105	-	-
At 31 March	<u>-</u>	<u>14,293</u>	<u>-</u>	<u>-</u>

Sufficient information is available at March 2019 to account for the SHPS pension liability on a defined benefit basis. The provision has been released and is accounted for in the 2019 financial statements as a pension liability.

Holiday pay	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
At 1 April	165	199	98	117
Charge to income and expenditure account	20	(34)	11	(19)
At 31 March	<u>185</u>	<u>165</u>	<u>109</u>	<u>98</u>

The Holiday pay provision represents holiday balances accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The provision is measured as the salary cost payable for the period of absence.

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25. PROVISIONS FOR LIABILITIES (continued)

Other provisions	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
At 1 April	-	-	-	-
Charge to income and expenditure account	1,115	-	-	-
At 31 March	<u>1,115</u>	<u>-</u>	<u>-</u>	<u>-</u>

Included in other provisions is £650,000 in relation to outstanding contractual and statutory commitment to carry out improvement works and £465,000 in relation to rationalising internal ICT architecture.

Total provision	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Deferred taxation	1,221	1,111	-	-
SHPS obligations	-	14,293	-	-
Holiday pay	185	165	-	98
Other provisions	1,115	-	-	-
At 31 March	<u>2,521</u>	<u>15,569</u>	<u>-</u>	<u>98</u>

26. NON-EQUITY SHARE CAPITAL

Shares of £1 each issued and fully paid	2019 £	2018 £
At 1 April	9	9
Issued During the year – at par	-	2
Redeemed	-	(2)
At 31 March	<u>9</u>	<u>9</u>

The shares provide members with the right to vote at general meetings but do not provide any rights to dividends or distributions. The members' liability is limited to £1 on a winding up of the Association.

YOUR HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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27. FINANCIAL COMMITMENTS

	Group		Association	
	2019	2018	2019	2018
Capital commitments	£'000	£'000	£'000	£'000
Expenditure contracted for but not provided in the accounts	35,835	26,214	-	-
	<u>35,835</u>	<u>26,214</u>	<u>-</u>	<u>-</u>
Financed by				
Social housing grant	6,624	-	-	-
Loans / cash funds	29,211	26,214	-	-
	<u>35,835</u>	<u>26,214</u>	<u>-</u>	<u>-</u>

Operating lease commitments

The future minimum payments of leases are set out below.

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Land and buildings				
Within one year	773	773	-	-
Between two and five years	3,092	3,092	-	-
More than five years	3,869	4,642	-	-
	<u>7,734</u>	<u>8,507</u>	<u>-</u>	<u>-</u>
Land and buildings (PFI contracts)				
Within one year	4,793	2,846	-	-
Between two and five years	20,026	11,683	-	-
More than five years	142,273	105,261	-	-
	<u>167,092</u>	<u>119,790</u>	<u>-</u>	<u>-</u>

YOUR HOUSING GROUP LIMITED
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For the year ended 31 March 2019

28. RECONCILIATION OF OPERATING SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES – GROUP

	2019	Restated
	£'000	2018
		£'000
Surplus for the year	21,644	(16,142)
Adjustments for non-cash items:		
Associates profit	(251)	(264)
Non-controlling interest share	(171)	(83)
Loss on disposal of subsidiaries	-	62,571
Depreciation of housing properties	16,604	17,716
Depreciation of other fixed assets	4,697	3,760
Grant amortisation	(4,648)	(4,797)
Impairment charge	3,192	(25)
Movement in fair value of investments	(2,134)	(1,390)
Decrease/(increase) in trade and other debtors	1,601	(2,348)
Increase/(decrease) in trade and other creditors	364	(3,392)
Increase/(decrease) in inventories	(1,814)	(129)
Pension costs less contributions payable	(3,178)	(6,484)
Adjustments for investing or financing activities:		
Net gain/loss on sale of fixed assets	(4,809)	(22,877)
Interest payable	15,373	30,505
Interest received	(407)	(502)
Taxation	332	24
Net cash flow from operating activities	<u>46,395</u>	<u>56,143</u>

The Group Statement of Cash Flows has been restated for the prior year to align the presentation with the requirements of FRS102, further details can be found in note 2.

YOUR HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

29. GROUP UNDERTAKINGS AND RELATED PARTIES

Transactions with group undertakings are on a disbursement basis with no profits or losses arising on these transactions. The group undertakings consolidated within the Your Housing Group financial statements, all of which were owned by the Your Housing Group Limited, unless otherwise stated, were as follows:

Name of Undertaking	Nature of Undertaking	Principal Activity
Arena Development & Construction Limited ¹	Company incorporated and limited by shares under the Companies Act 2006	Dissolved on 16 April 2019
Arena Future Limited ¹	Company incorporated and limited by shares under the Companies Act 2006	Dissolved on 16 April 2019
Arena Homes Limited ¹	Registered Industrial and Provident Society	Dormant Association
Arena Options Limited ¹	Registered Industrial and Provident Society	Dormant Association
Ascent Housing LLP ³	Limited Liability Partnership	Registered provider of social housing
Avantage (Cheshire) Holdings Limited ⁴	Company incorporated and limited by shares under the Companies Act 2006	The provision of management and maintenance services
Avantage (Cheshire) Limited ⁷	Company incorporated and limited by shares under the Companies Act 2006	Provider of extra care housing under PFI contract
Fix 360 Ltd	Company incorporated and limited by shares under the Companies Act 2006	Repairs and maintenance company
Frontis Homes Limited	Registered Industrial and Provident Society	Registered provider of social housing
Grove Village Holdings Limited ⁵	Company incorporated and limited by shares under the Companies Act 2006	Holding company
Grove Village Limited ⁹	Company incorporated and limited by shares under the Companies Act 2006	Provider of extra care housing under PFI contract
Madison Gardens Garage Company Limited ²	Company incorporated and limited by guarantee under the Companies Act 2006	Dormant company
Nuvu Development Limited	Company incorporated and limited by guarantee under the Companies Act 2006	Property development company
Nuvu Living LLP ¹⁰	Limited Liability Partnership	Property partnership
Nuvu Living (Liverpool Waters) LLP ¹¹	Limited Liability Partnership	Property partnership
Nuvu Living (Wavertree) LLP ¹¹	Limited Liability Partnership	Property partnership
Outlook Homes Limited ²	Company incorporated and limited by guarantee under the Companies Act 2006	Management of residential properties
Partington Housing Association Limited	Registered Industrial and Provident Society	Deregistered on the 8 February 2019
Sapphire Extra Care (Holding) Limited ⁶	Company incorporated and limited by shares under the Companies Act 2006	Holding company
Sapphire Extra Care Limited ⁸	Company incorporated and limited by shares under the Companies Act 2006	Provider of extra care housing under PFI contract
Your Housing (Development) Limited ¹	Company incorporated and limited by shares under the Companies Act 2006	Property development company
Your Hive (No. 2) Limited	Company incorporated and limited by shares under the Companies Act 2006	Dormant company
Your Housing Limited	Registered Industrial and Provident Society	Registered provider of social housing

YOUR HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

29. GROUP UNDERTAKINGS AND RELATED PARTIES (CONTINUED)

Key to numbering:

- 1 Entity is a wholly-owned subsidiary undertaking of Your Housing Limited.
- 2 Entity is a wholly-owned subsidiary undertaking of Frontis Homes Limited.
- 3 Entity is 51% owned by Your Housing Group Limited.
- 4 Entity is 33.3% owned by Your Housing Limited.
- 5 Entity is 25.5% owned by Your Housing Limited.
- 6 Entity is 25% owned by Your Housing Limited.
- 7 Entity is 100% owned by Avantage (Cheshire) Holdings Limited, treated as an Associate in the consolidation.
- 8 Entity is 100% owned by Sapphire Extra Care (Holding) Limited, treated as an Associate in the consolidation.
- 9 Entity is 100% owned by Grove Village Holdings Limited, treated as an Associate in the consolidation.
- 10 Entity is 99.9% owned by Your Housing Group and 0.01% by Nuvu Development Limited.
- 11 Entity is 99.9% owned by Nuvu Living LLP and 0.01% by Nuvu Development Limited

All entities are incorporated in England and Wales. The shares provide members with the right to vote at general meetings but do not provide any rights to dividends or distributions, with the exception of Arena Development & Construction Limited, Arena Future Limited, Arena Homes Limited, Ascent Housing LLP, Avantage (Cheshire) Holdings Limited, Avantage (Cheshire) Limited, Fix 360 Ltd, Grove Village Holdings Limited, Grove Village Limited, Nuvu Development Limited, Nuvu Living LLP, Nuvu Living (Liverpool Waters) LLP, Nuvu Living (Wavertree) LLP, Outlook Homes Limited, Your Housing (Development) Limited and Your Hive (No. 2) Limited, where the Group is entitled to dividends or distributions.

The Group has taken advantage of the exemption not to disclose transactions with other members of Your Housing Group Limited, which are registered providers. Transactions with non-registered providers are shown below and where the Group does not control 100% of the entity:

Ascent Housing LLP

Ascent is 51% controlled by Your Housing Group Limited. During the year there was £82,000 (2018: £128,000) for management charges paid to Your Housing Limited based on a set cost per unit. At the year end amounts due from other Group companies were £848,000 (2018: £807,000).

Grove Village Holdings Limited

At 31 March 2019, the Group owed £nil (2018: £nil) for services provided and was owed £476,000 (2018: £476,000) in respect of unsecured loan notes invested by the Group.

During the year ended 31 March 2019, Your Housing Limited charged Grove Village Limited (a wholly owned subsidiary of Grove Village Holdings Limited) £823,000 (2018: £837,000) of management fees in respect of the Plymouth Grove estate.

Avantage (Cheshire) Holdings Limited

At 31 March 2019 the Group owed £19,000 (2018: £nil) for services provided and was owed £1,238,000 (2018: £1,238,000) in respect of unsecured loan notes invested by the Group.

During the year ended 31 March 2019, the Your Housing Limited charged £2,196,000 (2018: £2,162,000) of marketing and management fees in respect of Cheshire PFI to Avantage (Cheshire) Limited (a wholly owned subsidiary of Avantage (Cheshire) Holdings Limited). In the year ended 31 March 2019 Your Housing Limited paid Avantage (Cheshire) Limited £3,113,000 (2018: £2,767,000) in respect of the operating lease rentals for five sites in Cheshire.

YOUR HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

29. GROUP UNDERTAKINGS AND RELATED PARTIES (CONTINUED)

Sapphire Extra Care (Holding) Limited

At 31 March 2019, the Group owed £nil (2018: £nil) for services provided and was owed £1,706,000 (2018: £1,706,000) in respect of unsecured loan notes invested by the Group.

During the year ended 31 March 2019, Your Housing Limited charged £712,000 (2018: £721,000) of marketing and management fees in respect of Sapphire Extra Care Limited (a wholly owned subsidiary of Sapphire Extra Care (Holding) Limited). In the year ended 31 March 2019 Your Housing Limited paid Sapphire Extra Care Limited £2,588,000 (2018: £2,316,000) in respect of the operating lease rentals for three sites.

None of the Board Members were tenants of the Group during the year.

YOUR HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

30. PENSIONS

The Social Housing Pension Scheme (SHPS)

For the year ended 31 March 2018, the SHPS obligation was being accounted for as a defined contribution as there was not sufficient information available to identify each employer's share of assets and liabilities in the scheme. Therefore, for 31 March 2018, the contributions payable from the Group to the SHPS under the terms of its funding agreement for past deficits was recognised as a liability within provisions in the Group's financial statements. The net present value of £14,293,000 was recognised within provisions for this contractual obligation for the year ended 31 March 2018.

For the year ended 31 March 2019, sufficient information is available for Your Housing Limited in respect of SHPS to account for its obligation on a defined benefit basis. The most recent formal actuarial valuation was completed as at 30 September 2017 and rolled forward, allowing for the different financial assumptions required under FRS102, to 31 March 2019 by a qualified independent actuary.

Under the defined benefit pension accounting approach, the SHPS net deficit as at 1 April 2018 is £28,418,000 and £32,926,000 as at 31 March 2019.

In accordance with an amendment to FRS102 Section 28: Employee Benefits issued in May 2019, the Group has proceeded with the early adoption of the amendment stipulating the difference on transition from defined contribution benefit accounting to be presented separately in other comprehensive income. The change on transition has resulted in a remeasurement difference of £14,206,000 which has been recognised at the relevant date of application, 1 April 2018, in other comprehensive income.

Present Values of Defined Benefit Obligation, Fair Value of Assets and Defined Benefit (Liability)

	2019	2018
	£'000	£'000
Fair value of plan assets	92,276	88,126
Present value of defined benefit obligation	125,202	116,544
Defined benefit (liability) to be recognised	<u>(32,926)</u>	<u>(28,418)</u>

Reconciliation of Opening and Closing Balances of the Defined Benefit Obligation

	2019
	£'000
Defined benefit obligation at start of period	116,544
Current service cost	-
Expenses	99
Interest expense	2,999
Actuarial (gains) due to scheme experience	(1,262)
Actuarial losses due to changes in demographic assumptions	339
Actuarial losses due to changes in financial assumptions	8,853
Benefits paid and expenses	(2,370)
Defined benefit obligation at end of period	<u>125,202</u>

YOUR HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

30. PENSIONS (continued)

The Social Housing Pension Scheme (SHPS) (continued)

Reconciliation of Opening and Closing Balances of the Fair Value of Plan Assets

	2019
	£'000
Fair value of plan assets at start of period	88,126
Interest income	2,291
Experience on plan assets (excluding amounts included in interest income) - gain	1,782
Contributions by the employer	2,447
Benefits paid and expenses	(2,370)
Fair value of plan assets at end of period	<u>92,276</u>

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2019 was £4,073,000.

Defined Benefit Costs Recognised in Statement of Comprehensive Income (SoCI)

	2019
	£'000
Expenses	99
Net interest expense	708
Defined benefit costs recognised in statement of comprehensive income (SoCI)	<u>807</u>

Defined Benefit Costs Recognised in Other Comprehensive Income

	2019
	£'000
Experience on plan assets (excluding amounts included in net interest cost) – gain	1,782
Experience gains and losses arising on the plan liabilities – gain	1,262
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation	(339)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - (loss)	(8,853)
Total amount recognised in other comprehensive income – (loss)	<u>(6,148)</u>

Included in Other Comprehensive Income is a charge of £6,148,000 detailed above and £14,206,000 relating to the actuarial loss prior to the 31 March 2018.

YOUR HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

30. PENSIONS (continued)

The Social Housing Pension Scheme (SHPS) (continued)

Assets

	2019	2018
	£'000	£'000
Global Equity	15,527	17,407
Absolute Return	7,984	10,765
Distressed Opportunities	1,677	851
Credit Relative Value	1,689	-
Alternative Risk Premia	5,322	3,342
Fund of Hedge Funds	415	2,902
Emerging Markets Debt	3,184	3,554
Risk Sharing	2,787	816
Insurance-Linked Securities	2,647	2,315
Property	2,077	4,056
Infrastructure	4,839	2,259
Private Debt	1,238	784
Corporate Bond Fund	4,305	3,619
Long Lease Property	1,357	-
Secured Income	3,304	3,267
Liability Driven Investment	33,747	32,106
Net Current Assets	177	83
Total assets	92,276	88,126

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

Key Assumptions

	2019	2018
	% per annum	% per annum
Discount Rate	2.35	2.60
Inflation (RPI)	3.25	3.15
Inflation (CPI)	2.25	2.15
Salary Growth	3.25	3.15
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

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

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30. PENSIONS (continued)

Arena Housing Group Pension Scheme

The Group has a pension liability in relation to a defined benefit scheme with the Arena Group Pension Scheme.

Assumptions as at 31 March

	2019	2018	2017
	% p.a.	% p.a.	% p.a.
Inflation assumption	3.20	3.10	3.20
Salary increases	3.20	3.10	3.20
Discount rate	2.40	2.70	2.60

Weighted average life expectancy for mortality tables used to determine benefit obligations:

	2019	2018
	No. of	No. of
	Years	Years
Retiring today	21.8	22.0
Retiring in 20 years:	23.2	23.4

Analysis of amounts recognised in the Statement of Financial Position:

Net pension liability as at

	2019	2018
	£'000	£'000
Estimated employer assets	<u>29,443</u>	<u>27,721</u>
Present value of scheme liabilities	<u>(30,466)</u>	<u>(29,178)</u>
Net pension liability	<u><u>(1,023)</u></u>	<u><u>(1,457)</u></u>

Analysis of amount charged to operating profit:

	2019	2018
	£'000	£'000
Administration charges	171	252
Loss on changes in relation to guaranteed minimum pensions (GMP) equalisation	302	-
Total operating charge	<u><u>473</u></u>	<u><u>252</u></u>

Analysis of amount charged to finance costs:

	2019	2018
	£'000	£'000
Expected return on scheme assets	(731)	(686)
Interest on pension scheme liabilities	773	799
Total finance costs	<u><u>42</u></u>	<u><u>113</u></u>

YOUR HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

30. PENSIONS (continued)

Arena Housing Group Pension Scheme (continued)

Amounts recognised in Reserves:

	2019	2018
	£'000	£'000
Actuarial gains/(losses)	(251)	1,881
Cumulative actuarial losses	(4,967)	(4,716)
Leasowe Community Homes Community Homes Payment	-	570

Reconciliation of defined benefit obligation:

	2019	2018
	£'000	£'000
Opening defined benefit obligation	29,178	31,380
Interest cost	773	799
Actuarial (losses)/gains	1,302	(1,735)
Benefits paid	(1,089)	(1,266)
Loss on changes in relation to guaranteed minimum pensions (GMP) equalisation	302	-
Closing defined benefit obligation	<u>30,466</u>	<u>29,178</u>

Reconciliation of fair value of employer assets:

	2019	2018
	£'000	£'000
Opening fair value of employer assets	27,721	26,637
Expected return on assets	731	686
Contribution by the employer	1,200	1,770
Administration expenses	(171)	(252)
Actuarial gains	1,051	146
Benefits paid	(1,089)	(1,266)
Closing fair value of employer assets	<u>29,443</u>	<u>27,721</u>

Contributions

The Group expects to contribute £1,200,000 to the Arena Group Pension Scheme during the 2019/20 financial year in respect of the shortfall in funding. The last triennial valuation was carried out at 31 March 2018.

YOUR HOUSING GROUP LIMITED
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30. PENSIONS (continued)

Staffordshire County Council Pension Fund

The Group has a pension liability in relation to a defined benefit scheme with the Staffordshire County Council Pension Fund.

Assumptions as at 31 March

	2019	2018	2017
	% p.a.	% p.a.	% p.a.
Inflation assumption	2.5	2.4	2.4
Salary increases	2.5	2.4	2.8
Discount rate	2.4	2.7	2.6
Commutations	50.0	50.0	50.0

Weighted average life expectancy for mortality tables used to determine benefit obligations:

	2019	2018
	No. of	No. of
	Years	Years
Retiring today – male	22.1	22.1
Retiring today – female	24.4	24.4
Retiring in 20 years – male	24.1	24.1
Retiring in 20 years – female	26.4	26.4

Analysis of amounts recognised in the balance sheet:

Net pension liability at

	2019	2018
	£'000	£'000
Estimated employer assets	<u>18,988</u>	<u>17,997</u>
Present value of scheme liabilities	(24,342)	(22,235)
Present value of unfunded liabilities	<u>(94)</u>	<u>(49)</u>
Total value of liabilities	(24,436)	(22,284)
Net pension liability	<u><u>(5,448)</u></u>	<u><u>(4,287)</u></u>

YOUR HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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30. PENSIONS (continued)

Staffordshire County Council Pension Fund (continued)

Analysis of amount charged to operating profit:

	2019	2018
	£'000	£'000
Current service cost	-	122
Past service cost	-	18
Total operating charge	<u>-</u>	<u>140</u>

Analysis of amount charged to finance costs:

	2019	2018
	£'000	£'000
Expected return on employer assets	(478)	(457)
Interest on pension scheme liabilities	595	588
Total finance costs	<u>117</u>	<u>131</u>

Amounts recognised in Reserves:

	2019	2018
	£'000	£'000
Actuarial gains/(losses)	(1,066)	766
Cumulative actuarial gains/(losses)	(902)	164

Reconciliation of defined benefit obligation:

	2019	2018
	£'000	£'000
Opening defined benefit obligation	22,284	22,754
Current service cost	-	122
Past service cost	-	18
Interest cost	595	588
Contribution by members	-	13
Actuarial (gains)/losses	2,016	(818)
Estimated unfunded benefits paid	(5)	(2)
Estimated benefits paid	(454)	(391)
Closing defined benefit obligation	<u>24,436</u>	<u>22,284</u>

YOUR HOUSING GROUP LIMITED
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30. PENSIONS (continued)

Staffordshire County Council Pension Fund (continued)

Reconciliation of fair value of employer assets:

	2019	2018
	£'000	£'000
Opening fair value of employer assets	17,997	17,730
Expected return on assets	478	457
Contribution by members	-	13
Contribution by the employer	17	240
Contributions in respect of unfunded benefits	5	2
Actuarial (losses)/gains	950	(52)
Unfunded benefits paid	(454)	(2)
Benefits paid	(5)	(391)
	<u>18,988</u>	<u>17,997</u>
Closing fair value of employer assets	<u>18,988</u>	<u>17,997</u>

Contributions

The Association expects to contribute £136,000 to the Staffordshire County Council Pension Fund during the 2020 financial year.

31. NON-ADJUSTING EVENTS AFTER THE END OF THE REPORTING PERIOD

The Group financial statements for the year ended 31 March 2019 include 16 Investment Properties that were destroyed following a fire at the Beechmere retirement living scheme on the 8th August 2019.

The Beechmere retirement living scheme is also one of five extra care facilities under the Advantage PFI scheme provided through Advantage (Cheshire) Holdings Limited which is an associated undertaking (33%) of Your Housing Limited. The investment at year end was £1.3m and the fire is not considered to have had a material effect on the carrying value of the investment.

The 16 units owned by Your Housing Limited were purchased outright for onward rental.

The Group's exposure is limited to the difference between the fair market value and the insured reinstatement value of these 16 properties owned by Your Housing Limited. All 16 apartments at Beechmere had been let on an Intermediate Market Rent basis and are accounted for as Investment Properties. The external valuation obtained for the year ended 31 March 2019 valued these properties at £2m.

Management have confirmed that the building is insured for a reinstatement value up to £1.7m, which is considered enough to rebuild the scheme on a like for like basis. In addition, the Group is also insured for loss of rent related to the fire. The loss of rent has been calculated by the Group as £0.5m per year.

