Reports and Financial Statements

for the year ended 31 March 2019

Contents

Registered office

Home Group Limited
2 Gosforth Park Way
Gosforth Business Park
Newcastle upon Tyne
NE12 8ET

Co-operative and Community
Benefit Society No: 22981R

Regulator of Social Housing
Registered No: L3076

Chairman's Report

It is with great pleasure that I introduce the financial statements for the year to 31 March 2019: statements which signal our continued progress and ambition.

This is my first year as chairman, having joined Home Group in July 2018, and it has been fascinating to see the workings of one of the UK's largest housing associations from the inside. Over the past 12 months I have got a real sense of our scale and reach, as well as our support for our customers and colleagues, which is outstanding. I have also been struck by our impact and influence in the sector.

A social enterprise and charity, we are one of the nation's largest providers of high-quality housing, integrated health and social care, with a turnover of over £367 million.

Last year we housed 110,000 people in our 55,000 homes across England and Scotland. This includes accommodation-based support for customers with mental and physical health issues. This year, we have worked with around 20,000 vulnerable people in our supported housing and health services.

To deliver such support we need to be robust and financially stable. Overall, our performance in the year to 31 March 2019 has been extremely strong, particularly when the economic and political climates are considered. We head into another financial year still uncertain what Brexit will, or won't, bring.

Despite that uncertainty, in the year to 31 March 2019, we delivered a surplus before tax of £47.0 million - slightly down on last year – but an operating surplus of £80.3 million, before surplus on disposal of housing properties - slightly up on last year. All surplus is reinvested into improving our existing housing stock, building more homes and meeting the wide-ranging needs of our customers.

Our total rental income in the year to 31 March 2019 was £254.4 million. From this, we invested £79.4 million in maintaining and improving our customers' homes – up almost £4 million on last year.

In March 2019 we signalled our commitment to continue to build a wide range of new homes, after securing a £350 million bond issue. The bond is structured as £250 million received from investors now with an option for a further £100 million at a future point. It will support Home Group's aim to build homes for social and affordable rent, shared ownership, homes in the supported area and for outright sale.

This follows on from our investment in the year to 31 March 2019, which stood at £349.0 million – an increase of over £100 million on 2018. That was for the development of new homes, with a further £21.1 million invested in joint ventures and associates.

Over the last two years we have delivered 3,024 homes for rent and ownership (1,660 in 2018/19). We are on track to achieve our target to build 10,000 homes by 2022.

I must make special mention to Persona, our outright sales brand, which only began operating in 2018 but has already lifted the bar in terms of design quality. It was recognised at the 2018 What House Awards with a silver medal for Best House.

Also recognised last year was our outstanding support for our LGBT+ colleagues, when we were placed 17th on Stonewall's Top 100 Employers index. Our ranking is testament to the phenomenal commitment from colleagues across the whole organisation to ensure LGBT+ colleagues and customers can be safe, accepted, respected and celebrated.

During the year to 31 March 2019, we became a wave one strategic partner with Homes England, where we committed to deliver 2,300 homes outside London over the next five years. This certainty of grant means we can accelerate our existing development pipeline, look for new opportunities and utilise our relationships with private developers to increase affordable rented homes on their schemes.

Other effective partnerships and working relationships in 2018/19 included NHS providers and local authorities. We secured £19.9 million of new business to provide effective support for customers with mental health needs, learning disabilities or reablement issues. This allowed us to strengthen our clinical and therapeutic skills base during the year.

Partnership with our customers, once again, was our key focus in the year to 31 March 2019. And it was very pleasing to see our customer satisfaction levels increase from the already high position from which they started. Satisfaction levels now stand at 95% for rented customers and 97% for supported ones.

I would hope that our new customer promise will at least maintain these levels in 2019/20. We engaged hundreds of our customers in 2018/19 to ensure it is fit-for-purpose. It's a promise which has been shaped by our customers and will be assessed and evaluated by them.

While the fundamentals remain, the new amendments further increase our commitment to our customers, and improve their ability to question and challenge us; shape our activity and hold us to account.

We are making our general feedback process easier, with customers able to give their feedback by text, telephone, online or face-to-face. We are also contacting customers at different stages of their journey with us so we can understand their experiences and issues when they move into their home, when they are settled into their home, and when they leave us.

During the year, our customer service centre has implemented new ways for customers to get in touch through digital channels including our brand new My Home Account, which is in the process of being rolled out to our customers.

The core element of welfare reform legislation, Universal Credit, completed its nationwide rollout in December 2018 and continues to affect our customers considerably through higher levels of rent arrears that can risk tenancy sustainability. We continue our efforts to mitigate this impact where possible, working with customers, often individually and liaising with the Department for Work and Pensions on a range of improvements to the benefit. Around 400 of our customers per month are experiencing the Universal Credit claims process and we track each stage closely. Our focus on and commitment to our customers will be uppermost in our thinking going into 2019/20.

Our strategy continues to be bold and ambitious. We are all behind our mission to build homes, independence and aspirations. With the level of professionalism, energy and passion shown by colleagues in the year to 31 March 2019, I've no doubt we'll get even closer to achieving this in 2019/20.

Underpinning our drive, we should be assured by our strong credit rating of A-, our rating of G1:V1 from the Regulator of Social Housing, a healthy surplus available for reinvestment and a gearing ratio of 47.6%.

We have the drive, capacity and resources to do some great things next year. I am really looking forward to playing my part.

John Cridland

Chairman, Home Group

Report of the Board and Strategic Report

Board

J Cridland, CBE, MA (Home Group Chairman, appointed 19 July 2018)

R J Davies, LLB, FCMA (Home Group Chairman, until 19 July 2018)

C E R Bassett, LLB (Hons), (until 18 July 2019)

R A Bradley, DL, BA (Hons), DipSocAd, MA, CQSW

K Gillespie, BSc (Hons), FRICS

M G Henderson, BSc (Hons)

J Hudson BSc (Hons), PhD, ACA

R M Jackson, BA (Hons)

M Macfarlane, MA, MBA, LLB (Home Scotland Chair, until 22 May 2018)

M Madden, FCMA CGMA, B.COMM (Hons) (Home Scotland Chair, appointed 28 August 2018)

B Mehta, CBE, BA (Hons), MSc

L A Morphy, OBE, BSc (Econ), MSc

V F Peterkin, MA, FCIH (Home Scotland Chair, appointed 22 May 2018, until 28 August 2018)

N W Salisbury, BA (Hons) (Senior Independent Member)

K Tinneny

Executive (key management personnel)

M G Henderson, BSc (Hons)
Chief Executive

R M Byrne, BA, MCIH
Executive Director – New Models of Care

R Du Rose
Executive Director – Operations (until 3 December 2018)

M Forrest, BA (Hons), PGCE, ACA
Executive Director – Operations
(Executive Director – Business Development until 3 December 2018)

B A Ham, BA (Hons), MPhil, FRGS
Executive Director – Development (until 28 June 2019)

J Hudson, BSc (Hons), PhD, ACA
Chief Financial Officer

J Cook
Executive Director – Development
(appointed 1 July 2019)

Advisors

Bankers:
Barclays Bank plc
Barclays House
5 St. Ann's Street
Quayside
Newcastle upon Tyne
NE1 2BH

Independent Auditors:
KPMG LLP
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

Solicitors:
Devonshire Solicitors LLP
30 Finsbury Circus
London
EC2M 7DT

Objectives and strategy

Principal activities

The principal activities of Home Group are the provision of affordable rented accommodation, the design and development of integrated health and care services and the development of property for sale (the profits from which are invested into our core services.)

Group structure

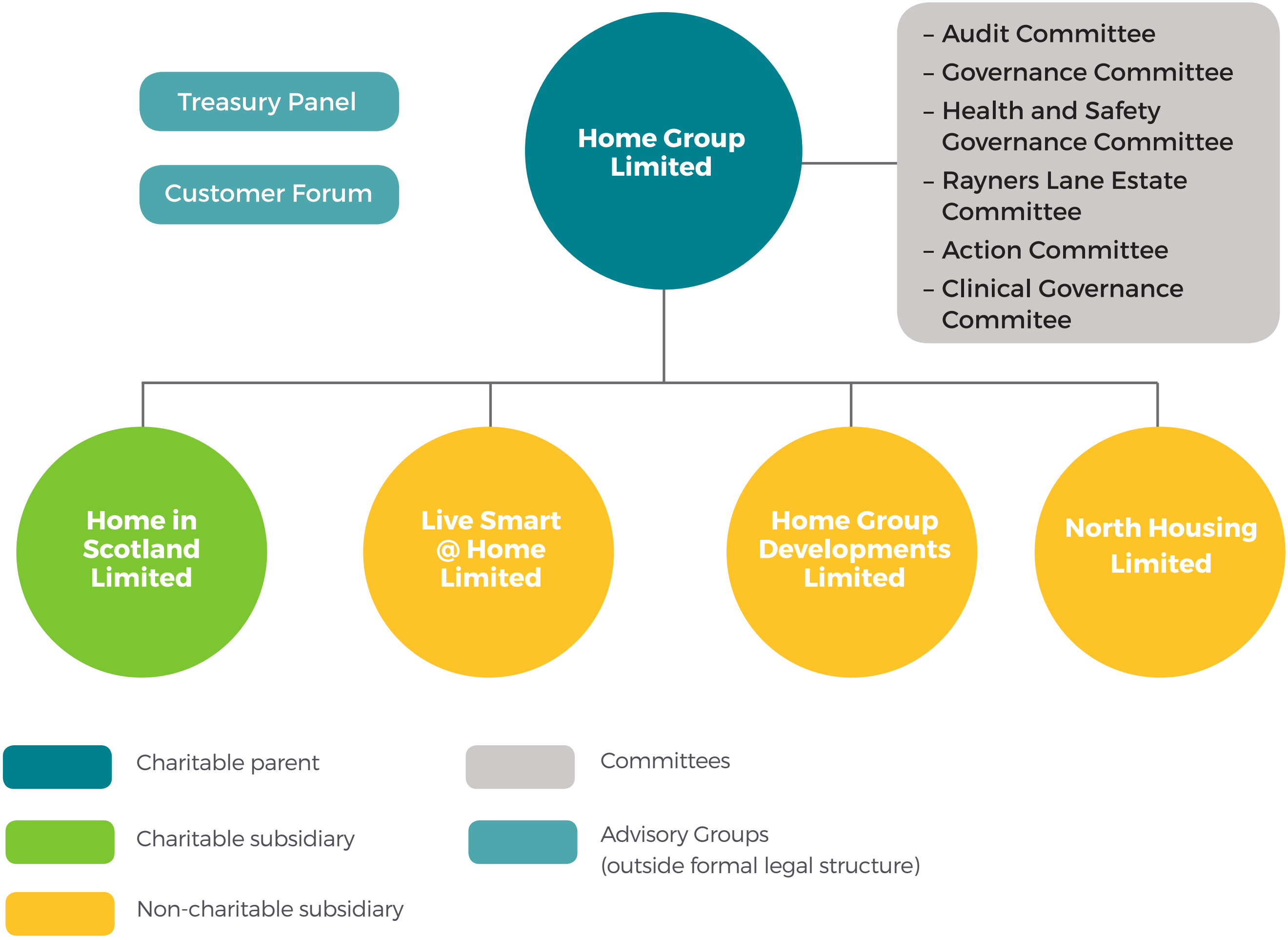
Under Home Group's legal structure, Home Group Limited, an exempt charity registered with the Financial Conduct Authority (FCA) as a registered society and with the Regulator of Social Housing (RSH) as a Registered Provider, is the parent organisation in the Home Group. Following the launch of our strategy '*building homes, independence and aspirations*' in 2016, the business has been organised into three distinct business units:

- Operations: the delivery of services to customers in rented, shared ownership (including leasehold) and supported markets.
- Development: building homes for outright sale, affordable housing and supported housing.
- New models of care: the design and development of integrated health and care services.

The delivery of these services is assisted by support services which provide asset management, assurance, compliance and risk, health and safety, communications, marketing, strategy, business development, finance, human resources, company secretary, information systems, legal services and procurement.

Home Group Limited has four trading subsidiaries:

- Home in Scotland Limited (Home Scotland), a charitable registered housing association registered with the Scottish Housing Regulator, undertaking Home Group's business in Scotland.
- Home Group Developments Limited (HGDL), a private non-charitable company which undertakes new build construction of affordable housing and homes for sale on the open market.
- North Housing Limited (NHL), a private, non-charitable company which acts as a vehicle to facilitate joint venture activity across the Group. As at 31 March 2019, NHL is an equal partner with companies in the Galliford Try Group in seven limited liability partnerships as detailed overleaf. The partnerships have been formed primarily to develop residential property.
- Live Smart @ Home Limited (Live Smart), a private non-charitable company providing market and mid-market rented products.



Home Group also has the following interests in joint ventures and associates:

- Linden (Mowbray View 2) LLP (50% held by NHL; 50% held by the Galliford Try Group)
- Evolution (Shinfield) LLP (50% held by NHL; 50% held by the Galliford Try Group)
- Evolution Newhall LLP (50% held by NHL; 50% held by the Galliford Try Group)
- Linden (Northstowe) LLP (50% held by NHL; 50% held by the Galliford Try Group)
- Evolution (Saffron Walden) LLP (50% held by NHL; 50% held by the Galliford Try Group)
- Evolution Morpeth LLP (50% held by NHL; 50% held by the Galliford Try Group)
- Evolution Gateshead Developments LLP (50% held by HGDL; 50% held by the Galliford Try Group)
- Gateshead Regeneration LLP (50% held by Evolution Gateshead Developments LLP; 50% held by Gateshead Council)
- Linden (Manse Farm) LLP (from 23 April 2019; 50% held by NHL; 50% held by the Galliford Try Group)

In addition, HGDL owns a minority interest (which may vary between 33% and 49% depending on other shareholdings) in Ptarmigan Planning 4 Limited, which was established for land promotion and development activities. Ptarmigan Planning 4 Limited has three wholly owned subsidiaries; Ptarmigan Birchington Limited, Ptarmigan Thatcham Limited and Ptarmigan Berinsfield Limited. HGDL also holds a 25% shareholding (with no voting rights attached) in Ptarmigan Land Projects Limited.

Objectives and strategy (continued)

The table below summarises the registration details of Home Group Limited and its four wholly owned subsidiaries:

Organisation	Applicable model rules	Co-operative and Community Benefit Societies Act 2014 registration number	Regulator of Social Housing registration and registered number	Other registrations and registered number
Home Group Limited	National Housing Federation Model Rules 2015	22981R	Housing and Regeneration Act 2008 L3076	–
Home in Scotland Limited	Based on Scottish Federation of Housing Associations Charitable Model Rules (Scotland) 2013	1935 R(S)	–	The Scottish Housing Regulator - 90 Scottish Charity - SC005247
Live Smart @ Home Limited	–	–	–	Registrar of Companies - 3402204
Home Group Developments Limited	–	–	–	Registrar of Companies - 4664018
North Housing Limited	–	–	–	Registrar of Companies - 4052443

Within the main financial statements, the consolidated financial position is referred to as 'Group' and the parent entity financial position is referred to as 'Association'.

Overview of Home Group and our strategy

Home Group, a social enterprise and a charity with a turnover in excess of £367 million, is one of the UK's largest providers of high quality housing and supported housing services and products. Founded in the North East by an Act of Parliament in the 1930s, for over 80 years we have been working with trusted partners and our customers to make a real difference to the lives of individuals, families and communities across the UK.

We currently house 110,000 people across 55,000 properties, including social, affordable, shared ownership and supported homes. Some of our customers need more than just a home, and we support their specific needs. We worked with nearly 20,000 vulnerable people last year in our supported housing, justice and health services.

In addition to developing new build properties for affordable rent and home ownership, we also develop homes for sale on the open market, many of which are marketed under our Persona sales brand. Profits from our open market sales activity are reinvested into the business.

In 2016, we launched our five year strategy. Our mission is to '*build homes, independence and aspirations.*' The strategy is regularly refreshed to ensure it is as robust as it can be, given the current uncertainties in the external environment.

Our strategy has four goals to achieve by 2022:

Build 10,000 new homes

We are making a step change in house building, by pioneering in new markets and building more truly affordable homes with a range of ways for our customers to buy them. The homes we build are high quality and designed with our customers in mind. We will enter new markets, with different tenures (rented, leased, supported, and affordable). The surplus we make from selling houses will be used to build more homes for affordable rent, regenerate existing stock, and provide an integrated housing and health offer.

Market leaders in new models of care

We are adapting our model and shifting our place within the health and social care market. We will deliver care services that truly make a difference by focusing on the greatest long-term impact. We will be doing all we can to relieve pressure on the NHS, and we will focus on the needs of the individuals we serve, whether that is mental health, learning disabilities, or reablement.

90% of our customers regularly using their digital accounts

We want to make it as easy as possible to do business with us. Digital is key to this, and forms part of our broader channel strategy. At the heart of this strategy is the need to improve customer experience and meet our customers' needs.

20% more efficient

We are re-engineering the way we work. Working more efficiently and productively will enable us to free up resources to support our strategic priorities. This goal is supported by our value for money strategy which drives us to be more cost effective and do more with less.

We measure progress against these goals to ensure they are fully embedded and driving everything we do. We will review the goals as part of the refresh of our strategy over the coming year, to ensure they remain relevant and fit for purpose.

Delivering against our strategy

Our strategy sets out our commitment to our mission, and ensure it is undertaken in a way that optimises value for money.

One year into the strategy, we tested how focused we were in delivery of the mission and goals. This process resulted in us identifying a need to place greater emphasis on delivering the aspirations element of our mission. As a result we have undertaken some research into our customers' aspirations, and are working with them to help identify opportunities to help them realise their goals.

It is useful to understand progress to date in the context of the four strategic goals.

Build 10,000 new homes

In 2018/19, we completed 1,660 new homes; 735 for rent, 554 affordable home ownership, and 371 for outright sale.

During the year, we signed a strategic partnership deal with Homes England where we committed to delivering 2,300 homes in areas of low affordability outside London over the next five years. This certainty of grant means we can accelerate our existing development pipeline, look for new opportunities and utilise our relationships with private developers to increase affordable rented homes on their schemes.

Market leaders in new models of care

In 2018/19 we secured £19.9 million of new business, working with NHS providers and local authorities to provide solutions for customers with mental health needs, learning disabilities or reablement issues.

We strengthened our clinical and therapeutic skills base during the year, developing our practice model, LIFE (Living Independently, Feeling Enabled) which will be rolled out across the business.

90% of our customers regularly using their digital accounts

Digital is critical to us improving our service delivery, reach and responsiveness to customer needs. We will be reviewing this goal in 2019 as we need to reflect the importance of customer experience across all channels. We continue to work on developing a consistent, high quality customer experience, and recognise that the development of integrated digital solutions is a long term journey.

20% more efficient

This goal was driven by the growing expectation that housing associations must become more commercial in their operation and efficient in their delivery. Although we are targeting efficiency savings, we recognise that we may need to reinvest these elsewhere in the business to improve customer service delivery, and that we may achieve efficiencies that do not necessarily lead to cost reduction.

A key measure of efficiency is headline social housing cost per unit, and whilst we expect this to increase over the five years of our strategy, we understand the reasons for this. The main drivers being higher costs associated with delivering new models of care supported services, increased investment in our existing homes, and cost inflation. When you adjust for these to produce an adjusted cost per unit which better reflects underlying efficiency savings made within the business, the results for 2018/19 show that we have achieved efficiencies of 12% since the beginning of the strategy, and are on track to achieve 20% by 2021/22.

Brilliant people

As part of our strategy, we are delivering a Brilliant People programme. Brilliant colleagues are at the heart of our organisation, delivering every day for our customers, and helping us to build a reputation that we can all be proud of. Through the actions of our colleagues exhibiting 'brilliant behaviours', and by working collaboratively, we believe we can achieve our strategy of building homes, independence and aspirations. We have four organisational values which are very well embedded in the organisation. The values are:

- Caring
- Accountable
- Energised
- Commercial

We work with colleagues to make sure people feel aware, informed and involved with Home Group's strategic direction and we welcome views and suggestions. We use a range of ways to engage with colleagues, including Workplace (an enterprise social network), our intranet, seminars, meetings and events as well as a strong team culture of briefings, meetings and brilliant conversations. We continue to invest in colleague learning, development and wellbeing as this is key to engagement and business success. This year we have enhanced our learning and development pathways to support new and existing colleagues to build sustainable careers and ensure we are best placed for the growth aspirations that support our strategic goals.

In 2018/19 our annual colleague survey (carried out by the external company, Great Place to Work) placed us 7th in the UK for organisations of our size, the highest in our sector, with 74% of our colleagues agreeing that Home Group is a great place to work. We were also pleased to achieve a massive jump of 58 places in the Stonewall Top 100 Employers index, putting us at 17th place and reflecting our progress with LGBT+ equality and inclusion. In addition, we achieved re-accreditation for Investors in People Gold, and have become one of the UK's first organisations to achieve high performing accreditation for Investors in People for Wellbeing.

Our continued efforts to attract and retain a truly diverse workforce have been further strengthened by signing up to the Leadership 2025 five point plan and adopting the Rooney Rule. This means we have committed to interviewing where possible, at least one candidate from a BAME (Black, Asian and Minority Ethnic) background for all senior roles, and this has been extended to female applicants too. Our senior leadership programme, which specifically targets applications from under-represented groups, further supports the development of our diverse talent pipeline.

Our apprenticeship programme has further evolved, building on the brilliant foundations of our customer offer to continually enhance our engagement and talent pipeline. We now offer 70 apprenticeships annually to customers, with 80% staying with Home Group, making us more representative of the communities we serve and achieving an annual social return on investment of £350,000.

Business model

A summary of activity in the year for each of our business units is set out below.

Operations

This business unit manages our three core product groups; rented general needs housing; supported housing and support services; and home ownership/leasehold.

Customer satisfaction remained high in 2018/19, averaging 95% for our rented customers and 97% for our supported customers. We are making the feedback process easier and more cost-effective, with customers now able to give their feedback by text, telephone, online or face-to-face. We are also contacting customers at different stages of their journey with Home Group so we can understand and act on the different views of customers when they move into their home, when they are settled into their home, and when they leave us.

During the year our customer service centre implemented new ways for customers to get in touch through digital channels, including our brand new My Home Account which is in the process of being rolled out to our customers.

This year has seen some changes to our maintenance contractors, with new contractors appointed in the South East, Central North and South West regions. We also split the North West region into two to allow for more efficient servicing of the large number of homes in this area, with new contractors appointed in the two newly created regions. We continue to work with our contractors to improve the level of service provided to our customers, and have seen an increase in customer satisfaction with repairs to 94% from 90% in the prior year.

The core element of welfare reform legislation, Universal Credit, completed its nationwide rollout in December 2018 and continues to affect our customers considerably through higher levels of rent arrears that can risk tenancy sustainability. We continue our efforts to mitigate this impact where possible, working with customers often individually and liaising with the Department for Work and Pensions on a range of improvements to the benefit. Around 400 of our customers per month are experiencing the Universal Credit claims process and we track each stage closely.

Our supported housing business has continued to be affected by service commissioners' funding cuts and reviews of provision. Our tendering and development work is focused on mental health, learning disability and reablement, in line with our strategic objectives. This has included decommissioning services which fall outside the strategy as they come to the end of contracts, including our bail accommodation service, which was transferred to a new provider in June 2018. Other services are being reshaped and developed in line with our strategic objectives; we are working closely with commissioners to ensure vulnerable people are able to receive the right support.

During 2018/19 we involved over 3,800 of our customers in activities ranging from recruitment to assessing services and reviewing complaints. Following the Grenfell tragedy in 2017 customers told us that they wanted to be more involved in health and safety at Home Group, and during the year reviewed 28 health and safety incidents, making recommendations to help prevent further incidents. Customers also reassessed five neighbourhoods and four services which had received lower scores on the 'Safe Place to Live' element of our customer promise, and all of these had improved their scores in this area.

Development

Home Group continues to have an active development and regeneration programme which forms a key part of our strategy.

The Group is a development partner with Homes England (HE), the Greater London Authority (GLA) and the Scottish government. In delivering our 2018/19 development programme across England and Scotland, the Group has delivered 1,660 new homes for social and affordable rent, supported housing, shared ownership and outright sale. Social housing grants provided by HE, GLA and the Scottish government were utilised in much of this provision and in delivering these new homes, the Group has achieved these funding agencies' development quality and control standards.

During 2018/19 Home Group entered into strategic partnerships with both HE and the GLA, enabling us to access additional grant funding for 3,200 affordable homes.

Part of our future development strategy is to provide new homes in communities where customers have a choice of affordable housing products. We recognise that single tenure estates can prove difficult to sustain, so our developments aim to offer a mix of tenures informed by insight into the current and future housing markets, and offer our customers a wider choice.

We are targeting the delivery of 10,000 new homes over the five years of our current strategy, around half of which is expected to be for affordable rent. We will also develop shared ownership properties, and homes for outright sale to generate cash which can be reinvested back into our development programme and enable us to build more affordable homes. Regeneration also remains one of our biggest priorities, with the revitalisation of our existing estates and neighbourhoods at the heart of our regeneration proposals.

Our commitment to investment and growth is matched by our pledge to high quality design. Our recent large schemes at Wawne Road in Hull and Channels in Chelmsford have genuinely lifted the bar in terms of design quality, with our scheme in Hull recognised at the 2018 What House Awards with a silver medal for Best House.

The Group continues to invest in a number of joint ventures and associates, which are structured as limited liability partnerships. These enable us to partner with established and experienced developers. We entered into a new joint venture during the year and another in April 2019, both with the Galliford Try Group, which will together deliver nearly 600 new homes.

New models of care

The new models of care business unit is responsible for the design and development of integrated health and care services. The Group secured new business during 2018/19 which will generate £19.9 million of income over the lifetime of the contracts. These new services represent our transition to delivering longer term property based support, in particular through partnering more with health services.

We have also developed our LIFE model (Living Independently, Feeling Enabled) which encompasses our approach to supporting our customers in a person-centred way. This practice model is an important part of achieving our strategic goals, and will be rolled out across the business over the coming year.

Financial review

Overall the Group achieved a surplus for the year of £44.7 million, a decrease of £5.8 million (11.5%) from the prior year. This was mainly due to reduced profits from our development joint ventures and associates, with fewer sales taking place in these compared to the prior year, and the delay of two large housing properties sales transactions to April 2019 when they were expected to complete in March 2019.

Our core rental and leasehold business continues to increase as we build more homes for affordable rent. Our social housing lettings business decreased in size during the year, as a result of planned decommissioning of some of our supported housing services as we shift to new products in line with our strategic objectives. This is a temporary contraction as we reposition our offering, and we expect growth in this area from 2019/20 onwards.

Operating margin (excluding surplus on disposal of housing properties) remained in line with the previous year at 21.9%.

Group borrowings increased by £234.4 million in the year, with £350 million raised through a new 24 year bond, securing future funding for ongoing development activity. During the year we invested £349.0 million in development of new homes, with a further £21.1 million invested in joint ventures and associates with private developers. We also invested £17.4 million in improvements to existing properties.

Despite the increase in borrowings, gearing (using the Regulator of Social Housing's value for money metric definition) remains low at 47.6% (2017/18: 43.9%) and the Group continues to have significant capacity to continue to invest in future periods.

Analysis of results by trading business unit

	Operations		Development	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Income	**311,938**	317,301	**54,428**	36,214
Cost of sales	**-**	(19)	**(38,097)**	(27,454)
Operating expense	**(206,703)**	(210,370)	**(15,466)**	(8,873)
Operating surplus	**105,235**	106,912	**865**	(113)

The results reported above are an extract from Note 34 to the financial statements which provides operating segmental analysis in line with International Financial Reporting Standard 8.

The decrease in income in the Operations business unit is driven by a £21.8 million decrease in turnover from supported housing and support services as we continue to transition our offering in line with the strategy. This was partially offset by an increase of £16.4 million in our core rental and leasehold business, with the net addition of 542 general needs homes.

Operating expenses within Operations have decreased compared to the prior year in line with the decrease in turnover, resulting in a slightly decreased operating surplus.

The Development business unit continues to increase in size, reflecting the scaling up of development activity to help us meet our strategic goal of building 10,000 homes over five years. During 2018/19 we delivered 1,660 new homes directly and through our joint ventures, of which 735 were for affordable rent, and a further 554 for affordable home ownership.

Sales activity also increased, with 224 shared ownership and 87 outright sales completing during the year. Turnover from development activity increased by £18.2 million from the prior year, with sales activity delivering a gross margin of 30.0% (2017/18: 24.2%). Operating expenses also increased, reflecting costs associated with the development of new social housing properties, the rental income from which is reflected within Operations. We also invested in sales and marketing for new schemes where the sales will take place in the next financial year.

Group highlights – five year summary

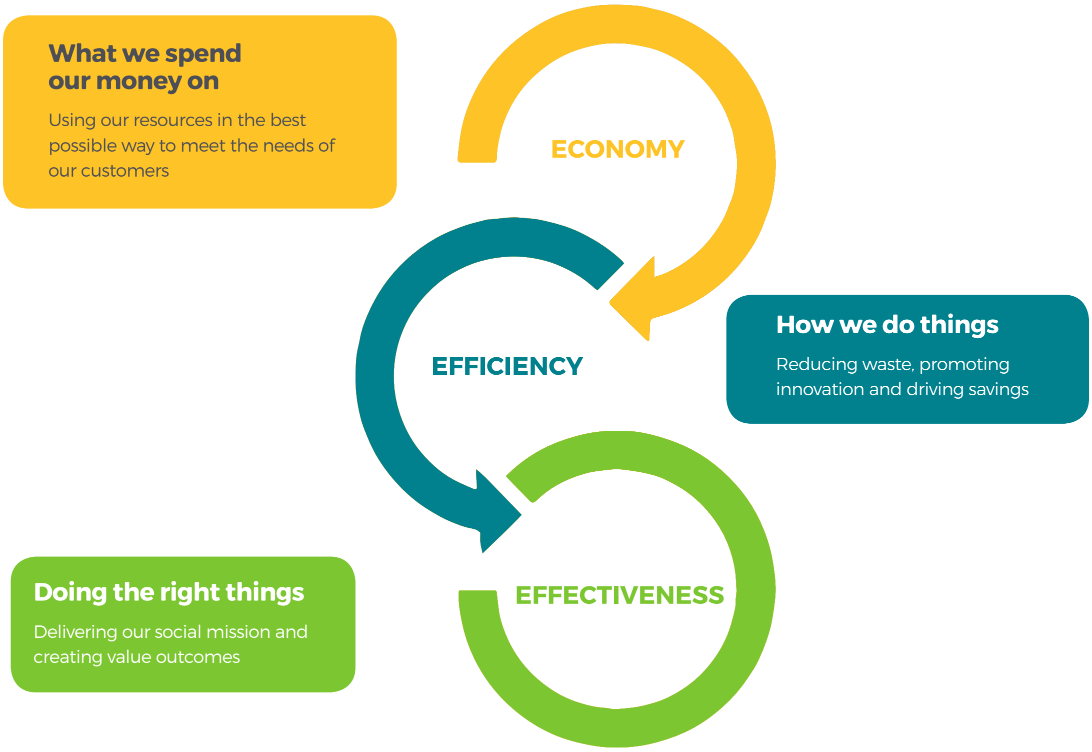
	2019	2018	2017	2016	2015 (restated)
Consolidated Statement of Comprehensive Income (£000)					
Income from social housing lettings	**270,809**	276,954	274,171	268,803	257,483
Charges for support services	**24,441**	38,966	49,351	52,958	54,367
Income from property developed for sale	**53,511**	35,044	17,477	14,148	14,491
Other income	**18,556**	13,739	11,699	14,930	13,983
Total turnover	**367,317**	364,703	352,698	350,839	340,324
Operating surplus excluding property sales	**70,663**	72,889	76,317	77,349	68,967
Operating surplus from property developed for sale	**9,655**	7,025	6,992	4,419	4,937
Operating surplus from sale of housing properties	**5,930**	7,597	3,774	2,981	3,237
Total operating surplus	**86,248**	87,511	87,083	84,749	77,141
Net finance costs	**(41,581)**	(41,266)	(40,504)	(40,657)	(37,696)
Surplus for the year	**44,728**	50,520	47,409	44,226	38,608
Consolidated Statement of Financial Position (£000)					
Housing properties, other fixed assets and intangible assets	**2,424,896**	2,221,676	2,137,516	2,062,422	1,992,674
Investments	**76,284**	69,168	52,486	43,343	35,496
Homebuy loan	**682**	682	682	682	682
Pension asset	**663**	918	-	-	-
Total fixed assets	**2,502,525**	2,292,444	2,190,684	2,106,447	2,028,852
Net current assets / (liabilities)	**93,005**	23,003	28,526	(12,050)	(28,085)
Loans over one year	**(1,142,655)**	(943,159)	(898,759)	(829,287)	(779,669)
Other long term liabilities	**(794,298)**	(754,704)	(751,106)	(741,188)	(738,395)
Pension liability	**(40,431)**	(40,234)	(73,799)	(57,697)	(60,414)
Net assets	**618,146**	577,350	495,546	466,225	422,289
Reserves: Income and expenditure	**617,520**	576,721	494,474	465,769	419,364
: Restricted	**626**	629	1,072	456	936
: Revaluation	-	-	-	-	1,989
Total capital and reserves	**618,146**	577,350	495,546	466,225	422,289
Housing stock units					
Social	**49,834**	49,856	49,552	49,516	49,071
Non-social	**5,590**	5,326	5,013	4,351	4,905
	55,424	55,182	54,565	53,867	53,976

The 2015 figures have been restated to reflect the introduction of FRS 102.

Value for Money

Our Value for Money model

Our approach to Value for Money (VfM) is embedded throughout our strategic objectives which set out the outcomes we intend to deliver. By undertaking this in a cost-effective way, we are able to do more with less. Our VfM model is based around the three Es – Economy, Efficiency and Effectiveness – and our approach is set out below:



In doing this, we acknowledge the need to strike the right balance between delivering our strategic objectives, which include significant cost savings, and our risk appetite with particular regard to compliance and regulatory risk. The key principle underpinning our strategy and approach to VfM is the need to ensure the long-term viability of the business, which means that consideration must be given to the likely long-term consequences of decisions so we can continue to deliver our social mission now and in the future.

Our Value for Money performance

Our performance on our VfM key performance indicators against the 2018/19 target and peer group benchmark is shown on the following pages. The indicators are based on the sector scorecard measures and the VfM metrics set out by the Regulator of Social Housing, together with additional indicators linked to our strategy, *'Building homes, independence and aspirations'* and our new customer promise.

We benchmark our VfM indicators where available and appropriate against a group of comparable housing providers to help us understand our performance and inform our improvement plans and targets. Because information for 2018/19 is not available at the time of preparing the annual reports, benchmarking information is presented for 2017/18. The peer group used may vary as we decide for each indicator which is the most appropriate comparison.

The VfM regulatory standard requires us to develop improvement plans to address areas of underperformance. We have carried out an assessment of whether we consider each area to be under-performing, taking into account targets, strategy, recent trends, and performance in relation to the sector and our peer group. There may be areas where we perform below average in comparison to the sector and peer group; however if we understand the reasons why and are comfortable with this result in relation to our strategic objectives and direction, we may decide that specific improvement actions are not necessary. Our improvement plans are reviewed regularly throughout the year, with new actions identified and added as necessary.

Business health

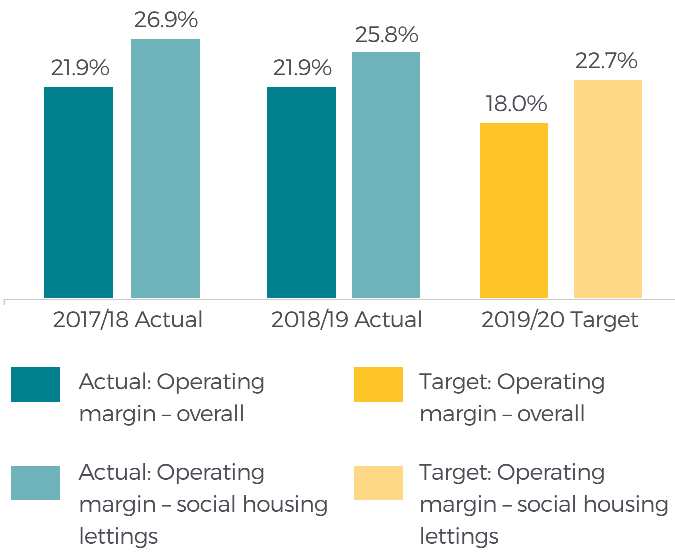
Operating margin – overall: 21.9%

Target	19.4%	
Benchmark	24.4%	

Operating margin – social housing lettings: 25.8%

Target	22.0%	
Benchmark	29.7%	

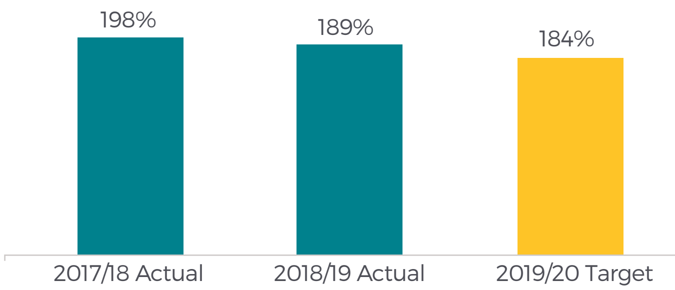
Operating margin measures the proportion of surplus we generate from turnover on day-to-day activities (either from the overall business, or just our social housing lettings), and is a key indicator of operating efficiency and business health.



Interest cover (EBITDA MRI %): 189%

Target	183%	
Benchmark	178%	

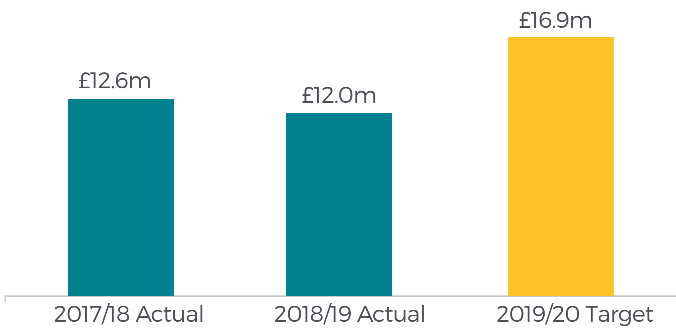
Interest cover shows how comfortably we are able to meet the interest repayments on our borrowings.



Development surplus: £12.0m

Target	£28.2m	
Benchmark	n/a	

The surplus that we generate from new build property sales and our joint ventures is reinvested into our development programme to help build more affordable homes.



Although social housing lettings operating margin has decreased due to the continuing impact of the rent cut, we achieved a result above target following additional efficiency savings made during the year. However our margins (both social housing lettings and overall) remain below the benchmark largely due to our high proportion of lower margin supported housing which drives down our overall result. As there are many factors at play in determining our margin and we understand the key drivers, we do not consider an improvement plan to be necessary.

We did not meet our ambitious target on development surplus, mainly as a result of the slowdown in the property market following uncertainty around Brexit. Our development team is working on a number of initiatives to ensure our overall development strategy will be met, however we do not consider a formal improvement plan to be necessary as the result was due to external factors outside of our control.

Customer service

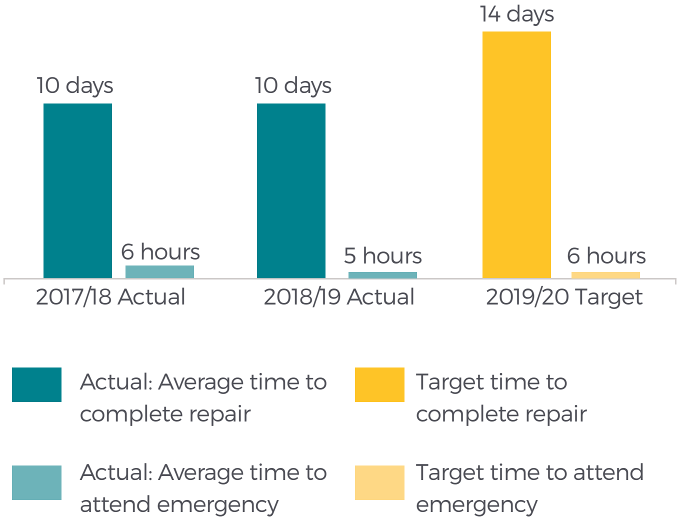
Average time to complete standard repair: 10 days

Target	14 days	
Benchmark	9 days	

Average time to attend emergency repair: 5 hours

Target	6 hours	
Benchmark	n/a	

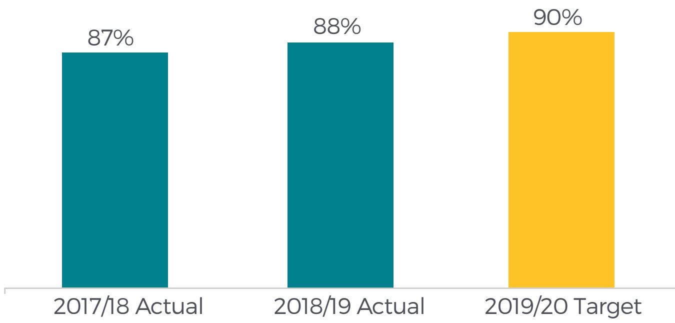
We measure the average time it takes us to complete standard repairs, and the average time it takes us to attend an emergency repair and make the situation safe.



Complaints responded to within 20 days: 88%

Target	90%	
Benchmark	n/a	

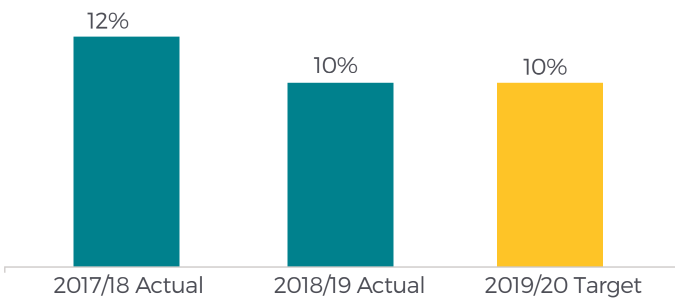
We aim to respond to the majority of complaints that we receive within 20 working days. Some complaints are more complex and require additional time to provide a response, which is why our target is less than 100%.



Complaints escalated to Stage 2: 10%

Target	10%	
Benchmark	n/a	

If complaints are not addressed to the customer's satisfaction, they can request that the complaint is escalated to Stage 2 of our process. We aim to resolve the majority of complaints at Stage 1 of our process.



Our average time to complete a standard repair was slightly longer than the benchmark, although well within our target time. We do not consider an improvement plan to be necessary.

Although we didn't quite meet our target to respond to 90% of customer complaints within 20 days, this remains a priority. Given this was a challenging target newly set in the year, and we've seen some improvement throughout the year, we do not consider an improvement plan to be necessary.

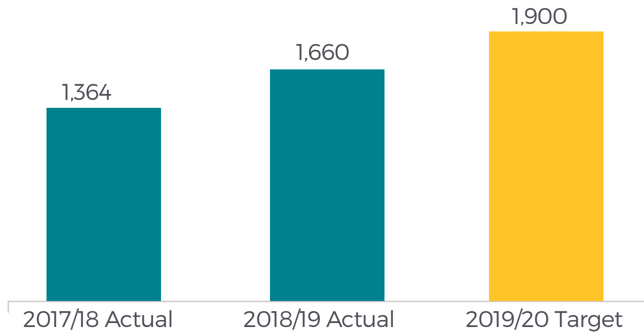
Value for Money (continued)

Development – capacity and supply

New homes developed: 1,660

Target	1,700	
Benchmark	n/a	

The number of homes we develop is a key measure of the success of our strategy.



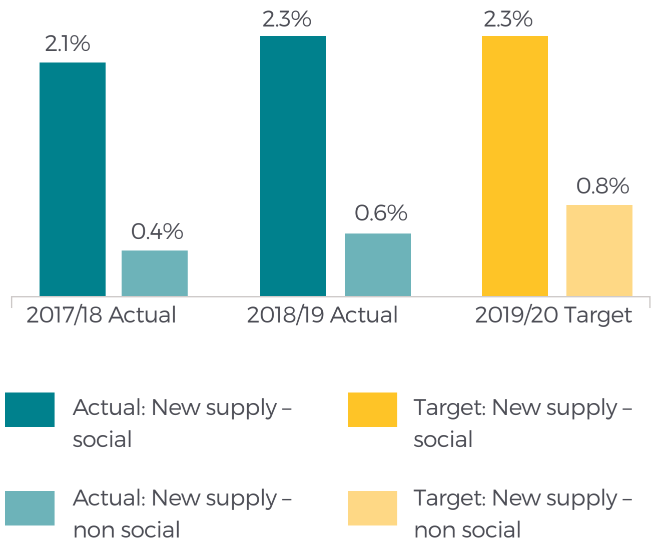
New supply – social: 2.3%

Target	2.2%	
Benchmark	2.2%	

New supply – non-social: 0.6%

Target	0.8%	
Benchmark	0.3%	

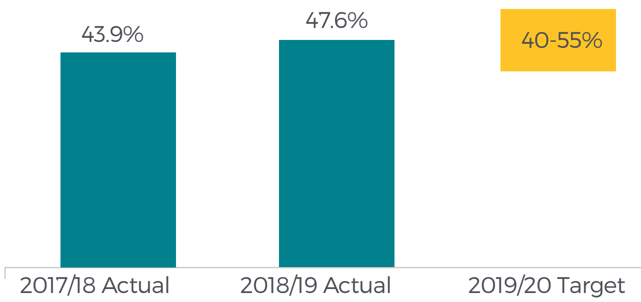
New supply measures show how many social homes we develop as a percentage of the total social homes we own and manage, and how many non-social homes we develop as a percentage of all the homes we own and manage.



Gearing: 47.6%

Target	40-55%	
Benchmark	47.2%	

Our gearing ratio shows the proportion of our borrowings in relation to the size of our asset base. We borrow to fund new development, but borrowing too much could put our business at risk.



We narrowly missed our target on the number of homes developed. Because of the slowdown in sales activity experienced during the year, we reduced the number of outright sales properties being developed in favour of affordable properties, mainly shared ownership. This resulted in us exceeding our target on new supply – social, but missing our target on new supply – non-social. We do not consider an improvement plan to be necessary on these measures.

Outcomes delivered

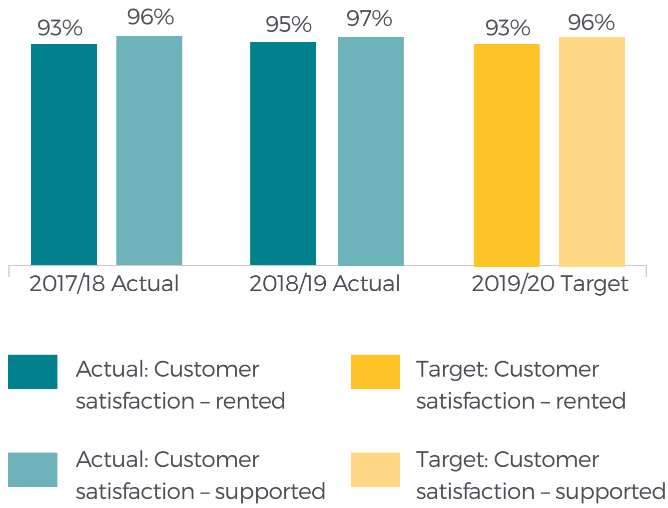
Customer satisfaction – rented: 95%

Target	93%	
Benchmark	n/a	

Customer satisfaction – supported: 97%

Target	96%	
Benchmark	n/a	

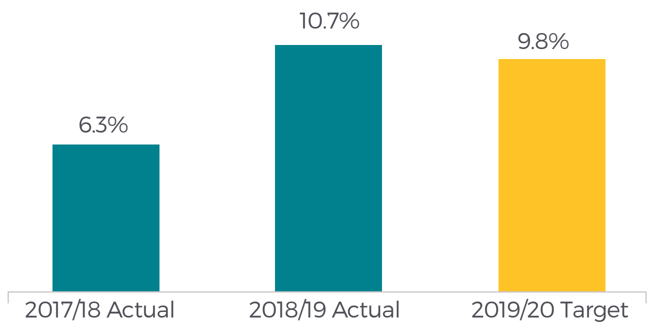
Customer satisfaction is a weighted average of various transactional satisfaction surveys we carry out throughout the year. We do not benchmark these measures, as our methodology is not comparable.



Social housing reinvestment: 10.7%

Target	8.3%	
Benchmark	5.5%	

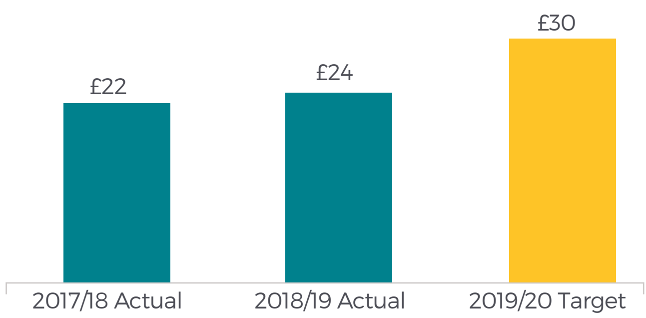
This ratio shows the amount we invest into new and existing social homes as a proportion of the carrying value of the properties.



Community investment: £24

Target	£22	
Benchmark	£3	

The amount we invest in communities is measured as an amount per social unit to allow it to be benchmarked.



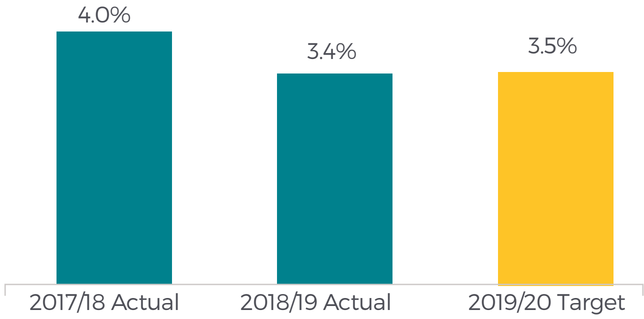
Indicators are performing in line with target, and no improvement plans are considered necessary.

Effective asset management

Return on capital employed: 3.4%

Target	4.0%	
Benchmark	3.5%	

This measure shows how efficiently we use our capital and debt to generate a financial return.



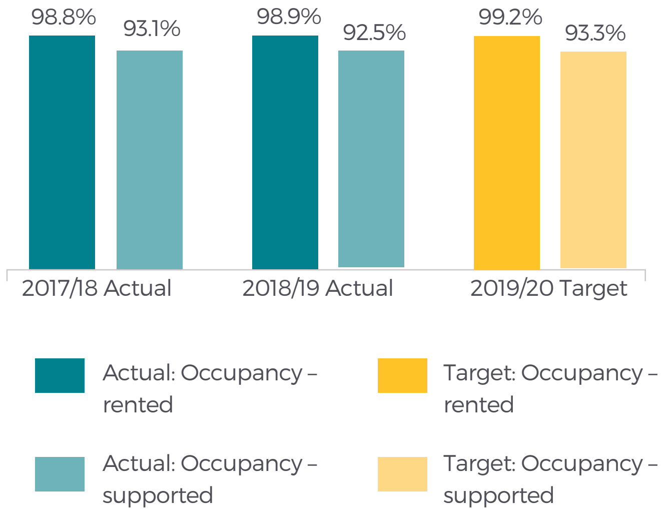
Occupancy – rented: 98.9%

Target	98.7%	
Benchmark	99.4%	

Occupancy – supported: 92.5%

Target	93.5%	
Benchmark	96.2%	

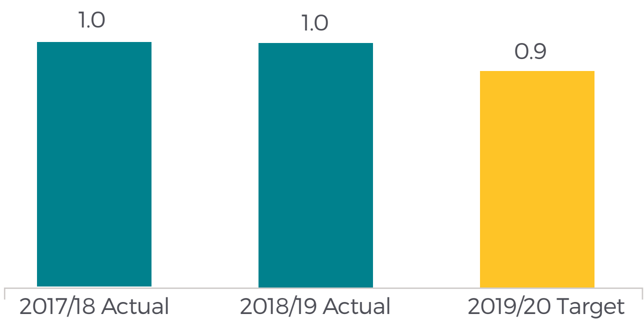
Occupancy is the proportion of our homes that are occupied at the year-end, and demonstrates how efficient we are at re-letting empty homes.



Repairs ratio: 1.0

Target	0.8	
Benchmark	0.7	

This ratio shows how much we spend on reactive repairs compared to planned maintenance and improvement works.



Our repairs ratio remains higher than our target and peer group, mainly due to spending less on capitalised maintenance than planned. This underspend is driven by deferral of works where customers ask to delay planned works to their home. As our level of spend on repairs and maintenance is informed by our detailed stock condition survey, we do not consider an improvement plan to be necessary.

Return on capital employed is particularly low this year due to the poor sales performance we experienced. This is coupled with additional investment into new build properties as we scale up our development programme. We expect our return on capital to be depressed in the next couple of years, but return to and then exceed historic levels by the end of our five year business plan as sales activity catches up with development, and the size of our supported business increases. As return on capital employed is a long term measure, we do not consider an improvement plan to be necessary.

Although we achieved target occupancy in our rented business, we remain below the benchmark. To some extent this is due to the relatively high number of properties we have in the North of England, where void rates tend to be higher. In our supported business, we did not meet the target and also remain below the benchmark. Occupancy remains an area where we are targeting improvement, and the improvement plan is set out on the following page.

Value for Money (continued)

Occupancy improvement plan

Last year's actions	Update on last year's actions
Develop new void standard.	The new void standard was rolled out across the business in 2018/19.
Additional budget allocated for hard-to-let properties.	This was put in place for 2018/19 and extended to allow housing managers greater discretionary spend. This has enabled focused spend in areas with lower occupancy rates, for example Copeland and Allerdale where voids reduced by 8% across the year.

New actions for 2019/20

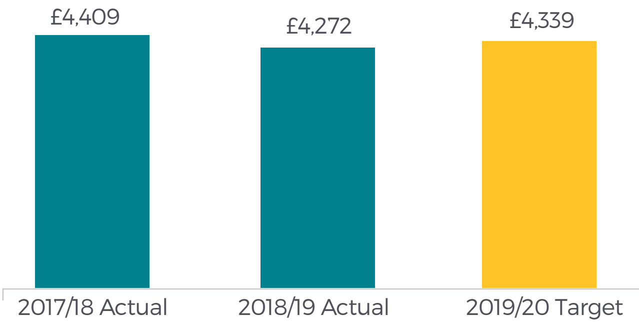
- Standardise the voids process with targeted incremental improvements at each stage of the process.
- Focus on reducing hard-to-let properties which have been vacant for more than 95 days.

Operating efficiencies

Social housing cost per unit: £4,272

Target	£4,675	
Benchmark	£4,341	

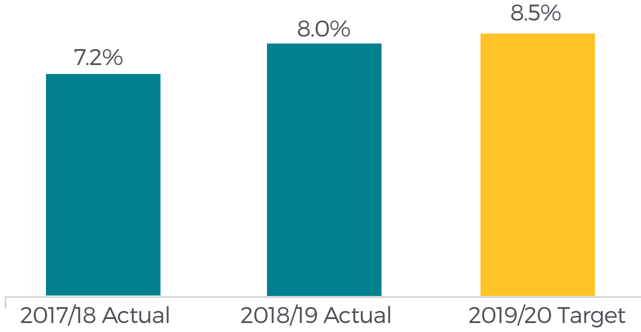
This is a high level measure of the amount it cost us on average to provide each social home we manage.



Arrears: 8.0%

Target	7.7%	
Benchmark	8.2%	

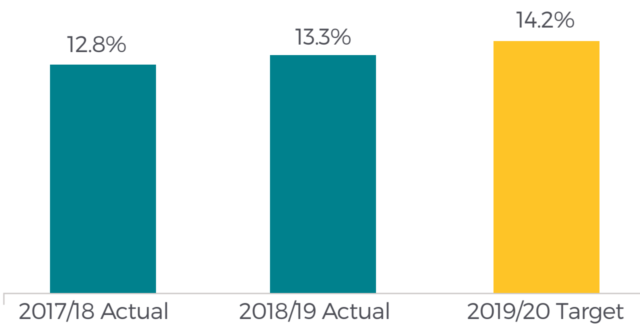
Arrears is the proportion of rent due remaining unpaid at the year end, and demonstrates how effective we are at collecting rent.



Overheads as % adjusted turnover: 13.3%

Target	13.8%	
Benchmark	12.3%	

This is a measure of the level of overheads incurred in the business. A lower ratio shows that our back office functions are operating efficiently.



Value for Money (continued)

We had an improvement plan in place for social housing cost per unit last year, and our achievement on each action put in place is set out below. As we have successfully reduced social housing cost per unit well below target, and it is now below the peer group average, we do not consider an improvement plan necessary going forwards.

Last year's actions	Update on last year's actions
Gain a better understanding of the key cost drivers and how we compare to others to identify specific areas of underperformance to target for efficiency improvement.	Further analysis has been carried out to understand the extent to which different parts of the business impact cost per unit, with areas targeted for ongoing benchmarking.
Key to delivering the reduction in cost per unit is the delivery of the efficiency savings included in our five year business plan.	We targeted £8.2 million efficiency savings in 2018/19, achieving £6.0 million.
Introduce reporting of cost per unit at directorate/ operational business unit level to increase understanding and ownership of component costs.	Cost per unit is now reported at an operational business unit level on a monthly basis.
Regeneration and development plans will deliver additional new build social homes with lower maintenance costs.	Delivery of affordable rent units was behind target (854) at 827 (using the Regulator of Social Housing's value for money metric definition). However this shortfall was made up with shared ownership units, having a positive effect on our cost per unit.

We saw an improvement in rent collected in 2017/18 with the improvement plan that was in place throughout the year and once the benchmark information was available for this year, it showed that our results were in line with sector averages. We have found that rent collected can vary year to year due to the timing of the year end compared to rental periods, and as a result have decided that it is not a reliable measure. The improvement plan is no longer considered necessary, and the rent collected measure has been replaced by arrears.

Last year's actions	Update on last year's actions
Review how other providers measure rent collection to understand whether we are comparing like with like on this measure. Benchmarking against others to understand where performance improvements should be targeted.	Analysis has been undertaken to understand what impacts our rent collected figure, particular around timing of month/year end, and the impact of Universal Credit.
Develop new standardised collections process for former tenant arrears.	The new process has been in place since November. We have seen a £0.8 million reduction in former tenant arrears in rented.

Value for Money (continued)

Our overheads levels tend to be higher than the benchmark due to our large supported housing provision, as this requires higher staffing levels which increases the back office support needed. Although we missed our target for the year, this was driven more by lower turnover (due to reduced new build sales) than increasing overhead costs.

However given the increasing trend in overheads, and this being a key area of focus for our 20% more efficient strategic goal, we have determined an improvement plan is necessary.

New actions for 2019/20

- Detailed benchmarking to be carried out to understand the extent to which back office costs are impacted by supported housing and other factors, and identify areas for improvement.
- 5% reduction in overheads targeted as part of budget setting process.
- Additional controls put in place around recruitment to back office roles.

Value for Money conclusions

2018/19 was a challenging year, with a slowdown in the sales market impacting our ability to meet financial targets in some areas. Despite this we have seen improvement in the areas targeted last year:

- Increase in rent collected in both rented and supported, exceeding targets and the benchmark.
- A further reduction in social housing cost per unit, so that this is now in line with the benchmark.

There remains more to do in delivering an efficient service and driving efficiency savings throughout the business. In the coming year, we will focus on driving improvements in the following areas:

- Occupancy, where our rates remain below the benchmark.
- Overheads, where we are seeing a trend of increasing cost.

We have included additional customer-focused measures this year, to reflect a more rounded view of how we deliver Value for Money, and will continue to review what indicators we use on an annual basis.

Principal risks and uncertainties

The key risks which may prevent us from achieving our strategy are reviewed on a continuing basis throughout the year by the Board, the Executive team and Senior Management. The risks are identified, evaluated, monitored and reported in line with our Risk Management Framework which is approved by the Audit Committee.

Strategic and operational risks presenting the greatest risk to Home Group are reported to each Audit Committee and twice annually to the Board. The risk updates include an assessment of the scoring, details of the controls in place and any future plans to help reduce the risk to a more tolerable level. In addition to reviewing individual risks, management and the Board review the cumulative effect of all risks and evaluate the combined impact these could have should they occur at the same time.

Home Group operates in an increasingly complex environment and in a sector which is significantly impacted by its political and social importance. Horizon scanning is carried out across the business which helps to identify emerging risks, these are then included in Board and Audit Committee papers for information. We must be responsive to the challenges our external environment presents and we understand the importance that a robust risk management process has in relation to this.

Our strategy is based on the achievement of four key goals; to build 10,000 new homes, to be market leaders in new models of care, to enable 90% of our customers to interact with us digitally and to be 20% more efficient. We have continued to assess and understand the key risks to us in meeting these objectives and we continue to monitor these and implement plans to mitigate them.

Strategic risks

- We have continued with our ambitious plans for development of 10,000 new homes by 2022. Outright sale activity forms an increasing part of both the numbers and the funding plan of the development programme. A significant downturn in the economy, including a property market crash or a slowdown in the market, could result in lower cash flow that would impact on our ability to deliver on this element of the strategy.

- We have continued to expand our new models of care, particularly in the areas of mental health and learning disabilities. In an uncertain healthcare market, any changes in funding streams, political agenda or our ability to develop successful partnerships, will affect our plans for growth and reduce the estimated financial contribution of these services. The planned increase in NHS and specialist services sharpens our focus on clinical excellence standards in addition to regulatory requirements.

In the year we have also continued to focus on the following key risks:

- Our customers' health, safety, wellbeing and satisfaction is paramount. If we do not understand our customers, or respond to their diverse and changing needs we are at risk of not delivering on our key social mission.

- Regulations are still changing following on from the Hackitt report and Grenfell enquiry. We have reviewed our internal fire safety strategy and have put in place a number of actions to further enhance this and to ensure we are prepared for the likely further regulation changes in the future.

- Brexit and a government with a limited majority make the external environment both politically and economically complex and changeable. This will require us to continue with our approach of closely monitoring government policy and seeking to influence and respond to consultations where appropriate.

- We continually review and assess the impact of the Welfare Reform Act and the changes to the supported housing regime on our ability to collect rent and service charges, and manage arrears. We face a risk that, without effective mitigation, arrears increase significantly following the roll out of Universal Credit and that changes in supported housing cap our ability to charge for services.

- Our business plan assumes a certain level of efficiency savings, and not realising these could impact on our ability to deliver our strategy. We regularly monitor plans to assess whether these remain achievable.

- Compliance with the Regulatory Framework and all relevant legislation remains a priority. The Group has retained a grading of G1:V1 after an in depth assessment by the Regulator took place this year. However, any failing in these areas could lead to action being taken against us, as well as impacting on our future strategy and reputation.

- We work with a number of key suppliers and partners, particularly with respect to our developments and ongoing maintenance of properties, who are vital in helping us deliver services to our customers. Any disruption to these arrangements could impact the continuity of services, resulting in a financial loss and/or impact on the level of service our customers receive. We continue to make improvements to our contractors and contract arrangements.

Treasury management

The Group's Treasury function operates within a framework of clearly defined, Board approved policies and procedures that serve to control the use of financial instruments, ensure sufficient liquidity is available to meet foreseeable needs, ensure prudent investment of surplus cash and minimise financial risk. The Board receives regular reports on relevant treasury matters.

Home Group finances its operations through a mixture of retained earnings, grants and long-term loans. The overall borrowing policy is approved by the Board which undertakes regular reviews of borrowings and covenant compliance. Home Group borrows in sterling at both fixed and floating rates of interest.

A Treasury Panel has been constituted on an advisory basis. It comprises the Home Group Chairman, the Chief Executive and the Chairman of the Audit Committee. The Panel meets once a year, otherwise as and when required, and considers recommendations made to the Board on strategic treasury matters and reviews performance of treasury activities.

Interest rate risk

Exposure to fluctuating interest rates is managed by fixing debt to maintain the level of long-term fixed-rate funding between a minimum and maximum proportion of total debt. At present the policy is to aim to maintain between 65% and 80% of borrowing in long-term fixed-interest rate funding, allowing flexibility to move outside of this range, in either direction, on a temporary basis. This policy reflects and matches the long-term nature of our asset base and the rental income streams arising from it. The remaining debt is held at floating rates. At the year-end 74.7% (2018: 65.4%) of the Group's borrowing was in the form of long term fixed interest rate debt.

It is estimated that each quarter point increase in interest rates would increase costs by £754,000 per annum based on the variable rate debt held at 31 March 2019.

The policies of Home Group allow the use of derivatives. The ability to use stand-alone derivatives increases the options available to us in managing interest rate risk. They cannot be used for speculative purposes. The Group currently has no derivative instruments in place.

Credit risk

Home Group's policy is to minimise borrowings and surplus funds. Any investments are only made with highly rated counterparties on the Board approved list, and limited to a maximum authorised amount subject to counterparty classification.

Liquidity risk and future borrowings

Cash inflows and outflows for the year ended 31 March 2019 are set out in the Cash Flow Statement on page 44. The net cash inflow from operating activities was £29.7 million (2018: £99.2 million). Cash and cash equivalents were £83.8 million (2018: £26.9 million) with no bank overdraft. The Group held no short term investments (2018: £0.0 million).

As at 31 March 2019, Home Group had £257.8 million committed and undrawn facilities, all of which were immediately available for drawdown. The Group continues to have a large pool of unencumbered properties available as security for future borrowings to support its growth strategy.

Taxation

As a responsible tax payer, Home Group meets its liabilities to pay taxes in full as they fall due. The table below summarise the total tax payable by the Group:

	2019	2018
	£m	£m
Irrecoverable input VAT	**21.6**	20.4
Employer's national insurance contributions	**6.1**	6.1
Corporation tax	**2.2**	1.3
Stamp duty land tax	**0.4**	0.5
Total	**30.3**	28.3

As the majority of Home Group's income is exempt from VAT, the Group is unable to recover the majority of the VAT it suffers on purchases. As a result the Group pays over £20 million in irrecoverable input VAT each year.

Statement of internal controls

The Home Group Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and reviewing its effectiveness across the Group.

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

The process for identifying, evaluating and managing significant risks faced by the Group is ongoing, and has been in place throughout the period from 1 April 2018 up to the date of approval of the financial statements. This process is set out in the Group's Risk Management Framework and its effectiveness is assessed on an annual basis by the Board.

Key elements of the internal control framework include:

- Board approved terms of reference and delegated authorities for all Boards and Committees, including the Audit Committee;
- clearly defined management responsibilities for the identification, evaluation and control of significant risks;
- strategic and operational risk registers which are regularly reviewed by Senior Management, Executive, the Audit Committee and the Board;
- a robust planning process with detailed financial budgets, forecasts and performance measures;
- regular reporting to Executive and the appropriate Board/Committee of key performance indicators to monitor progress against objectives;
- an established health and safety management system and compliance framework;
- a structured approach to the appraisal and authorisation of all significant new business initiatives and commitments;
- a considered and documented approach to treasury management which is subject to annual review;
- formal recruitment, retention and training and development policies;
- Board approved Confidential Reporting Policy and Fraud and Bribery Prevention, Detection and Response Policy;
- detailed policies and procedures in each area of the Group's operations; and
- an Assurance Service which reviews internal controls across the Group and provides regular reports to the Audit Committee on any significant control weaknesses.

The internal control framework, which includes the above elements, is embedded within our culture and values, and is embraced by our colleagues. There is a strong awareness of the importance of internal controls and they are a fundamental part of ensuring the integrity of the framework.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Audit Committee to regularly review the effectiveness of the system of internal control. The Audit Committee received the Annual Assurance Statement from the Head of Audit and the Group Chief Executive's annual review of the effectiveness of the system of internal control. The Audit Committee has subsequently reported its findings to the Board in its annual report.

During the year there were no significant findings or weaknesses identified in internal controls, which resulted in material losses, contingencies or uncertainties that require disclosure in the financial statements or in the report of the auditors.

Governance

Governance structure

Throughout the year the Association operated under its established governance structure comprising:

- The Board of the Association.
- Home Scotland, HGDL, Live Smart and NHL subsidiary boards.
- Six Board committees and an advisory panel – the Audit Committee, Governance Committee, Health and Safety Governance Committee, Clinical Governance Committee, Action Committee, Rayners Lane Estate Committee and the Treasury Panel.

Representatives of the Group attend Board meetings of joint ventures and associates.

In addition, the Group has a customer forum, which is responsible for representing customers' views and interests at a national level and for providing a strong mechanism for involving customers in Home Group.

The Board

The Board of the Association comprises:

- Ten non-executive members, including two customer members; and
- Two executive members; the Chief Executive and the Chief Financial Officer.

The Board of the Association and the Executive are shown on page 5, and details of their remuneration are given in Note 5 to the financial statements on pages 56 to 57. Non-executive members of the Board together with one member of the Board of Home Scotland, each hold one fully paid share of £1 in the Association.

Corporate governance

Home Group has been rated as G1:V1 for governance and financial viability by the Regulator of Social Housing. The Board confirms that Home Group has assessed its compliance with the Governance and Financial Viability Standard during the year and certifies that in all material respects Home Group is in compliance with the Governance and Financial Viability Standard.

The Board has adopted and is compliant with the requirements of the National Housing Federation's Code of Governance 2015 edition.

Home Group has adopted the National Housing Federation's Code on Mergers, Group Structures and Partnerships (2015). There have been no merger, group structure or partnership proposals during the financial year.

The **Board** is responsible for the overall direction of Home Group's business. Each business unit operates in accordance with the five year business plan approved annually by the Board. Management is delegated through the Executive to the management team of each business unit. The essential functions of the Board are formally recorded to reflect the Code of Governance; they include the setting of strategy and monitoring of progress in achieving that strategy, the definition of values and objectives, approving policies, plans and budgets, and monitoring performance of the business and its executive management. In this process, the Board seeks to ensure that undue risks are not taken and that Home Group's affairs are conducted to the highest standards of performance and propriety. The Board annually reviews Home Group's governance arrangements and undertakes an annual self-evaluation of its effectiveness as a Board. A system of non-executive Board member appraisal is in place, under which the Chairman conducts an annual individual appraisal of non-executive Board members, incorporating feedback from other non-executive Board members and members of the Executive. An equivalent appraisal of the Chairman is conducted by the Senior Independent Member. Performance appraisal of Executive Board members is conducted within the framework of Home Group's performance appraisal process.

The Board met six times in the year (the minimum number of meetings permitted within the rules is three). Board meetings are also attended by members of the Executive as required. The Board receives reports relevant to its role, including reports on Home Group's financial, operational and development performance.

The Association introduced a policy in July 2005 which entitles non-executive members of the Board to elect to draw remuneration. The Association's remuneration framework was set in accordance with the regulatory requirements set by the Housing Corporation in 2003, and in accordance with National Housing Federation guidance. This reflects the business needs of the Association, having regard to the complexity, size and demands of the organisation. Following a review of non-executive board member remuneration during the year, the Association considers that remuneration remains appropriate. Details of the remuneration drawn by members of the Board during the year are set out in Note 5 to the financial statements on page 56. The total remuneration of non-executive board members represents 0.02% of Group turnover (2018: 0.02%).

The Board is supported in its role by six committees and the Executive.

The **Audit Committee** is chaired by a member of the Association's Board, appointed by the Board to this role, not being the Home Group Chairman or the Chairman of the Board of a subsidiary. Currently the Committee comprises three members of the Association's Board – Nick Salisbury (Committee Chairman), Rhona Bradley and Ken Gillespie – together with two independent members (Neil Braithwaite and Lara Joisce). The Chief Executive, Chief Financial Officer, Director of Financial Reporting, Head of Audit and Company Secretary attend all meetings. External auditors and other Directors attend the meetings by invitation. The Committee normally meets four times a year, and minutes of Committee meetings are reported to the Board.

The Committee oversees financial reporting and Home Group's risk and

Governance (continued)

control framework, internal and external audit arrangements and internal control systems. The Committee's role includes an overview of the work undertaken throughout Home Group by Home Group's risk and compliance and assurance services teams, and reviewing and recommending the report and financial statements to the Board for approval. In addition, the Committee keeps under review the independence and objectivity of Home Group's external auditors, KPMG, and monitors the provision of non-audit services undertaken by the external auditors, including the fees charged for such services. On occasion, the nature of non-audit services may make it more timely and cost-effective to select KPMG given their knowledge and understanding of Home Group and the housing association sector. The Committee has established a process for engaging external auditors to carry out non-audit work, under which the prior approval of the Chairman of the Committee is required for any proposed commission. KPMG are also subject to professional standards which safeguard the integrity of their auditing role. Before KPMG are engaged for any non-audit services, they perform a thorough assessment to confirm whether the service is permissible under the Financial Reporting Council's Revised Ethical Standard. An independent assessment of the effectiveness of the Audit Committee has taken place this year.

The **Governance Committee** is chaired by Bharat Mehta, together with four further Home Group Board members: John Cridland (Home Group Chairman), Leslie Morphy, Nick Salisbury, and Myriam Madden. The Committee normally meets four times each year and minutes of the meetings are reported to the Board. The Chief Executive, Chief Financial Officer and Company Secretary attend all meetings.

The Committee oversees annual reviews of Home Group's compliance against the Regulator's Regulatory Standards, Home Group's Rules, Governance Framework and Governance Standards, and recommends any changes to the Board of the Association. In addition, the Committee is responsible for non-executive recruitment and succession planning, and for making policy recommendations on board member evaluation and non-executive appraisal. It is also responsible for the recruitment process in respect of Executive appointments, and for supporting the Board in ensuring adequate succession planning for the Executive. The Committee notes any developments in best practice or regulation in relation to non-executive remuneration, and refers them to the Executive, who are responsible for reviewing non-executive remuneration and subsequently making a clear recommendation on future remuneration, using independent advice and benchmarking as required for resolution by the shareholders. The Committee recommends to the Home Group Board the remuneration package offered to the Chief Executive, and any change to this following the Home Group Chairman's annual appraisal of the Chief Executive. The Committee's endorsement is required of the remuneration packages offered by the Chief Executive to other members of the Executive, and any changes to their remuneration packages recommended by the Chief Executive following each annual appraisal.

The **Health and Safety Governance Committee** is chaired by Leslie Morphy, together with three further members appointed by the Home Group Board: Bharat Mehta, Ken Gillespie and Colin Strachan (Home Scotland Board member). The Committee normally meets four times a year and otherwise as and when required, and minutes of the Committee meetings are reported to the Board. The Committee meetings are also attended by the Executive Director – Operations and the Head of Health and Safety.

The Committee provides a strategic steer into the Association's Health and Safety Strategy and Implementation Plan and oversees progress against these to provide assurance to the Executive and the Home Group Board of the effective development and maintenance of the health and safety management system.

The **Clinical Governance Committee** is chaired by Rhona Bradley, together with four further members appointed by the Home Group Board; Bharat Mehta, Leslie Morphy, Claire Bassett and Kim Tinneny. The Committee normally meets four times a year and otherwise as and when required, and minutes of the Committee meetings are reported to the Board. The Committee meetings are also attended by the Executive Director – New Models of Care and the Director of Clinical Practice.

The role of the Committee is to give the Board assurance on the quality of care for customers and its remit covers governance and internal monitoring, organisational policies and procedures, safety and excellence in customer care and quality assurance.

The **Action Committee** meets as required. It acts in relation to matters requiring an express authorisation of the Board which are not otherwise covered by delegated authority and which are necessary to safeguard the business interests of Home Group and where it is not possible or practicable to convene a meeting of the full Board. The quorum for the Committee is three members of the Board and all decisions are reported to the next meeting of the Board and to other Boards where relevant.

The **Rayners Lane Estate Committee** was established under the terms of a stock transfer agreement between the Association and the London Borough of Harrow, and oversees the delivery of the Association's commitments under the stock transfer agreement, specifically in respect of the regeneration of the Rayners Lane estate in Harrow. Its membership comprises individuals nominated separately by the London Borough of Harrow, the Rayners Lane Estate Tenants and Residents Association, the Association's customers on the estate and the Association.

The **Executive** comprises the Chief Executive and the Executive Directors shown on page 5. The Executive is responsible for driving forward the business of Home Group, focusing on strategic issues and monitoring the performance of Home Group against budgets and business plans. The work of the Executive is supported by the customer forum. The Executive meets on a weekly basis.

Board member and Committee member attendance at meetings during the year ended 31 March 2019 is shown in the table on the next page.

Home Group Board and Commitee attendance

Name	Home Group Board		Audit Committee		Governance Committee		Health and Safety Governance Committee		Clinical Governance Committee	
	A	B	A	B	A	B	A	B	A	B
Non-executives										
Claire Bassett	6	5	-	-	-	-	-	-	4	4
Rhona Bradley	6	5	4	3	-	-	-	-	5	4
Neil Braithwaite	-	-	4	4	-	-	-	-	-	-
John Cridland	4	4	-	-	2	2	-	-	-	-
Bob Davies	2	2	-	-	2	2	-	-	-	-
Ken Gillespie	6	5	4	4	-	-	4	3	-	-
Ruth Jackson	6	5	-	-	-	-	-	-	-	-
Lara Joisce	-	-	3	3	-	-	-	-	-	-
Marjorie Macfarlane	1	1	-	-	1	-	-	-	-	-
Myriam Madden	4	3	-	-	2	2	-	-	-	-
Bharat Mehta	6	6	-	-	4	4	4	4	5	5
Leslie Morphy	6	6	-	-	4	4	4	4	5	2
Victoria Peterkin	1	-	-	-	-	-	-	-	-	-
Nick Salisbury	6	6	4	4	4	3	-	-	-	-
Colin Strachan	-	-	-	-	-	-	4	4	-	-
Kim Tinneny	6	5	-	-	-	-	-	-	5	3
Executives										
Mark Henderson	6	6	-	-	-	-	-	-	-	-
John Hudson	6	6	-	-	-	-	-	-	-	-

A = maximum number of meetings that could have been attended **B** = number of meetings actually attended

- Marjorie Macfarlane stood down from the Home Group Limited Board and from the Governance Committee on 22 May 2018.
- Claire Bassett was appointed to the Clinical Governance Committee on 22 May 2018.
- Bob Davies stood down from the Home Group Limited Board and the Governance Committee on 19 July 2018.
- John Cridland was appointed to the Home Group Limited Board and Governance Committee on 19 July 2018.
- Lara Joisce was appointed to the Audit Committee on 22 May 2018.
- Victoria Peterkin was appointed to the Home Group Limited Board on 22 May 2018 and stood down on 28 August 2018.
- Myriam Madden was appointed to the Home Group Limited Board on 28 August 2018 and to the Governance Committee on 26 September 2018.

Dates of meetings

Home Group Board	Audit Committee	Governance Committee	Health and Safety Governance committee	Clinical Governance Committee
22 May 2018	17 April 2018	21 May 2018	18 July 2018	30 April 2018
19 July 2018	3 July 2018	18 July 2018	25 September 2018	18 June 2018
26 September 2018	30 October 2018	25 September 2018	21 November 2018	3 September 2018
22 November 2018	10 January 2019	23 January 2019	25 March 2019	26 November 2018
24 January 2019				21 January 2019
26 March 2019				

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The key judgements and estimates are discussed within the accounting policies set out on page 49 and their effects are summarised here:

Carrying value of housing properties and stock (judgement)

Based on impairment reviews carried out at 31 March 2019 housing properties have been impaired by £0.8 million (2018: £6.3 million) and stock has been impaired by £7.6 million (2018: £4.4 million).

Investments in joint ventures and associates (judgement)

We have considered the recoverability of loans made to joint ventures and associates as at 31 March 2019 and made no adjustment to them.

Pension liabilities (estimate)

The cost of our defined benefit pension scheme benefits and the liability for benefit at the balance sheet date are determined using actuarial valuations. The overall net liability across all defined benefit pension schemes as at 31 March 2019 was £39.8 million.

Other information

Statement of Board's responsibilities in respect of the Board's report and the financial statements

The Board is responsible for preparing the Board's Report and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Association and of the income and expenditure of the Group and the Association for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the Group or the Association or to cease operations, or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the Association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditors

The Board members and Executive Directors who held office at the date of approval of this Board report confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditor is unaware; and each Board member and Executive Director has taken all the steps that they ought to have taken as a Board member or Executive Director to make themselves aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

Health and safety

Home Group takes steps to ensure that it complies with relevant health and safety legislation. It has a clear policy framework which sets out the responsibilities of both the Group and colleagues in relation to health and safety.

Events after the end of the reporting period

The Board considers that there have been no events since the year end that have had a significant impact on the Group's financial position.

Annual General Meeting

The Annual General Meeting was held on 18 July 2019.

Auditors

A resolution to reappoint KPMG LLP as auditors was proposed at the Annual General Meeting.

Statement of compliance

The Board confirms that this Report of the Board and Strategic Report has been prepared in accordance with the principles set out in the 2018 SORP for Registered Social Housing Providers.

On behalf of the Board.

J Cridland, CBE, MA
Home Group Chairman
18 July 2019

Independent Auditor's Report to Home Group Limited

1. Our opinion is unmodified

We have audited the financial statements of Home Group Limited ("the Association") for the year ended 31 March 2019 which comprise the Group and Association Statements of Comprehensive Income, Group and Association Statements of Financial Position, Group and Association Statements of Changes in Reserves, the Group Statement of Cash Flows and related notes, including the accounting policies in Note 1 of the financial statements.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the state of affairs of the Group and of the Association as at 31 March 2019 and of the income and expenditure of the Group and of the Association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor for the year ended 31 March 2006 by the Board. The period of total uninterrupted engagement is for the 14 financial years ended 31 March 2019.

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard applicable to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: Group financial statements as a whole	£4.1 million (2018 : £3.6 million) 1.1% (2018: 1.0%) of turnover	
Coverage	100% (2018: 100%) of Group turnover	
Key audit matters		**vs 2018**
Event driven	**New**: The impact of uncertainties due to the UK exiting the European Union	↑
Recurring risks	Recoverability of Work in Progress and Properties Under Construction	↔

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise opposite the key audit matters, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Group and Association **The impact of uncertainties due to the UK exiting the European Union** Refer to page 26 (principal risks).	**Unprecedented levels of uncertainty** All audits assess and challenge the reasonableness of estimates, in particular as described in *Recoverability of Work in Progress and Properties Under Construction* below, and related disclosures and the appropriateness of the going concern basis of preparation of the accounts. All of these depend on assessments of the future economic environment and the Group's future prospects and performance. Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: • **Our Brexit knowledge** – We considered the Board's assessment of Brexit-related sources of risk for the Group's business and financial resources compared with our own understanding of the risks. We considered the Board's plans to take action to mitigate the risks; • **Sensitivity analysis** – When addressing *Recoverability of Work in Progress and Properties Under Construction* and other areas that depend on forecasts, for example the Group's forecasts of cash headroom and covenant compliance, we compared the Board's analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty; and • **Assessing transparency** – As well as assessing individual disclosures on *Recoverability of Work in Progress and Properties Under Construction* we considered all of the Brexit-related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. .**Our results** • As reported under *Recoverability of Work in Progress and Properties Under Construction*, we found the resulting estimates and related disclosures, and disclosures in relation to going concern, to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for an entity and this is particularly the case in relation to Brexit.

	The risk	Our response
Group and Association **Recoverability of Work in Progress and Properties Under Construction** (Group: Housing properties under construction £113.0m; 2018: £90.6m; Shared ownership properties under construction £58.7m; 2018: £30.7m; Shared ownership properties work in progress £29.9m; 2018: £10.7m; Outright sales properties work in progress £112.2m; 2018: £95.6m) (Association: Housing properties under construction £82.7m; 2018: £77.5m; Shared ownership properties under construction £59.0m; 2018: £29.6m; Shared ownership properties work in progress £29.9m; 2018: £10.7m; Outright sales properties work in progress £60.2m; 2018: £46.0m) Refer to page 46 (accounting policy) and page 61-62 (financial disclosures).	The Group has a significant development programme which includes social housing, shared ownership properties and mixed tenure schemes with a significant portion of open market sales. **Accounting judgement** For properties under construction and work in progress an assessment needs to be made at each reporting date of whether there are any indicators of impairment, such as cost overruns and building or contractor issues. This is a subjective assessment that needs to be made for a large number of schemes and which requires a detailed understanding of the status of each scheme. There is a risk that impairment indicators may not be identified by the Group and therefore work in progress or housing properties under construction may be overstated. The considerations differ depending on the intended purpose of each scheme. **Subjective estimate** Where an impairment indicator has been identified, the Group assesses to what extent the carrying amount of the work in progress and properties under construction is recoverable. Where schemes predominantly consist of social housing units that will be retained by the Group on completion these are considered to be assets held for their service potential. In most circumstances this results in making an assessment of the carrying amount compared to the cost of constructing an equivalent asset excluding cost overruns. This is a subjective assessment, however it is likely that where there have been increases in construction costs, an impairment may be required. For development schemes which do not primarily comprise social housing units the carrying amount is considered impaired to the extent that it exceeds the net realisable value ("NRV"). Where development is ongoing, NRV is the forecast total selling price less the forecast costs to complete and sell.	Our procedures included: • **Control observation:** Evaluating the Group's approval and appraisals processes upon which the forecast scheme outcomes are based. This includes assessing the process for authorising and recording incurred and projected costs in the appraisals; • **Personnel interviews:** Carrying out corroborative enquiries to identify cost overruns and other potential impairment trigger events at specific sites and comparing these with external sources of information: • **Our sector experience:** Identifying potential impairment trigger events with reference to our experience of the Group and the wider sector; • **Our development project expertise:** Using our own quantity surveying expert to assist in assessing sites at higher risk of impairment and evaluating the reasonableness of key assumptions in the scheme forecasts. This includes attending a selection of sites where specific impairment risks are identified; • **Assessing valuers' credentials:** Where the Group uses third party valuations to support estimated sales prices for work in progress, assessing the competence, capability, objectivity and independence of the Group's valuers; • **Sensitivity analysis:** For a risk-based sample of sites, performing our own sensitivity analysis over the key assumptions used by the Group and identifying those that have the greatest impact on the impairment assessment; • **Tests of detail:** For a risk-based sample of sites, challenging the forecast costs and sales valuations in the Group's forecasts using third party data, where available, or data from similar projects; • **Tests of detail:** Where there are uncertainties related to third party contractor costs or contractual disputes, comparing the Group's year-end estimates with actual results or the latest available evidence available after the reporting date; • **Historical comparisons:** For a risk-based sample of sites, comparing initial forecast costs and selling prices with the actual outturn for previously completed developments and critically assessing the accuracy of the Group's forecasting; and

	The risk	Our response
	For all schemes assessing the total costs to complete developments requires judgement as the costs not yet incurred can differ from forecast. For sites where there are complex arrangements with third party contractors or contractual disputes it may be even more difficult to reliably estimate future costs and selling prices. The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the *Recoverability of Work in Progress and Properties Under Construction* had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	• **Assessing transparency:** Critically assessing the Group's disclosures in relation to judgement and estimation in relation to recoverability of work in progress and properties under construction. **Our results** • We found the estimated recoverability of the carrying value of housing properties under construction and work in progress to be acceptable (2018: acceptable).

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £4.1 million (2018: £3.6 million), determined with reference to a benchmark of Group turnover as disclosed in the Statement of Comprehensive Income, of £367.3 million, of which it represents 1.1% (2018: 1.0%). We consider turnover to be more appropriate than a profit-based benchmark as the Association is a not-for-profit organisation and the focus is on turnover rather than any surpluses, which are reinvested in the Group.

Materiality for the Association financial statements as a whole was set at £3.4 million (2018: £3.3 million), determined with reference to a benchmark of Association turnover, of which it represents 1.1% (2018: 1.0%).

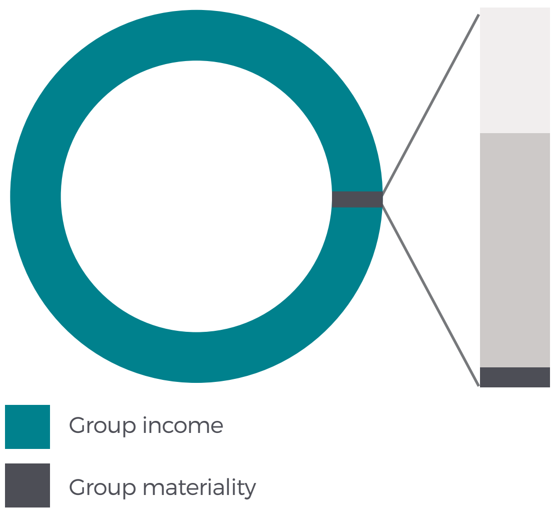
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.2 million, in addition to other identified misstatements that warranted reporting on qualitative grounds.

We subjected all of the Group's four (2018: four) reporting components to full scope audits for group purposes.

The components within the scope of our work accounted for the percentages illustrated below.

The work on all components (2018: all components), including the audit of the parent Association, was performed by the Group team.

Group income
£367.3 million (2018: £364.7 million)

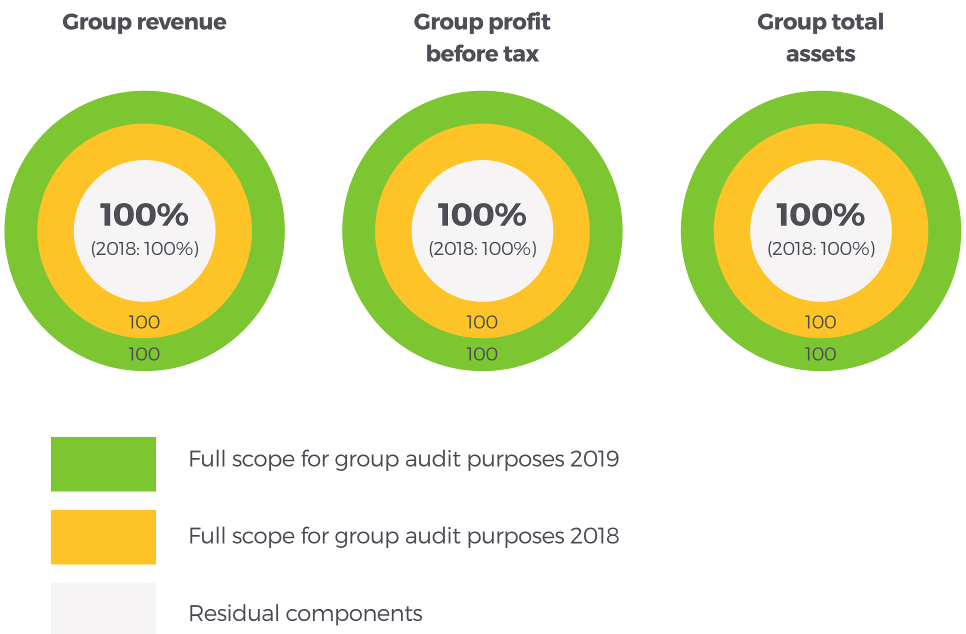


Group materiality
£4.1 million (2018: £3.6 million)

£4.1 million
Whole financial statements materiality (2018: £3.6 million)

£3.4 million
Range of materiality at four components (£0.2 million to £3.4 million) (2018: £0.2 million to £3.3 million)

£0.2 million
Misstatements reported to the audit committee (2018: £0.2 million)



4. We have nothing to report on going concern

The Association's Board have prepared the accounts on the going concern basis as they do not intend to liquidate the Association or the Group or to cease their operations, and as they have concluded that the Association's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the accounts ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Board's conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Association will continue in operation.

In our evaluation of the Board's conclusions, we considered the inherent risks to the Group's and Association's business model and analysed how those risks might affect the Group's and Association's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Association's available financial resources over this period were:

- a significant downturn in the economy, including a property market crash; and
- changes in funding streams, political agenda or ability to develop successful partnerships.

As these were risks that could potentially cast significant doubt on the Group's and the Association's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Board consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts, such as the impact of Brexit and the erosion of customer or supplier confidence, which could result in a rapid reduction of available financial resources.

Based on this work, we are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5. We have nothing to report on the other information in the Annual Report

The Association's Board is responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

Based solely on that work we have not identified material misstatements in the other information.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- the Association has not kept proper books of account; or
- the Association has not maintained a satisfactory system of control over transactions; or
- the Financial Statements are not in agreement with the association's books of account; or
- we have not received all the information and explanations we need for our audit.

We have nothing to report in these respects.

7. Respective responsibilities

Board's responsibilities

As explained more fully in their statement set out on page 32, the Board is responsible for: preparing financial statements which give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and 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 they either intend to liquidate the Group or the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Board and other management (as required by auditing standards), and discussed with the Board and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related legislation for registered providers of social housing) and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's licence to operate. We identified the following areas as those most likely to have such an effect: laws related to the construction and provision of private and social housing, including health and safety, recognising the regulated nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Board and other management and inspection of regulatory and legal correspondence, if any. Through these procedures, we became aware of actual or suspected non-compliance and considered the effect as part of our procedures on the related financial statement items. The identified actual or suspected non-compliance was not sufficiently significant to our audit to result in our response being identified as a key audit matter.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association those matters we are required to state to it 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 as a body, for our audit work, for this report, or for the opinions we have formed.

Nick Plumb (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
July 2019

Statement of Comprehensive Income for the year ended 31 March 2019

		GROUP		ASSOCIATION	
	Notes	**2019**	2018	**2019**	2018
		£000	£000	**£000**	£000
Turnover	2	**367,317**	364,703	**315,155**	327,122
Cost of sales	2	**(38,040)**	(27,851)	**(12,495)**	(11,983)
Operating expenditure	2	**(248,959)**	(256,938)	**(233,872)**	(244,231)
Surplus on disposal of housing properties	3	**5,930**	7,597	**5,830**	7,582
Operating surplus		**86,248**	87,511	**74,618**	78,490
Share of profit in joint ventures	15	**3,266**	5,087	**-**	-
Share of (loss) / profit in associates	15	**(962)**	514	**-**	-
Interest receivable	7	**2,582**	2,091	**911**	1,059
Interest payable and financing costs	8	**(44,163)**	(43,357)	**(42,056)**	(41,326)
Gift aid receipt	9	**-**	-	**4,400**	4,248
Surplus on ordinary activities before taxation	10	**46,971**	51,846	**37,873**	42,471
Taxation	11	**(2,243)**	(1,326)	**(1,279)**	(136)
Surplus for the year		**44,728**	50,520	**36,594**	42,335
Actuarial (loss) / gain relating to pension schemes	24	**(3,946)**	31,735	**(3,946)**	31,735
Total comprehensive income for the year		**40,782**	82,255	**32,648**	74,070

All activities are continuing.

The notes on pages 45 to 86 form part of the financial statements.

The financial statements on pages 41 to 86 were approved by the Board on 18 July 2019 and were signed on its behalf by:

J Cridland, CBE, MA
Home Group Chairman

N W Salisbury, BA (Hons)
Board Member

R Hall, BA (Hons) Law
Company Secretary

Statement of Financial Position as at 31 March 2019

		GROUP		ASSOCIATION	
	Notes	**2019**	2018	**2019**	2018
		£000	£000	**£000**	£000
Fixed assets					
Housing properties	12	**2,384,330**	2,177,651	**2,236,950**	2,054,195
Other fixed assets	13	**22,142**	24,441	**22,140**	24,439
Intangible fixed assets	14	**18,424**	19,584	**18,424**	19,584
Investment in subsidiaries	15	**-**	-	**122,534**	105,821
Investment in joint ventures	15	**53,407**	47,579	**-**	-
Investment in associates	15	**12,850**	11,775	**-**	-
Other investments	15	**10,027**	9,814	**7,547**	7,586
Homebuy loans receivable		**682**	682	**682**	682
Pension asset	24	**663**	918	**663**	918
		2,502,525	2,292,444	**2,408,940**	2,213,225
Current assets					
Properties held for sale	16	**203,078**	125,287	**136,510**	72,151
Debtors	17	**32,640**	28,872	**33,747**	30,588
Cash and cash equivalents		**83,586**	26,854	**79,172**	24,532
		319,304	181,013	**249,429**	127,271
Creditors: amounts falling due within one year	18	**(226,299)**	(158,010)	**(202,349)**	(143,672)
Net current assets / (liabilities)		**93,005**	23,003	**47,080**	(16,401)
Total assets less current liabilities		**2,595,530**	2,315,447	**2,456,020**	2,196,824
Creditors: amount falling due after more than one year	19	**(1,936,953)**	(1,697,863)	**(1,901,508)**	(1,675,170)
Pension provision	24	**(40,431)**	(40,234)	**(40,431)**	(40,234)
Net assets		**618,146**	577,350	**514,081**	481,420
Capital and reserves					
Non-equity share capital	25	**-**	-	-	-
Restricted reserve		**626**	629	**626**	629
Income and expenditure reserve		**617,520**	576,721	**513,455**	480,791
Total capital and reserves		**618,146**	577,350	**514,081**	481,420

The notes on pages 45 to 86 form part of the financial statements.

The financial statements on pages 41 to 86 were approved by the Board on 18 July 2019 and were signed on its behalf by:

J Cridland, CBE, MA
Home Group Chairman

N W Salisbury, BA (Hons)
Board Member

R Hall, BA (Hons) Law
Company Secretary

Statement of Changes in Reserves for the year ended 31 March 2019

GROUP	Income and expenditure reserve £000	Restricted reserve £000	Total reserves £000
As at 1 April 2017	494,474	1,072	495,546
Total comprehensive income for the year	82,255	-	82,255
Transfer from income and expenditure reserve	(8)	8	
Repayment of restricted income	-	(451)	(451)
As at 31 March 2018	576,721	629	577,350
Total comprehensive income for the year	40,782	-	40,782
Transfer to income and expenditure reserve	20	(20)	-
Movement in restricted income	(3)	17	14
As at 31 March 2019	**617,520**	**626**	**618,146**

ASSOCIATION	Income and expenditure reserve £000	Restricted reserve £000	Total reserves £000
As at 1 April 2017	406,729	1,072	407,801
Total comprehensive income for the year	74,070	-	74,070
Transfer from income and expenditure reserve	(8)	8	-
Repayment of restricted income	-	(451)	(451)
As at 31 March 2018	480,791	629	481,420
Total comprehensive income for the year	32,648	-	32,648
Transfer to income and expenditure reserve	20	(20)	-
Movement in restricted income	(4)	17	13
As at 31 March 2019	**513,455**	**626**	**514,081**

The notes on pages 45 to 86 form part of the financial statements.

Group Cash Flow Statement for the year ended 31 March 2019

	Notes	**2019**	2018
		£000	£000
Net cash inflow from operating activities	26	**29,723**	99,200
Cash flow from investing activities			
Purchase of housing properties, other fixed assets and intangible assets		**(253,297)**	(148,955)
Loans to joint ventures		**(16,764)**	(27,521)
Repayments from joint ventures		**13,166**	18,162
Distributions received from joint ventures		**2,949**	2,100
Loans to associates		**(2,052)**	(2,157)
Repayments from associates		**400**	1,789
Additions to other investments		**(634)**	(1,804)
Disposals of other investments		**421**	331
Net proceeds from sale of housing properties		**17,884**	15,686
Capital grants received		**77,722**	15,909
Capital grants repaid		**(97)**	-
Interest received		**284**	104
Net cash outflow from investing activities		**(160,018)**	(126,356)
Cash flow from financing activities			
Interest paid		**(37,659)**	(33,924)
New secured loans		**267,025**	75,629
Repayment of borrowings		**(42,339)**	(15,162)
Repayment from restricted reserve		**-**	(451)
Net cash inflow from financing activities		**187,027**	26,092
Net change in cash and cash equivalents		**56,732**	(1,064)
Cash and cash equivalents at the beginning of the year		**26,854**	27,918
Cash and cash equivalents at the end of the year		**83,586**	26,854

The notes on pages 45 to 86 form part of the financial statements.

1. Principal accounting policies

Basis of accounting

The financial statements have been prepared in accordance with UK Accounting FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ('FRS 102'), the Accounting Direction for Private Registered Providers of Social Housing 2019 and the Statement of Recommended Practice for registered social housing providers Update 2018 ('SORP 2018').

Compliance with the SORP 2018 requires departure from the requirements of FRS 102, section 19 'Business Combinations and Goodwill', in relation to negative goodwill and an explanation of the result of the departure is given in the 'Negative goodwill' policy below.

As a public benefit entity, Home Group has applied the public benefit entity 'PBE' prefixed paragraphs of FRS 102.

No cash flow statement has been presented for the parent (Association) because advantage has been taken of the disclosure exemption available in FRS 102.

The financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. The financial statements are prepared on the historical cost basis of accounting with the exception of investment properties which are carried at a valuation. There are no material differences between the surplus on ordinary activities before taxation and the surplus for the current or prior year and their historical cost equivalents.

A summary of the more important Group accounting policies is set out below, together with an explanation of where they have not been applied consistently.

Going concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Board Report and the Strategic Report. The Group has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the Group's day to day operations. The Group also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lender's covenants. The Group carries out comprehensive, risk-based stress testing on its business plan and longer term financial forecasts to understand the impact on the financial performance should the risks materialise. The stress testing provides confidence that the Group would be able to take mitigating action to protect itself in the event that the major business risks did crystallise.

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

Basis of consolidation

The Group Statement of Comprehensive Income and Statement of Financial Position consolidate the results and financial position of the Association and its subsidiary undertakings, joint ventures and associates. Details of the subsidiary undertakings, joint ventures and associates are included in Note 15 to the financial statements.
Intra-group turnover, surpluses and balances are eliminated fully on consolidation. Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries and on transfers of engagements represents the excess of the fair value of identifiable assets over the fair value of consideration given. Where negative goodwill arises on the acquisition of a business as a part of a commercial transaction it is classified as a negative asset and amortised over the life of the asset acquired. Where negative goodwill arises through an acquisition which is in substance a gift of a business (a non-exchange transaction) the fair value of the gifted recognised assets and liabilities is recognised as a gain or loss in the income and expenditure reserve in the year of the transaction.

The outlined treatment is in accordance with the SORP 2018 but not in accordance with section 19 of FRS 102 which requires that negative goodwill is shown as a negative asset on the Statement of Financial Position. The Board is of the opinion that the treatment required by FRS 102 would not present a true and fair view of the Group's net assets because the substance of each transaction is a transfer of a business for no consideration rather than a purchase in the conventional manner. If the negative goodwill had been treated as a negative asset as required by FRS 102 then the Group's net assets would have been reduced by £92.3 million (2018: £92.8 million).

Turnover

Rental income is recognised on a straight line basis, in accordance with the terms of the tenancy agreement, on an accrual basis. Revenue arising from the sale of property is recognised on legal completion. Revenue from contracts for support services is recognised in line with the contractual terms when the services are rendered. Revenue from shared ownership sales is recognised on the legal completion of the first tranche disposal.

1. Principal accounting policies (continued)

Revenue from government grants is recognised in line with the accounting policy set out on page 47.

Charges for support services

Income in respect of contracts for support services received is accounted for as charges for support services in the turnover in Note 2 to the financial statements. The related support costs are matched against this income.

Housing properties

Housing properties are stated at cost less accumulated depreciation and impairment. Housing properties in the course of construction are stated at cost and are transferred into housing properties when completed.

The cost of a property comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use. Directly attributable costs include the employment costs of development colleagues, finance and legal colleagues, and surveyors arising directly from the construction or acquisition of the property, together with other incremental costs which would have been avoided only if the property had not been constructed or acquired. Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme. The capitalisation rate is the weighted average of the rates applicable to general borrowings that are outstanding during the period.

Housing properties are split under component accounting between their land, structure costs and a specific set of major components which require periodic replacement. Refurbishment or replacement of such components is capitalised and depreciated on a straight line basis over the estimated useful economic life of components as shown opposite:

Component	**Estimated useful economic life (years)**
Property structure	100
Bathroom	25 – 30
Boiler	15
Central heating	30
Doors	20 – 25
Electrical	25 – 30
Kitchen	15 – 20
Roof	40 – 55
Windows	30
Lift	15
Insulated render	35
Solar panels	25
Land	Not depreciated

Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation and impairment. Depreciation is charged on a straight line basis to write off the cost less any estimated residual value over the expected useful economic lives of the assets.

Type of asset	**Estimated useful economic life (years)**
Freehold offices and long leasehold offices	40 or over the life of the lease
Improvements to short leasehold properties	5 – 20
Plant, machinery and fixtures	4 – 8
Motor vehicles	4
Computer equipment	3 – 5
Leased equipment	over the life of the lease

Intangible assets – software

Intangible assets that are acquired are stated at cost less accumulated amortisation and less accumulated impairment losses. The useful life of software is seven years.

Government grants

Government grants include grants receivable from Homes England, Greater London Authority, the Scottish Housing Regulator, 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 and, where applicable, its individual components (excluding land) under the accruals model.

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 released on 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 Position in creditors. If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in income and expenditure.

Other grants

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

Impairment

Reviews for indicators of impairment of housing properties are carried out on an annual basis and any impairment in an income generating unit is recognised by a charge to the Statement of Comprehensive Income. An impairment is recognised where the carrying amount of an income generating unit exceeds its recoverable amount being the higher of its fair value less costs to sell and its value in use.

Disposals of housing properties

Where properties built for sale are disposed of during the year the disposal proceeds are included in turnover and the attributable costs included in cost of sales. Where properties previously rented out to customers are disposed of, the surplus on disposal is included in operating surplus.

Where a component is replaced or restored, the old component is written off to the Statement of Comprehensive Income, to avoid double counting, and the new component is capitalised. Charges arising from the early replacement of a component are reflected as part of the overall depreciation charge.

Social Housing Grant (SHG) relating to a disposed property is either recycled or repaid. This includes previously amortised grant.

Properties for sale

Completed properties for outright sale and properties under construction are valued at the lower of cost and net realisable value.

Shared ownership

The costs of shared ownership properties are split between current and fixed assets on the basis of the first tranche portion. The first tranche portion is accounted for as a current asset and on disposal the first tranche sale proceeds are shown in turnover. The remaining element of the shared ownership property is accounted for as a fixed asset. Any grant attributable to shared ownership assets is wholly attributed to the element retained and held in liabilities. Subsequent tranches sold ('staircasing') are accounted for as disposals of housing properties, as noted above.

Improvements to properties

Expenditure on housing properties which is capable of generating increased future rents, or extends their useful lives, or significantly reduces future maintenance costs, is capitalised.

Subsidiaries

The consolidated financial statements include the financial statements of the Association and its subsidiary undertakings made up to 31 March 2019. A subsidiary is an entity that is controlled by the parent (the Association). The results of subsidiary undertakings are included in the consolidated Statement of Comprehensive Income from the date that control commences until the date that control ceases. Control is established when the Association has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Joint ventures and associates

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. Associates are all entities over which the Group has significant influence but not control. Investments in joint ventures and associates are accounted for by the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss after the date of acquisition. If the Group's share of losses exceeds the carrying amount of its investment, the Group discontinues recognising its share of further losses. Additional losses are recognised as a provision only to the extent that the Group has a legal or constructive obligation to make payments on behalf of the joint venture or associates. The Group only resumes recognising its share of profits after they equal the share of losses not recognised. Loans to joint ventures and associates are included in fixed asset investments.

Other investments

Other fixed asset and current asset investments are stated at market value.

Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

Index-linked loans

Index-linked loans are shown at the amount borrowed net of any principal repayments plus indexation less issue costs. Indexation represents the amount of uplift of the borrowing by reference to movements in the retail prices index and is charged to the Statement of Comprehensive Income annually.

Loan issue costs

Issue costs of long term loan finance are deducted from the proceeds of the loan and accordingly reduce the amount at which the loan is initially recorded and are charged to the Statement of Comprehensive Income at a constant rate on the carrying amount over the term of the loan. Redemption costs are charged when incurred.

Supported housing managed by agencies

Social Housing Grant and revenue grant claimed by the Group as owner of its supported housing schemes and the related expenditure are included in the Statement of Financial Position and Statement of Comprehensive Income of the Group. The treatment of other income and expenditure in respect of these schemes depends on whether the Group carries the financial risk. Where the Group carries the financial risk, all the scheme's income and expenditure is included in the Statement of Comprehensive Income within Note 2 to the financial statements. Where an agency carries the financial risk, the Statement of Comprehensive Income includes only that income and expenditure which relates solely to the Group. Other income and expenditure of schemes in this category is excluded from the Statement of Comprehensive Income.

Leaseholders' building funds

Charges which are made to leaseholders for future major repairs are held in designated interest-bearing bank accounts with a corresponding creditor disclosed on the Statement of Financial Position under creditors due within one year.

Pension costs

The Group operates three main defined benefit pension schemes. The operating costs of providing retirement benefits to participating employees are recognised in the accounting periods in which the benefits are earned. The related finance costs, expected return on assets and any other changes in the fair value of the assets and liabilities are recognised in the accounting periods in which they arise. The operating costs, finance costs and expected return on assets, and any other changes in the fair value of assets and liabilities are recognised in the Statement of Comprehensive Income.

In addition to the three defined benefit schemes above, the Group participates in a number of other multi-employer defined benefit schemes where it is not possible to identify the share of the underlying assets and liabilities belonging to individual participating employers. These pension schemes are accounted for as defined contribution schemes in line with SORP 2018 and FRS 102, with agreed deficit contributions being recognised as a liability in the Statement of Financial Position.

The Group also operates a defined contribution scheme. The contributions paid into this scheme are charged to the Statement of Comprehensive Income as incurred.

Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the reporting date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the reporting date. Timing differences are differences between the Group's taxable surpluses and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. A net deferred tax asset is regarded as recoverable, and therefore recognised, only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable surpluses from which the future reversal of the underlying timing differences can be deducted. Deferred tax balances are not discounted.

Value Added Tax (VAT)

The Group is partially exempt from VAT. A small proportion of VAT is reclaimed but because of the small amounts involved, expenditure is shown gross and the VAT recovered is included in sundry income.

Homebuy

The Group operated this scheme by lending a percentage of the cost to home purchasers, secured on the property. The loans are interest free and repayable only on the sale of the property. On a sale, the fixed percentage of the proceeds is repaid. The loans are financed by an equal amount of Social Housing Grant (SHG). On redemption:

- The SHG is recycled,
- The SHG is written off, if a loss occurs,
- The Group keeps any surplus.

Homebuy loans are treated as concessionary loans and are initially recognised at the amount paid to the purchaser and reviewed annually for impairment. The associated Homebuy grant from Homes England is recognised as deferred income until the loan is redeemed.

Holiday pay accrual

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

Financial instruments

All financial instruments meet the criteria of a basic financial instrument as defined in section 11 of FRS 102 and are accounted for under the amortised historic cost model.

Restricted reserves

Services within Home Group's supported services are empowered to raise funds at a local level for the future benefit of that service. Funds collected and relevant expenditure incurred are recorded in the Statement of Comprehensive Income in the period with net movement transferred between the income and expenditure reserve and the restricted reserve at the end of each year.

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The judgements and estimates which have the most significant impact on amounts recognised in the financial statements are set out below.

Significant management judgements

Carrying value of housing properties and stock

Judgement is exercised in determining the carrying value of housing properties and stock in line with the accounting policies set out on pages 46 to 47.

The Group has conducted a review of the financial performance and future prospects of its existing rented housing properties to assess whether there has been a trigger event for an impairment review. An impairment review may be triggered where there are demand issues in terms of letting performance, lower than expected rental levels or where there are higher than anticipated operating costs.

An impairment review has been carried out at 31 March 2019 to determine whether any assets required impairment.

For housing properties we have tested each property to understand if indicators of impairment exist. The indicators used are consistent with FRS 102 and the Housing SORP 2018. Where indicators have been identified we have compared the carrying value of each home against the estimated recoverable amount. Following the Housing SORP 2018, recoverable amount has been taken as 'Existing Use Value – Social Housing (EUV-SH). Where the carrying value of identified properties is higher than EUV-SH, the properties have been impaired by the difference and the cost has been taken to the Statement of Comprehensive Income.

For stock, a scheme under development is impaired if its carrying value is higher than its selling price less costs to sell and complete. We calculate selling price less costs to sell for each scheme by taking into account costs incurred to date, estimated costs to complete, future grant receipts and any anticipated sales proceeds from property developed for sale. Where carrying value exceeds selling price less costs to sell an impairment provision is created and the cost is taken to the Statement of Comprehensive Income. Management is required to exercise significant judgement in estimating the outcome of a development and therefore in assessing whether, and to what extent, impairment provisions are required.

Impairment charges identified and included in the Statement of Comprehensive Income are set out in Note 10 to the financial statements.

Investment in joint ventures and associates

For loans to joint ventures and associates, the Group has reviewed future projections for joint ventures to assess the likely recoverability of loans at the balance sheet date.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expense is provided below.

Defined benefit pension liabilities

The cost of defined benefit pension scheme benefits and the liability for benefits at the balance sheet date are determined using actuarial valuations. The actuarial valuation is based upon assumptions including discount rates, inflation, future salary increases and future pension increases. The valuation also reflects assumptions about future mortality rates. Variation in these assumptions may significantly impact the cost of defined benefit pension scheme benefits and the liability for benefit accrued at the balance sheet date. The overall net liability across all defined benefit pension schemes as at 31 March 2019 was £39.8 million. It is estimated that a 0.1% decrease in the discount rate would add £0.6 million to defined benefit scheme liabilities, that a 0.1% increase in inflation linked assumptions would add £0.6 million to the liabilities and that an increase in average life expectancy by one year would also increase liabilities by £1.6 million.

2a. Turnover, cost of sales, operating expenditure and operating surplus /(deficit)

GROUP – YEAR ENDED 31 MARCH 2019	Note	Turnover	Cost of sales	Operating expenditure	**Operating surplus/ (deficit)**
		£000	£000	£000	**£000**
Income and expenditure from social housing lettings	2b	270,809	-	(200,988)	**69,821**
Other social housing activities					
Charges for support services		24,441	-	(23,090)	**1,351**
Shared ownership first tranche sales		20,245	(13,700)	(3,384)	**3,161**
Community investment		-	-	(1,179)	**(1,179)**
Development and marketing		-	-	(5,073)	**(5,073)**
Surplus on sale of social housing properties	3	-	-	-	**5,930**
Other		8,763	-	(5,108)	**3,655**
		53,449	(13,700)	(37,834)	**7,845**
Non-social housing activities					
Lettings – mid-market renting		4,032	-	(2,812)	**1,220**
Properties developed for outright sale		33,266	(24,340)	(2,432)	**6,494**
Other		5,761	-	(4,893)	**868**
		43,059	(24,340)	(10,137)	**8,582**
Total		**367,317**	**(38,040)**	**(248,959)**	**86,248**

GROUP – YEAR ENDED 31 MARCH 2018	Note	Turnover	Cost of sales	Operating expenditure	Operating surplus/ (deficit)
		£000	£000	£000	£000
Income and expenditure from social housing lettings	2b	276,954	-	(202,563)	74,391
Other social housing activities					
Charges for support services		38,966	-	(37,284)	1,682
Shared ownership first tranche sales		14,466	(10,072)	(1,163)	3,231
Community investment		-	-	(1,132)	(1,132)
Development and marketing		-	-	(6,118)	(6,118)
Surplus on sale of social housing properties	3	-	-	-	7,597
Other		7,517	-	(5,034)	2,483
		60,949	(10,072)	(50,731)	7,743
Non-social housing activities					
Lettings – mid-market renting		3,120	-	(1,248)	1,872
Properties developed for outright sale		20,578	(16,347)	(437)	3,794
Other		3,102	(1,432)	(1,959)	(289)
		26,800	(17,779)	(3,644)	5,377
Total		364,703	(27,851)	(256,938)	87,511

2a. Turnover, cost of sales, operating expenditure and operating surplus / (deficit)(continued)

ASSOCIATION – YEAR ENDED 31 MARCH 2019	Note	Turnover	Cost of sales	Operating expenditure	**Operating surplus/ (deficit)**
		£000	£000	£000	**£000**
Income and expenditure from social housing lettings	2b	255,113	-	(191,996)	**63,117**
Other social housing activities					
Charges for support services		24,422	-	(23,091)	**1,331**
Shared ownership first tranche sales		17,747	(11,339)	(3,297)	**3,111**
Community investment		-	-	(1,166)	**(1,166)**
Development and marketing		-	-	(4,146)	**(4,146)**
Surplus on sale of social housing properties	3	-	-	-	**5,830**
Other		9,136	-	(5,105)	**4,031**
		51,305	(11,339)	(36,805)	**8,991**
Non-social housing activities					
Lettings – mid-market renting		497	-	(270)	**227**
Properties developed for outright sale		1,253	(1,156)	(22)	**75**
Other		6,987	-	(4,779)	**2,208**
		8,737	(1,156)	(5,071)	**2,510**
Total		**315,155**	**(12,495)**	**(233,872)**	**74,618**

ASSOCIATION – YEAR ENDED 31 MARCH 2018	Note	Turnover	Cost of sales	Operating expenditure	Operating surplus/ (deficit)
		£000	£000	£000	£000
Income and expenditure from social housing lettings	2b	261,575	-	(192,506)	69,069
Other social housing activities					
Charges for support services		38,818	-	(37,165)	1,653
Shared ownership first tranche sales		14,466	(10,072)	(1,163)	3,231
Community investment		-	-	(1,114)	(1,114)
Development and marketing		-	-	(6,052)	(6,052)
Surplus on sale of social housing properties	3	-	-	-	7,582
Other		7,535	-	(5,034)	2,501
		60,819	(10,072)	(50,528)	7,801
Non-social housing activities					
Properties developed for outright sale		2,205	(1,408)	(82)	715
Other		2,523	(503)	(1,115)	905
		4,728	(1,911)	(1,197)	1,620
Total		327,122	(11,983)	(244,231)	78,490

2b. Income and expenditure from social housing lettings

GROUP

	Housing	Supported housing and housing for older people	Shared ownership	**2019 Total**	2018 Total
	£000	£000	£000	**£000**	£000
Income					
Rent receivable net of identifiable service charges	196,215	18,851	5,878	**220,944**	222,768
Service charges income	6,622	26,267	615	**33,504**	36,920
Net rents receivable	202,837	45,118	6,493	**254,448**	259,688
Amortised government grants	5,804	2,062	325	**8,191**	8,563
Revenue grants from local authorities and other agencies	171	7,999	-	**8,170**	8,703
Total income from social housing lettings	208,812	55,179	6,818	**270,809**	276,954
Expenditure					
Service charge costs	5,716	24,982	755	**31,453**	29,966
Management	46,241	15,063	2,324	**63,628**	60,794
Routine maintenance	35,797	4,410	68	**40,275**	38,657
Planned maintenance	14,968	1,257	60	**16,285**	19,076
Major repairs expenditure	5,217	243	-	**5,460**	1,727
Rent losses from bad debts	3,992	501	(52)	**4,441**	5,689
Property lease charges	303	2,411	-	**2,714**	3,631
Depreciation of housing properties	33,147	3,823	836	**37,806**	38,798
Impairment of housing properties	(1,583)	(736)	-	**(2,319)**	4,113
Other costs	719	525	1	**1,245**	112
Total expenditure on social housing lettings	144,517	52,479	3,992	**200,988**	202,563
Operating surplus on social housing letting activities	64,295	2,700	2,826	**69,821**	74,391
Rent losses from voids	3,378	4,318	-	**7,696**	8,317

2b. Income and expenditure from social housing lettings (continued)

ASSOCIATION

	Housing	Supported housing and housing for older people	Shared ownership	**2019 Total**	2018 Total
	£000	£000	£000	**£000**	£000
Income					
Rent receivable net of identifiable service charges	180,724	18,452	5,809	**204,985**	207,358
Service charges income	6,006	26,117	614	**32,737**	36,168
Net rents receivable	186,730	44,569	6,423	**237,722**	243,526
Amortised government grants	7,049	2,025	318	**9,392**	9,593
Revenue grants from local authorities and other agencies	-	7,999	-	**7,999**	8,456
Total income from social housing lettings	193,779	54,593	6,741	**255,113**	261,575
Expenditure					
Service charge costs	4,991	24,834	753	**30,578**	29,256
Management	44,583	15,046	2,279	**61,908**	58,008
Routine maintenance	32,950	4,334	68	**37,352**	36,435
Planned maintenance	13,743	1,222	60	**15,025**	17,766
Major repairs expenditure	5,164	249	-	**5,413**	1,725
Rent losses from bad debts	3,664	502	(52)	**4,114**	5,438
Property lease charges	263	2,392	-	**2,655**	3,614
Depreciation of housing properties	31,474	3,723	828	**36,025**	36,208
Impairment of housing properties	(1,494)	(736)	-	**(2,230)**	3,945
Other costs	629	525	2	**1,156**	111
Total expenditure on social housing lettings	135,967	52,091	3,938	**191,996**	192,506
Operating surplus on social housing letting activities	57,812	2,502	2,803	**63,117**	69,069
Rent losses from voids	3,209	4,309	-	**7,518**	8,173

3. Surplus on disposal of properties

	GROUP		ASSOCIATION	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Social housing				
Sales proceeds	**18,516**	15,961	**17,985**	15,927
Cost of sales	**(8,044)**	(3,901)	**(7,613)**	(3,882)
	10,472	12,060	**10,372**	12,045
Capital grant recycled	**(4,542)**	(4,463)	**(4,542)**	(4,463)
	5,930	7,597	**5,830**	7,582

4. Housing stock

The disclosure below relates to units of housing accommodation and therefore excludes commercial properties and garages.

GROUP	At 1 April 2018	New units developed or acquired	Units sold or demolished	Other movements	At 31 March 2019
General needs – social					
Owned and managed	34,570	197	(59)	(305)	34,403
Owned but not managed	15	-	-	(7)	8
Managed but not owned	25	-	(5)	12	32
General needs – affordable					
Owned and managed	6,066	511	(3)	201	6,775
Owned but not managed	1	-	-	-	1
	40,677	**708**	**(67)**	**(99)**	**41,219**
Housing for older people – social					
Owned and managed	1,697	-	-	-	1,697
Housing for older people – affordable					
Owned and managed	-	-	-	7	7
	1,697	**-**	**-**	**7**	**1,704**
Supported housing – social					
Owned and managed	3,364	107	(184)	160	3,447
Owned but not managed	838	2	-	(107)	733
Managed but not owned	1,280	10	(639)	(385)	266
Supported housing – affordable					
Owned and managed	-	-	-	5	5
	5,482	**119**	**(823)**	**(327)**	**4,451**
Low cost home ownership					
Owned and managed	2,000	179	(44)	25	2,160
Managed but not owned	-	21	-	24	45
	2,000	**200**	**(44)**	**49**	**2,205**
Care homes – bed spaces					
Owned and managed	-	-	-	155	155
Owned but not managed	-	-	-	95	95
Managed but not owned	-	-	-	5	5
	-	**-**	**-**	**255**	**255**
Owned and managed	47,697	994	(290)	248	48,649
Owned but not managed	854	2	-	(19)	837
Managed but not owned	1,305	31	(644)	(344)	348
Total social housing	**49,856**	**1,027**	**(934)**	**(115)**	**49,834**
Leasehold units	4,886	264	(20)	(123)	5,007
Market and mid-market rent units	440	34	(26)	135	583
Total non-social housing	**5,326**	**298**	**(46)**	**12**	**5,590**
Total social and non-social housing owned and/or managed	**55,182**	**1,325**	**(980)**	**(103)**	**55,424**

4. Housing stock (continued)

ASSOCIATION	At 1 April 2018	New units developed or acquired	Units sold or demolished	Other movements	At 31 March 2019
General needs – social					
Owned and managed	30,965	99	(59)	(231)	30,774
Owned but not managed	145	-	-	(137)	8
Managed but not owned	25	-	(5)	-	20
General needs – affordable					
Owned and managed	6,066	511	(3)	201	6,775
Owned but not managed	189	-	-	(188)	1
	37,390	**610**	**(67)**	**(355)**	**37,578**
Housing for older people – social					
Owned and managed	1,697	-	-	(122)	1,575
Housing for older people – affordable					
Owned and managed	-	-	-	7	7
	1,697	**-**	**-**	**(115)**	**1,582**
Supported housing – social					
Owned and managed	3,242	107	(184)	282	3,447
Owned but not managed	838	2	-	(107)	733
Managed but not owned	1,280	10	(639)	(385)	266
Supported housing – affordable					
Owned and managed	-	-	-	5	5
	5,360	**119**	**(823)**	**(205)**	**4,451**
Low cost home ownership					
Owned and managed	1,974	179	(44)	49	2,158
Owned but not managed	2	-	-	-	2
	1,976	**179**	**(44)**	**49**	**2,160**
Care homes – bed spaces					
Owned and managed	-	-	-	155	155
Owned but not managed	-	-	-	95	95
Managed but not owned	-	-	-	5	5
	-	**-**	**-**	**255**	**255**
Owned and managed	43,944	896	(290)	346	44,896
Owned but not managed	1,174	2	-	(337)	839
Managed but not owned	1,305	10	(644)	(380)	291
Total social housing	**46,423**	**908**	**(934)**	**(371)**	**46,026**
Leasehold units	4,874	264	(20)	(111)	5,007
Market and mid-market rent units	68	4	-	188	260
Total non-social housing	**4,942**	**268**	**(20)**	**77**	**5,267**
Total social and non-social housing owned and/or managed	**51,365**	**1,176**	**(954)**	**(294)**	**51,293**

5. Emoluments of the Board, directors and senior colleagues

Analysis of non-executive Board members' emoluments

	2019	2018
Analysis of non-executive Board members' emoluments	**£000**	£000
C E R Bassett	**10**	9
R Bradley	**11**	9
J Cridland (appointed 19 July 2018)	**16**	-
N T Fee (until 31 August 2017)	**-**	3
K Gillespie (appointed 8 June 2017)	**10**	6
M Macfarlane (until 31 May 2018)	**1**	10
M Madden (appointed 28 August 2018)	**7**	-
B Mehta	**11**	9
L A Morphy	**11**	10
N W Salisbury	**14**	10
	91	66

During the year there were no benefits, other than wages and salaries, payable to non-executive board members.

Details of the emoluments of the executive board members are provided within the analysis of directors' emoluments below.

Analysis of directors' emoluments (key management personnel)

The following disclosure relates to colleagues who are directors (key management personnel) as defined in the Accounting Direction for Private Registered Providers of Social Housing 2019.

	2019	2018
	£000	£000
Emoluments paid to the directors: Emoluments (including pension contributions and benefits in kind)	**1,145**	1,171
Highest paid director: Emoluments (excluding pension contributions)	**235**	227

	Remuneration	Benefits	Pension contributions	**2019 Total**	2018 Total
	£000	£000	£000	**£000**	£000
M G Henderson	228	7	15	**250**	238
R M Byrne	174	5	14	**193**	188
R Du Rose (until 3 December 2018)	121	6	10	**137**	190
B A Ham	153	8	18	**179**	185
J Hudson	177	7	11	**195**	195
M Forrest	174	6	11	**191**	175
Total	1,027	39	79	**1,145**	1,171

Remuneration represents payments receivable for employment in the period and includes salary and any performance related bonus.

The members of the Executive, who were in post at the year end, excluding the Chief Executive, are ordinary members of the defined contribution section of the Home Group pension scheme (Note 24). No enhanced or special terms apply.

From 1 April 2016 the Chief Executive received a monthly payment in lieu of the pension contributions to which he would otherwise be entitled as an ordinary member of the scheme. This is disclosed within the pension contributions above.

5. Emoluments of the Board, directors and senior colleagues (continued)

The full time equivalent number of colleagues (including directors) whose remuneration payable in the year (including compensation for loss of office, performance-related bonus, expense allowances and pension contributions) fell above £60,000 was:

	2019	2018
	Number	Number
£60,000 - £70,000	**40**	36
£70,001 - £80,000	**27**	26
£80,001 - £90,000	**18**	14
£90,001 - £100,000	**5**	6
£100,001 - £110,000	**5**	8
£110,001 - £120,000	**4**	4
£120,001 - £130,000	**4**	4
£130,001 - £140,000	**1**	2
£150,001 - £160,000	**1**	-
£170,001 - £180,000	**-**	3
£180,001 - £190,000	**2**	1
£190,001 - £200,000	**2**	2
£230,000 - £240,000	**-**	1
£240,001 - £250,000	**1**	-

6. Employee information

	GROUP		ASSOCIATION	
The average number of persons (including directors) employed during the year, expressed as full time equivalents, was:	**2019**	2018	**2019**	2018
	Number	Number	**Number**	Number
Office colleagues	**1,392**	1,371	**1,353**	1,330
Wardens, caretakers, care workers and cleaners	**1,018**	1,208	**1,018**	1,204
Maintenance	**16**	18	**16**	18
	2,426	2,597	**2,387**	2,552

	GROUP		ASSOCIATION	
	2019	2018	**2019**	2018
Employee costs (for the above persons):	**£000**	£000	**£000**	£000
Wages and salaries	**68,445**	70,444	**66,915**	68,986
Social security costs	**6,563**	6,608	**6,403**	6,457
Other pension costs	**2,589**	2,317	**2,518**	2,262
	77,597	79,369	**75,836**	77,705

7. Interest receivable

	GROUP		ASSOCIATION	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Interest receivable from other Group companies	-	-	**631**	953
Interest receivable from bank and building society deposits	**125**	101	**121**	97
Other interest receivable	**2,457**	1,990	**159**	9
	2,582	2,091	**911**	1,059

8. Interest payable and financing costs

	GROUP		ASSOCIATION	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Interest payable to other Group companies	**-**	-	**4**	20
On bank loans and overdrafts	**16,824**	13,180	**15,762**	12,252
On other loans	**31,158**	31,347	**29,908**	30,098
Other financing costs on defined benefit pension schemes	**967**	1,789	**967**	1,789
	48,949	46,316	**46,641**	44,159
Less: Interest capitalised on housing property development	**(4,786)**	(2,959)	**(4,585)**	(2,833)
	44,163	43,357	**42,056**	41,326
Average rate applicable to capitalised interest	**2.7%**	2.9%	**2.7%**	2.9%

Included within interest payable and financing costs are amounts for indexation and deferred interest totalling £9,878,859 (2018: £9,136,531).

9. Gift aid receipt

	GROUP		ASSOCIATION	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Gift Aid receipt	**-**	-	**4,400**	4,248

During the year the Association received a Gift Aid payment from NHL (2018: from HGDL). The receipt has been included in a separate heading in the Statement of Comprehensive Income.

10. Surplus on ordinary activities before taxation

	GROUP		ASSOCIATION	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Surplus on ordinary activities before taxation is stated after charging / (crediting):				
Depreciation:				
- Housing properties	**38,593**	38,798	**36,319**	36,208
- Other fixed assets	**4,716**	4,313	**4,716**	4,312
Amortisation of intangible assets	**4,451**	4,157	**4,451**	4,157
Impairment / (Reversal of impairment):				
- Housing properties	**(2,320)**	4,113	**(2,231)**	3,945
- Other fixed assets	**-**	-	**-**	-
Grant amortisation	**(8,436)**	(8,563)	**(9,558)**	(9,593)
External auditor's remuneration for audit services	**108**	108	**85**	85
External auditor's remuneration for non-audit services:				
- Taxation compliance and advice	**-**	-	**-**	-
- Other assurance services	**22**	16	**22**	16
- Other services	**-**	14	**-**	14
Operating lease rentals	**5,443**	7,045	**5,208**	6,935

11. Taxation

	GROUP		ASSOCIATION	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Current tax				
UK corporation tax	**3,132**	2,044	**1,279**	136
Adjustments in respect of prior years' UK corporation tax	**(889)**	(722)	**-**	-
Total current tax	**2,243**	1,322	**1,279**	136
Deferred tax				
Current period	**-**	-	**-**	-
Prior year adjustment	**-**	4	**-**	-
Total deferred tax	**-**	4	**-**	-
Tax on surplus on ordinary activities	**2,243**	1,326	**1,279**	136

The Group and Association's current tax charges for the period are lower (2018: lower) than the standard rate of corporation tax in the UK (19%). The differences are explained below:

	GROUP		ASSOCIATION	
	2019	2018	**2019**	2018
Total tax reconciliation	**£000**	£000	**£000**	£000
Surplus on ordinary activities before taxation	**46,971**	51,846	**37,873**	42,471
Current UK Corporation tax on above at 19% (2018: 19%)	**8,924**	9,851	**7,196**	8,069
Effects of:				
Expenses not deductible for tax purposes	**100**	814	**-**	-
Consolidation adjustment not deductible	**122**	273	**-**	-
Surplus exempt from tax due to charitable exemptions	**(6,183)**	(8,889)	**(5,917)**	(7,933)
Unrecognised deferred tax movement	**169**	(5)	**-**	-
Adjustments to tax charge in respect of previous periods	**(889)**	(718)	**-**	-
Total tax charge	**2,243**	1,326	**1,279**	136

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016.

12. Housing properties

GROUP

	Completed housing properties £000	Housing properties under construction £000	Completed shared ownership housing properties £000	Shared ownership housing properties under construction £000	Total £000
Cost					
At 1 April 2018	2,324,616	96,190	145,587	31,114	2,597,507
Additions	-	158,775	-	74,381	233,156
Capitalised interest	-	2,443	-	1,563	4,006
Capitalised works	17,403	-	-	-	17,403
Transfer to completed schemes	132,205	(132,205)	47,927	(47,927)	-
Disposals	(11,206)	-	(3,461)	-	(14,667)
At 31 March 2019	**2,463,018**	**125,203**	**190,053**	**59,131**	**2,837,405**
Depreciation					
At 1 April 2018	406,819	5,542	7,050	445	419,856
Charge for year	38,050	-	543	-	38,593
Impairment	(4,550)	2,330	(100)	-	(2,320)
Transfer to completed schemes	5,478	(5,478)	-	-	-
Eliminated in respect of disposals	(2,884)	-	(170)	-	(3,054)
At 31 March 2019	**442,913**	**2,394**	**7,323**	**445**	**453,075**
Net book value at 31 March 2019	**2,020,105**	**122,809**	**182,730**	**58,686**	**2,384,330**
Net book value at 31 March 2018	1,917,797	90,648	138,537	30,669	2,177,651

Total accumulated impairment at 31 March 2019 is £8,610,837 (2018: £7,924,060).

	2019	2018
	£000	£000
Completed housing properties, at net book value, comprise:		
Freeholds	**2,127,880**	1,979,748
Long leaseholds	**72,908**	74,460
Short leaseholds	**2,047**	2,126
	2,202,835	2,056,334
Works to existing properties in the year:		
Components capitalised	**17,403**	16,293
Amounts charged to expenditure in respect of major and planned repairs	**21,745**	20,803
	39,148	37,096

12. Housing properties (continued)

ASSOCIATION

	Completed housing properties £000	Housing properties under construction £000	Completed shared ownership housing properties £000	Shared ownership housing properties under construction £000	Total £000
Cost					
At 1 April 2018	2,208,125	82,729	146,051	29,999	2,466,904
Additions	-	132,239	-	75,884	208,123
Capitalised interest	-	2,242	-	1,563	3,805
Capitalised works	16,097	-	-	-	16,097
Transfer to completed schemes	122,694	(122,694)	47,927	(47,927)	-
Disposals	(10,871)	-	(3,365)	-	(14,236)
At 31 March 2019	**2,336,045**	**94,516**	**190,613**	**59,519**	**2,680,693**
Depreciation					
At 1 April 2018	400,059	5,245	6,960	445	412,709
Charge for year	35,784	-	535	-	36,319
Impairment	(4,590)	2,459	(100)	-	(2,231)
Transfer to completed schemes	5,310	(5,310)	-	-	-
Eliminated in respect of disposals	(2,884)	-	(170)	-	(3,054)
At 31 March 2019	**433,679**	**2,394**	**7,225**	**445**	**443,743**
Net book value at 31 March 2019	**1,902,366**	**92,122**	**183,388**	**59,074**	**2,236,950**
Net book value at 31 March 2018	1,808,066	77,484	139,091	29,554	2,054,195

Total accumulated impairment at 31 March 2019 is £8,403,090 (2018 : £7,627,155)

	2019 £000	2018 £000
Completed housing properties, at net book value, comprise:		
Freeholds	**2,005,192**	1,864,882
Long leaseholds	**78,515**	80,149
Short leaseholds	**2,047**	2,126
	2,085,754	1,947,157
Works to existing properties in the year:		
Components capitalised	**16,097**	14,741
Amounts charged to expenditure in respect of major and planned repairs	**20,438**	19,491
	36,535	34,232

13. Other fixed assets

	Freehold and long leasehold office accommodation £000	Improvements to short leasehold office accommodation £000	Plant, machinery fixtures and vehicles £000	Computer equipment and leased equipment £000	Total £000
GROUP					
Cost					
At 1 April 2018	12,693	4,364	2,386	53,431	72,874
Additions	610	961	105	747	2,423
Disposals	(2)	(143)	(18)	-	(163)
At 31 March 2019	**13,301**	**5,182**	**2,473**	**54,178**	**75,134**
Depreciation					
At 1 April 2018	3,345	2,128	961	41,999	48,433
Charge for year	431	885	267	3,133	4,716
Eliminated in respect of disposals	(1)	(137)	(19)	-	(157)
At 31 March 2019	**3,775**	**2,876**	**1,209**	**45,132**	**52,992**
Net book value at 31 March 2019	**9,526**	**2,306**	**1,264**	**9,046**	**22,142**
Net book value at 31 March 2018	9,348	2,236	1,425	11,432	24,441
ASSOCIATION					
Cost					
At 1 April 2018	12,693	4,364	2,296	53,429	72,782
Additions	610	961	105	747	2,423
Disposals	(2)	(143)	(18)	-	(163)
At 31 March 2019	**13,301**	**5,182**	**2,383**	**54,176**	**75,042**
Depreciation					
At 1 April 2018	3,345	2,128	872	41,998	48,343
Charge for year	431	885	267	3,133	4,716
Eliminated in respect of disposals	(1)	(137)	(19)	-	(157)
At 31 March 2019	**3,775**	**2,876**	**1,120**	**45,131**	**52,902**
Net book value at 31 March 2019	**9,526**	**2,306**	**1,263**	**9,045**	**22,140**
Net book value at 31 March 2018	9,348	2,236	1,424	11,431	24,439

14. Intangible fixed assets

GROUP AND ASSOCIATION

	Software £000
Cost	
At 1 April 2018	24,521
Additions	3,291
At 31 March 2019	**27,812**
Depreciation	
At 1 April 2018	4,937
Charge for year	4,451
At 31 March 2019	**9,388**
Net book value at 31 March 2019	**18,424**
Net book value at 31 March 2018	19,584

15. Fixed asset investments

	GROUP		ASSOCIATION	
	2019 £000	2018 £000	**2019 £000**	2018 £000
Shares in Group undertakings				
At 1 April	-	-	**74,701**	49,701
Issued in the year	-	-	**30,000**	25,000
At 31 March	-	-	**104,701**	74,701
Loans to Group undertakings				
At 1 April	-	-	**31,120**	23,684
Additions	-	-	**29,620**	67,030
Repayments	-	-	**(42,907)**	(59,594)
At 31 March	-	-	**17,833**	31,120
Interests in joint ventures				
At 1 April	**4,574**	1,587	-	-
Share of results	**3,266**	5,087	-	-
Distributions received	**(2,949)**	(2,100)	-	-
At 31 March	**4,891**	4,574	-	-
Interest in associates				
At 1 April	**962**	448	-	-
Share of results	**(962)**	514	-	-
At 31 March	-	962	-	-

15. Fixed asset investments (continued)

	GROUP		ASSOCIATION	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Loans to joint ventures				
At 1 April	**43,005**	31,989	**-**	-
Additions	**18,677**	29,178	**-**	-
Repayments	**(13,166)**	(18,162)	**-**	-
At 31 March	**48,516**	43,005	**-**	-
Loans to associates				
At 1 April	**10,813**	10,121	**-**	-
Additions	**2,437**	2,481	**-**	
Repayments	**(400)**	(1,789)	**-**	
At 31 March	**12,850**	10,813	**-**	-
Other investments				
At 1 April	**9,814**	8,341	**7,586**	7,873
Additions	**634**	1,804	**373**	44
Disposals	**(421)**	(331)	**(412)**	(331)
At 31 March	**10,027**	9,814	**7,547**	7,586
Total fixed asset investments	**76,284**	69,168	**130,081**	113,407

Amounts charged as security for loans within other investments are for Group £5,042,291 (2018: £4,857,532) and for Association £4,618,371 (2018: £4,437,278).

Shares in Group undertakings

At 31 March 2019 the Association controlled the following organisations, the results of each of which are consolidated in these financial statements in accordance with the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969:

Subsidiary name	**Country of registration**	**Registered Social Landlord**	**Shares held by HGL**	**Basis of control**
Home in Scotland Limited	Scotland	Yes	£1	Joint arrangement deed
Live Smart @ Home Limited	England	No	£10,701,000	100% share ownership
Home Group Developments Limited	England	No	£94,000,002	100% share ownership
North Housing Limited	England	No	£0.90	100% share ownership

The following dormant companies are also members of the Group:

Subsidiary name	**Country of registration**	**Registered Social Landlord**	**Shares held by HGL**	**Basis of control**
Home Housing Limited	England	No	£1	100% share ownership
Stonham Limited	England	No	£1	100% share ownership
Navigation Point Nominee Limited	England	No	£1	100% share ownership
North Eastern Housing Limited	England	No	£0.90	100% share ownership
Copeland Homes Limited	England	No	£1	100% share ownership
PGL (Twelve) Limited	England	No	£1	100% share ownership

15. Fixed asset investments (continued)

Interests in joint ventures and associates

The Group, through its subsidiaries HGDL and NHL holds an interest in the following joint ventures and associates:

Joint venture name	Country of registration	Principal activity	Percentage held
Evolution Gateshead Developments LLP	England	Property development	50%
Gateshead Regeneration LLP	England	Property development	25% (held indirectly)
Evolution Newhall LLP	England	Property development	50%
Evolution (Shinfield) LLP	England	Property development	50%
Evolution (Saffron Walden) LLP	England	Property development	50%
Linden (Northstowe) LLP	England	Property development	50%
Linden (Mowbray View 2) LLP	England	Property development	50%
Associate name	**Country of registration**	**Principal activity**	**Percentage held**
Evolution Morpeth LLP	England	Property development	50%
Ptarmigan Planning 4 Limited	England	Property development	42.3%

HGDL owns a minority interest (which may vary between 33% and 49% depending on other shareholdings) in Ptarmigan Planning 4 Limited, which was established for land promotion and development activities. Ptarmigan Planning 4 Limited has three wholly owned subsidiaries; Ptarmigan Birchington Limited, Ptarmigan Thatcham Limited and Ptarmigan Berinsfield Limited. HGDL also holds a 25% shareholding (with no voting rights attached) in Ptarmigan Land Projects Limited. The Group results include a profit from interests in joint ventures of £3,266,000 (2018: £5,087,000) and a loss from interests in associates of £962,000 (2018: £514,000 profit).

16. Properties held for sale

	GROUP		ASSOCIATION	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Shared ownership properties:				
- Completed	**36,552**	6,161	**36,552**	6,161
- Work in progress	**29,892**	10,736	**29,892**	10,736
Outright sale properties:				
- Completed	**24,428**	12,823	**9,862**	9,292
- Work in progress	**112,206**	95,567	**60,204**	45,962
	203,078	125,287	**136,510**	72,151

17. Debtors

	GROUP		ASSOCIATION	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Amounts falling due within one year:				
Rental and service charges receivable	**20,234**	18,810	**18,974**	17,661
Less: Provision for bad debts	**(7,840)**	(8,014)	**(7,276)**	(7,461)
Net rental debtors	**12,394**	10,796	**11,698**	10,200
Other grants receivable	**280**	1,462	**280**	1,379
Prepayments and accrued income	**9,753**	8,124	**9,392**	8,015
Other amounts due from Group undertakings	**-**	-	**4,523**	3,652
Other debtors	**10,213**	8,490	**7,854**	7,342
	32,640	28,872	**33,747**	30,588
Loans to employees included in other debtors	**134**	132	**134**	132

Loans to employees are made in four circumstances:

- Car loans: made in accordance with the policy of providing assistance to colleagues to purchase cars where the use of a car is required by their duties. Interest is charged at a flat rate of 5%.
- Season ticket loans: the Group provides assistance to colleagues to purchase season tickets for travel to work. No interest is charged.
- Salary sacrifice arrangements: opportunity for colleagues to fund learning, a bicycle or IT equipment costs from their salary.
- Colleague support fund: colleagues can request a short term loan to help them manage their finances. No interest is charged, and it is repaid through their salary over six months.

18. Creditors: amounts falling due within one year

	GROUP		ASSOCIATION	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Housing loans from third parties	**17,249**	17,713	**15,249**	15,713
Discounted bonds	**58,378**	-	**58,378**	-
8.375% debenture stock 2018	**-**	22,985	**-**	22,985
Loans from Group undertakings	**-**	-	**170**	944
Trade creditors	**19,366**	21,093	**12,856**	14,700
Social Housing Grant in advance	**34,439**	5,008	**34,327**	4,928
Deferred capital grant	**9,008**	8,774	**9,889**	9,734
Corporation tax	**2,964**	1,893	**1,164**	136
Other taxation and social security payable	**1,641**	1,734	**1,641**	1,734
Accruals and deferred income	**51,346**	54,448	**46,173**	51,007
Disposal Proceeds Fund	**-**	1,293	**-**	1,293
Recycled Capital Grant Fund	**-**	1,270	**-**	1,270
Other amounts due to Group undertakings	**-**	-	**274**	-
Other creditors	**31,908**	21,799	**22,228**	19,228
	226,299	158,010	**202,349**	143,672

Leaseholders' funds

As at 31 March 2019 the Group and Association held funds on behalf of leaseholders in respect of schemes under management of £15.2 million (2018: £13.5 million). This is included in cash and cash equivalents, current asset investments and in other creditors, within creditors falling due within one year.

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

	GROUP		ASSOCIATION	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Housing loans from third parties	**761,070**	755,466	**682,123**	674,576
Discounted bonds	**381,585**	187,693	**381,585**	187,693
Deferred capital grant	**780,014**	741,283	**823,516**	801,226
Disposal Proceeds Fund	**3,522**	2,451	**3,522**	2,451
Recycled Capital Grant Fund	**10,080**	8,542	**10,080**	8,542
Other creditors	**-**	1,746	**-**	-
Homebuy grant	**682**	682	**682**	682
	1,936,953	1,697,863	**1,901,508**	1,675,170

20. Debt analysis

	GROUP AND ASSOCIATION	
	2019	2018
Discounted bonds	**£000**	£000
Issued:		
8.75% guaranteed loan stock 2037	**100,000**	100,000
3.125% guaranteed loan stock 2043	**250,000**	-
Zero coupon loan stock 2019	**58,953**	58,953
Zero coupon loan stock 2027	**94,450**	94,450
In issue at 31 March	**503,403**	253,403
Less: Deferred interest and issue costs:		
At 1 April	**65,710**	74,418
Discounted amount / new issue costs	**7,290**	-
Charged to Statement of Comprehensive Income	**(9,560)**	(8,708)
At 31 March	**63,440**	65,710
Net value at 31 March	**439,963**	187,693
Market value at 31 March	**511,143**	272,873

Debenture stock		
Issued:		
8.375% Debenture stock 2018	-	23,000
Less: Issue costs:		
At 1 April	**15**	42
Charged to Statement of Comprehensive Income	**(15)**	(27)
At 31 March	-	15
Net value at 31 March	-	22,985

Housing loans, discounted bonds and debenture stock

A new 3.125% bond was issued in March 2019 with a nominal amount of £350 million, including £100 million of retained bonds. The bond was issued at 98.01%. The discount on issuance is being amortised to the Statement of Comprehensive Income using an effective interest basis. Unamortised costs and the outstanding discount in relation to the new bond are, in total, £7.3 million and will be amortised over the remaining life of the bond.

The Group housing loans, discounted bonds and debenture stock are stated net of unamortised issue costs of £8.2 million (2018: £6.6 million). The Association housing loans, discounted bonds and debenture stock are stated net of unamortised issue costs of £7.8 million (2018: £6.1 million).

Housing loans are secured by specific charges on housing properties, bank and building society deposits and other current asset investments. The net book value of housing properties charged as security for loans is for Group £1,179.9 million (2018: £842.2 million) and for Association £1,039.2 million (2018: £773.7 million). £0.6 million within cash and cash equivalents is charged as security for loans for Group and Association (2018: £0.7 million)

20. Debt analysis (continued)

Maturity of borrowings

The maturity profile of the carrying amount of the Group's and Association's borrowings as at 31 March 2019 was as follows:

	Less than 1 year	Due in 1-2 years	Due in 2-5 years	Due in over 5 years	Total
	£000	£000	£000	£000	£000
GROUP					
Discounted bonds	58,378	-	-	381,585	439,963
Housing loans					
- fixed	2,066	2,410	14,906	450,403	469,785
- floating	12,727	28,970	130,735	126,268	298,700
- index-linked	2,456	1,848	2,494	3,036	9,834
At 31 March 2019	**75,627**	**33,228**	**148,135**	**961,292**	**1,218,282**
ASSOCIATION					
Discounted bonds	58,378	-	-	381,585	439,963
Housing loans					
- fixed	2,066	2,410	14,906	419,876	439,258
- floating	10,727	11,970	124,735	100,848	248,280
- index-linked	2,456	1,848	2,494	3,036	9,834
Loans from Group undertakings	170	-	-	-	170
At 31 March 2019	**73,797**	**16,228**	**142,135**	**905,345**	**1,137,505**

The maturity profile of the carrying amount of the Group's and Association's borrowings as at 31 March 2018 was as follows:

	Less than 1 year	Due in 1-2 years	Due in 2-5 years	Due in over 5 years	Total
	£000	£000	£000	£000	£000
GROUP					
Discounted bonds	-	53,033	-	134,660	187,693
8.375% debenture stock	22,985	-	-	-	22,985
Housing loans					
- fixed	6,865	2,083	14,939	409,146	433,033
- floating	8,727	8,727	42,150	268,621	328,225
- index-linked	2,121	2,414	3,049	4,337	11,921
At 31 March 2018	40,698	66,257	60,138	816,764	983,857
ASSOCIATION					
Discounted bonds	-	53,033	-	134,660	187,693
8.375% debenture stock	22,985	-	-	-	22,985
Housing loans					
- fixed	6,865	2,083	14,939	378,631	402,518
- floating	6,727	6,727	21,239	241,156	275,849
- index-linked	2,121	2,414	3,049	4,338	11,922
Loans from Group undertakings	944	-	-	-	944
At 31 March 2018	39,642	64,257	39,227	758,785	901,911

20. Debt analysis (continued)

Terms of repayment

At 31 March 2019 the Group had £1,218.3 million loans drawn:

- £310.0 million is from a syndicate of four lenders led by Royal Bank of Scotland. The loans are repaid annually in April each year in accordance with an agreed repayment profile. The facility matures in April 2036.
- £440.0 million relates to the Association's three loan stock issues which mature as bullet repayments in 2019, 2027 and 2037.
- The remaining £468.3 million are bilateral loan facilities from various banks, building societies and sector-specific funders that are repaid in a variety of ways either over the term of the loan or as a bullet repayment on maturity. These loan payments are due at various future dates ranging from within one year to over 30 years.

Undrawn, committed facilities

The Group and the Association had the following undrawn, committed floating rate borrowing facilities available at 31 March:

	GROUP		ASSOCIATION	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Expiring within one year	**-**	3,000	**-**	3,000
Expiring between one and two years	**5,000**	24,500	**-**	24,500
Expiring between two and five years	**163,000**	180,000	**163,000**	175,000
Expiring in more than five years	**89,772**	272	**89,772**	272
	257,772	207,772	**252,772**	202,772

These facilities have been arranged to help finance future business development.
All facilities incur commitment fees at market rates.

20. Debt analysis (continued)

Interest rate risk profile of borrowings

Group and Association borrowings comprise:

	GROUP		ASSOCIATION	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Fixed rate borrowings	**909,747**	643,710	**879,220**	613,196
Floating rate borrowings	**308,535**	340,147	**258,285**	288,715
	1,218,282	983,857	**1,137,505**	901,911

All of the Group's and Association's 'Creditors: amounts falling due within one year' (other than housing loans) are excluded from the analysis as they are short term in nature and are not subject to interest rate risk. Fixed rate borrowings include the zero coupon loan stocks to reflect the deferred interest charges.

Group fixed rate borrowings bear a weighted average interest rate of 5.31% (2018: 6.12%), Association 5.43% (2018: 6.35%) and are fixed for a weighted average period of 17 years (2018: 16 years), Association 17 years (2018: 16 years). Interest rates on Group fixed rate borrowings range between 2.30% and 14.00% and Association fixed rate borrowings range between 2.89% and 14.00%.

Floating rate borrowings bear interest rates based either on LIBOR or on a fixed coupon rate applied to debt balances, which change with movements in the retail price index.

The effective interest rates of borrowings are:

	GROUP		ASSOCIATION	
	2019	2018	**2019**	2018
	%	%	**%**	%
Discounted bonds	**6.2**	9.8	**6.2**	9.8
8.375% debenture stock 2018	**-**	8.4	**-**	8.4
Housing loans				
- fixed	**4.4**	4.5	**4.6**	4.6
- floating	**1.3**	0.9	**1.3**	0.8
- index linked	**5.5**	5.5	**5.5**	5.5
Loans from Group undertakings	**-**	-	**0.7**	0.7

21. Deferred capital grant

	GROUP		ASSOCIATION	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
At 1 April	**750,057**	748,333	**810,960**	815,233
Grant received in the year	**51,699**	14,147	**36,301**	9,180
Released to income in the year	**(8,436)**	(8,563)	**(9,558)**	(9,593)
Disposals	**(4,298)**	(3,860)	**(4,298)**	(3,860)
At 31 March	**789,022**	750,057	**833,405**	810,960
Amount due to be released within one year	**9,008**	8,774	**9,889**	9,734
Amount due to be released in more than one year	**780,014**	741,283	**823,516**	801,226
	789,022	750,057	**833,405**	810,960

22. Financial instruments

An explanation of the role that financial instruments have had during the year is provided under 'Treasury Management' in the Report of the Board and Strategic Report.

Financial assets measured at amortised cost

	GROUP		ASSOCIATION	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Fixed asset investments:				
- Loans to Group undertakings	**-**	-	**17,833**	31,120
- Loans to joint ventures	**48,516**	43,005	**-**	-
- Loans to associates	**12,850**	10,813	**-**	-
- Other investment	**2,013**	1,756	**-**	-
	63,379	55,574	**17,833**	31,120
Other financial assets:				
- Short term debtors	**12,394**	10,796	**16,221**	13,852
- Cash and cash equivalents	**83,586**	26,854	**79,172**	24,532
	95,980	37,650	**95,393**	38,384
Total financial assets	**159,359**	93,224	**113,226**	69,504

Loan facilities provided to Group undertakings comprise:
- £15 million loan facility to HGDL with a term of five years maturing in 2023
- £10 million 364 day loan facility to HGDL maturing in 2019
- £10 million loan facility to Home Scotland maturing in 2020
- £20 million loan facility to Home Scotland maturing 2023

As at 31 March 2019, HGDL had drawn £10.8 million (2018: £26.9 million) and Home Scotland had drawn £7.0 million (2018: £4.2 million) from the Association. The loan facilities attract interest charged at LIBOR plus margin.

Short term debtors comprise net rental debtors and amounts due from Group undertakings.

22. Financial instruments (continued)

Financial liabilities measured at amortised cost

	GROUP		ASSOCIATION	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Borrowings:				
Discounted bonds	**439,963**	187,693	**439,963**	187,693
8.375% debenture stock	**-**	22,985	**-**	22,985
Housing loans				
- fixed	**469,785**	433,033	**439,258**	402,518
- floating	**298,700**	328,225	**248,280**	275,849
- index-linked	**9,834**	11,921	**9,834**	11,922
Loans from Group undertakings	**-**	-	**170**	944
Total borrowings	**1,218,282**	983,857	**1,137,505**	901,911
Other short term liabilities	**19,366**	21,093	**13,130**	14,700
Total financial liabilities	**1,237,648**	1,004,950	**1,150,635**	916,611

Other short term liabilities comprise trade creditors and other amounts due to Group undertakings. The Disposal Proceeds Fund and Recycled Capital Grant Fund are excluded from the above figures as they do not meet the definition of a financial liability. Terms and conditions of the above financial liabilities are included in Note 20.

23. Analysis of Recycled Capital Grant Fund and Disposals Proceeds Fund

GROUP AND ASSOCIATION	**2019**	2018
	£000	£000
Recycled Capital Grant Fund		
At 1 April	**9,812**	7,511
Inputs:		
- Grants recycled	**4,542**	4,463
- Interest accrued	**69**	21
Recycling:		
- New build	**(4,343)**	(2,183)
At 31 March	**10,080**	9,812
Disposal Proceeds Fund		
At 1 April	**3,744**	3,791
Inputs:		
- Grants recycled	**-**	-
- Interest accrued	**25**	12
Recycling:		
- New build	**(247)**	(59)
At 31 March	**3,522**	3,744

No amounts are three years old or older and therefore repayment to HE / GLA is not required.

24. Pension obligations

The Group participates in three major funded pension schemes as detailed below. The Group also contributes to a number of other pension schemes for certain employees. Contributions to these schemes are immaterial and consequently details of the schemes are not provided. The amounts recognised within surplus or deficit in relation to all pension schemes for the year ended 31 March 2019 was £3,855,000 (2018: £3,489,000) in respect of current service costs within operating expenditure and a charge of £967,000 (2018: £1,789,000) within interest payable and financing costs.

The aggregate deficit across the three defined benefit pension arrangements is £39.8 million (2018: £39.3 million).

On 26 October 2018, the High Court ruled in the Lloyds Banking Group case that trustees are under a duty to make sure that equal benefits are paid, including where these benefits are in the form of Guaranteed Minimum Pension (GMP). As a result, all schemes with GMP rights will have to act to allow for equalisation of benefits for the effect of unequal GMPs. This is known as GMP equalisation. As a result of the judgment, companies are required to make an allowance for the increase in the defined benefit obligation that they expect as a result of GMP equalisation. This increase in the defined benefit obligation is shown as a past service cost in the Statement of Comprehensive Income.

In relation to the Cumbria County Council scheme we are aware of the McCloud Court of Appeal ruling on 20 December 2018 regarding unlawful age discrimination in the Judiciary pension scheme. The ruling is expected to impact other Government pension schemes, including the Local Government Pension Scheme. The Government are appealing the decision to the Supreme Court, with a decision expected during 2019/20. For Home Group, the potential McCloud liabilities are both uncertain in nature and unknown in extent. Further, given that we are a minor member of the Cumbria scheme and that the potential balance sheet effects of McCloud are expected to be within the calculation tolerances which are inherent in the FRS102 calculations, no provision has been made in regard to the matter.

Home Group Pension and Life Assurance Scheme (HGPLAS)

With effect from 1 April 2001 the defined benefit section of the scheme was closed to new entrants and a new defined contribution section was opened. Employees across the Group are eligible to join the defined contribution section of the scheme.

The valuation used for defined benefit pension disclosures has been based on the results of the actuarial valuation at 31 March 2017. This has been updated by First Actuarial LLP to take account of the requirements of section 28 of FRS 102 in order to assess the liabilities of the defined benefit section at 31 March 2019. The defined benefit section's assets are stated at their market value at 31 March 2019.

A full actuarial valuation of the defined benefit section was undertaken at 31 March 2017. The results showed that the deficit had decreased from £18.5 million at the previous full valuation to £12.9 million.

As part of agreeing the actuarial valuation at 31 March 2017, the employer and the trustees agreed that the employer contribution rate will be 24.6% of pensionable salary. In addition the employer will pay:

- £2.674 million per annum from 1 June 2015 until October 2021 increasing at 4.5% per annum to meet the deficit, continuing the deficit recovery plan agreed in the 2014 actuarial valuation.
- £300,000 per annum for administration expenses.
- The Pension Protection Fund levy.

The Pensions Trust (TPT)

The Group also participates in a pension scheme providing benefits based on pensionable pay which is administered by TPT for charities and voluntary organisations. The scheme is closed to new members from the Group.

There has been a bulk transfer of assets and liabilities into the scheme from the Scottish Housing Association Pension Scheme at 30 September 2018. A loss of £0.8 million has been recognised in other comprehensive income in respect of this.

A full actuarial valuation is in progress as at 30 September 2018 and the preliminary results of this have been updated to 31 March 2019 by TPT Retirement Solutions to take account of the requirements of section 28 of FRS 102 in order to assess the liabilities of the scheme at 31 March 2019. Scheme assets are stated at their market value at 31 March 2018.

The last full actuarial valuation completed as at 30 September 2015 showed a deficit of £12.3 million. As documented in the scheme's current Schedule of Contributions put in place following the 30 September 2015 actuarial valuation, the employer and the trustees agreed that from 1 April 2017 the employer contribution rate will be 24.2% per annum of members' earnings in respect of the cost of accruing benefits. In addition the employer will pay:

- £2.1 million per annum from 1 April 2017 until June 2021 to meet the deficit, continuing the deficit recovery plan agreed in the 2015 actuarial valuation.
- At least £144,000 per annum for the expenses of the scheme.
- The Pension Protection Fund levy.

24. Pension obligations (continued)

Cumbria Local Government Pension Scheme (CLGPS)

In 2004 Copeland Borough Council transferred its housing stock to Home Group Limited. As part of the transaction, Home Group Limited accepted the pension liability for all employees who transferred under the Transfer of Undertakings Protected Employment (TUPE) regulations.

As a consequence, Home Group Limited is a participating employer in the CLGPS which provides benefits based on final pensionable pay. The scheme is closed to new members from the Group. Employer contribution rates during the year ended 31 March 2019 were 19.2% of pensionable salary.

The valuation used for defined benefit pension disclosures has been based on the most recent actuarial valuation at 31 March 2016. This has been updated by Mercer Limited to take account of the requirements of section 28 of FRS 102 in order to assess the liabilities of the scheme at 31 March 2019. Scheme assets are stated at their market value at 31 March 2019.

Scheme disclosures for the year ended 31 March 2019

Assumptions

The post retirement mortality assumptions used to value the benefit obligation are as follows:

	HGPLAS	TPT	CLGPS
Males	SAPS unrated, medium cohort with 1.25% per annum minimum improvement from 2018 rated by one year	SAPS unrated, medium cohort with 1.25% per annum minimum improvement from 2018	SAPS unrated, medium cohort with 1.5% per annum minimum improvement from 2015
Females	SAPS unrated, medium cohort with 1.25% per annum minimum improvement from 2018 rated by one year	SAPS unrated, medium cohort with 1.00% per annum minimum improvement from 2018	SAPS unrated, medium cohort with 1.5% per annum minimum improvement with 2015

The assumed life expectations (in years) on retirement at age 65 are:

	HGPLAS	TPT	CLGPS
Males:			
Member aged 65 (current life expectancy)	20.6	21.2	23.3
Member aged 45 (life expectancy at 65)	21.9	22.6	25.6
Females:			
Member aged 65 (current life expectancy)	22.5	23.0	25.9
Member aged 45 (life expectancy at 65)	24.0	24.2	28.6

The financial assumptions used to calculate the defined benefit section liabilities under FRS 102 are:

	HGPLAS	TPT	CLGPS
Discount rate	2.4%	2.4%	2.4%
Retail Price Index inflation	3.3%	3.3%	N/A
Consumer Price Index inflation	2.3%	2.3%	2.2%
Rate of increase of pensions in deferment	2.3%	3.3%	2.3%
Rate of increase of pensions in payment	3.3%	2.4%	2.3%
Salary increases	3.8%	3.8%	3.7%

24. Pension obligations (continued)

Amounts recognised in the Statement of Comprehensive Income

	HGPLAS	TPT	CLGPS	Total
	2019	2019	2019	2019
	£000	£000	£000	£000
Current service cost	(604)	(127)	(42)	(773)
Past service cost	(166)	(280)	-	(446)
Expenses	(385)	(134)	(1)	(520)
Amounts charged to operating expenditure	**(1,155)**	**(541)**	**(43)**	**(1,739)**
Interest income	3,192	1,732	629	5,553
Interest expense	(4,132)	(1,782)	(606)	(6,520)
Amounts (charged) / credited to interest payable and financing costs	**(940)**	**(50)**	**23**	**(967)**
Actuarial gains on scheme assets	2,704	2,904	953	6,561
Actuarial losses on scheme liabilities	(4,561)	(4,749)	(1,197)	(10,507)
Actuarial losses recognised in other comprehensive income	**(1,857)**	**(1,845)**	**(244)**	**(3,946)**

Amounts recognised in the Statement of Financial Position

	HGPLAS	TPT	CLGPS	Total
	2019	2019	2019	2019
	£000	£000	£000	£000
Present value of funded obligations	(165,726)	(75,834)	(24,823)	(266,383)
Fair value of scheme assets	127,943	73,186	25,486	226,615
(Deficit) / Surplus	**(37,783)**	**(2,648)**	**663**	**(39,768)**
Opening scheme liabilities	(160,961)	(67,450)	(23,590)	(252,001)
Current service cost	(604)	(127)	(42)	(773)
Past service cost	(166)	(280)	-	(446)
Interest cost	(4,132)	(1,782)	(606)	(6,520)
Contributions by employees	(148)	(33)	(9)	(190)
Liabilities transferred into the scheme	-	(3,484)	-	(3,484)
Actuarial losses	(4,561)	(4,749)	(1,197)	(10,507)
Benefits paid	4,846	2,071	621	7,538
Closing scheme liabilities	**(165,726)**	**(75,834)**	**(24,823)**	**(266,383)**
Opening fair value of scheme assets	123,450	64,727	24,508	212,685
Employer contributions	3,680	2,511	9	6,200
Interest income	3,192	1,732	629	5,553
Contributions by employees	148	33	9	190
Assets transferred into the scheme	-	3,484	-	3,484
Actuarial gains	2,704	2,904	953	6,561
Benefits paid	(4,846)	(2,071)	(621)	(7,538)
Expenses	(385)	(134)	(1)	(520)
Closing fair value of scheme assets	**127,943**	**73,186**	**25,486**	**226,615**

24. Pension obligations (continued)

Actual return on scheme assets

	HGPLAS	TPT	CLGPS	Total
	£000	£000	£000	£000
Actual return	5,896	4,636	1,582	12,114

Analysis of scheme assets

	HGPLAS	TPT	CLGPS
Equities and property	66.2%	46.6%	56.8%
Bonds and gilts	32.7%	53.0%	24.2%
Other	0.7%	0.4%	14.2%
Cash	0.4%	-	4.8%

Scheme disclosures for the year ended 31 March 2018

Assumptions

The post retirement mortality assumptions used to value the benefit obligation are as follows:

	HGPLAS	TPT	CLGPS
Males	SAPS unrated, medium cohort with 1.25% per annum minimum improvement from 2017 rated by one year	SAPS unrated, medium cohort with 1.25% per annum minimum improvement from 2016	SAPS unrated, medium cohort with 1.5% per annum minimum improvement from 2015
Females	SAPS unrated, medium cohort with 1.25% per annum minimum improvement from 2017 rated by one year	SAPS unrated, medium cohort with 1.00% per annum minimum improvement from 2016	SAPS unrated, medium cohort with 1.5% per annum minimum improvement with 2015

The assumed life expectations (in years) on retirement at age 65 are:

	HGPLAS	TPT	CLGPS
Males:			
Member aged 65 (current life expectancy)	21.1	22.3	23.2
Member aged 45 (life expectancy at 65)	22.5	23.7	25.5
Females:			
Member aged 65 (current life expectancy)	23.0	24.0	25.8
Member aged 45 (life expectancy at 65)	24.5	25.2	28.5

The financial assumptions used to calculate the defined benefit section liabilities under FRS 102 are:

	HGPLAS	TPT	CLGPS
Discount rate	2.6%	2.6%	2.6%
Retail Price Index inflation	3.2%	3.2%	N/A
Consumer Price Index inflation	2.2%	2.2%	2.2%
Rate of increase of pensions in deferment	2.2%	3.2%	2.2%
Rate of increase of pensions in payment	3.2%	2.3%	2.2%
Salary increases	3.7%	3.7%	3.7%

24. Pension obligations (continued)

Amounts recognised in the Statement of Comprehensive Income

	HGPLAS	TPT	CLGPS	Total
	2018	2018	2018	2018
	£000	£000	£000	£000
Current service cost	(911)	(202)	(44)	(1,157)
Expenses	(384)	(134)	(1)	(519)
Amounts charged to operating expenditure	(1,295)	(336)	(45)	(1,676)
Interest income	2,952	1,537	597	5,086
Interest expense	(4,470)	(1,800)	(605)	(6,875)
Amounts charged to interest payable and financing costs	(1,518)	(263)	(8)	(1,789)
Actuarial gains on scheme assets	3,073	1,665	331	5,069
Actuarial gains on scheme liabilities	20,497	5,248	921	26,666
Actuarial gains recognised in other comprehensive income	23,570	6,913	1,252	31,735

Amounts recognised in the Statement of Financial Position

	HGPLAS	TPT	CLGPS	Total
	2018	2018	2018	2018
	£000	£000	£000	£000
Present value of funded obligations	(160,961)	(67,450)	(23,590)	(252,001)
Fair value of scheme assets	123,450	64,727	24,508	212,685
(Deficit) / Surplus	(37,511)	(2,723)	918	(39,316)
Opening scheme liabilities	(180,580)	(73,086)	(24,455)	(278,121)
Current service cost	(911)	(202)	(44)	(1,157)
Interest cost	(4,470)	(1,800)	(605)	(6,875)
Contributions by employees	(181)	(39)	(9)	(229)
Actuarial gains	20,497	5,248	921	26,666
Benefits paid	4,684	2,563	602	7,849
Expenses	-	(134)	-	(134)
Closing scheme liabilities	(160,961)	(67,450)	(23,590)	(252,001)
Opening fair value of scheme assets	118,690	61,467	24,165	204,322
Employer contributions	3,622	2,582	9	6,213
Interest income	2,952	1,537	597	5,086
Contributions by employees	181	39	9	229
Actuarial gains	3,073	1,665	331	5,069
Benefits paid	(4,684)	(2,563)	(602)	(7,849)
Expenses	(384)	-	(1)	(385)
Closing fair value of scheme assets	123,450	64,727	24,508	212,685

24. Pension obligations (continued)

Actual return on scheme assets

	HGPLAS	TPT	CLGPS	Total
	2018	2018	2018	2018
	£000	£000	£000	£000
Actual return	6,025	3,202	928	10,155

Analysis of scheme assets

	HGPLAS	TPT	CLGPS
Equities and property	66.2%	66.9%	59.0%
Bonds and gilts	32.8%	32.3%	23.8%
Other	0.7%	0.8%	11.8%
Cash	0.3%	-	5.4%

Other defined benefit pension schemes

In addition to the three defined benefit schemes disclosed above, the Group participates in a number of other multi-employer defined benefit pension schemes, where it is not possible to identify the share of the underlying assets and liabilities belonging to individual participating employers. Accordingly, the charge to the income and expenditure account for the period represents the employer contribution payable. As the schemes are not material, detailed disclosures in respect of the schemes are not provided.

However, as a result of changes in pension scheme regulation, there is a potential debt on the employer that could be levied by the trustees of any defined benefit scheme. The debt is due in the event of the employer ceasing to participate in the scheme or the scheme winding up.

The debt for a scheme as a whole is calculated by comparing the liabilities for the scheme (calculated on a buyout basis) with the assets of the scheme. If the liabilities exceed the assets then there is a buyout debt.

The leaving employer's share of the buyout debt is the proportion of the scheme's liability attributable to employment with the leaving employer compared to the total amount of the scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any "orphan" liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total scheme liabilities, scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy out market. The amounts of debt can therefore be volatile over time.

25. Non-equity share capital

Each non-executive member of the Board holds one share of £1 in the Association. As at 31 March 2019, there were ten non-executive board members who each held a share in the Association. In addition, in accordance with the Association's shareholding structure, one member of the Home Scotland Board holds one share of £1 in the Association.

	£
Allotted, issued and fully paid:	
At 1 April 2018	11
Issued during the year	3
Surrendered during the year	(3)
At 31 March 2019	**11**

Shares in Home Group Limited carry no rights to dividend and no rights of redemption, nor do they entitle the shareholding member to a distribution on winding up or dissolution. In a general meeting, every shareholding member present is entitled to one vote on a show of hands. On a poll every shareholding member present in person or by proxy is entitled to one vote.

26. Reconciliation of surplus to net cash inflow from operating activities

	2019	2018
	£000	£000
Surplus for the year	**44,728**	50,520
Adjustments for:		
Taxation	**2,243**	1,326
Depreciation of housing properties	**38,593**	38,798
Depreciation of other fixed assets	**4,716**	4,313
Amortisation of intangible fixed assets	**4,451**	4,157
(Reversal of impairment) / Impairment of housing properties	**(2,320)**	4,113
Increase in properties held for sale	**(77,011)**	(30,329)
Increase in debtors	**(4,950)**	(2,595)
(Decrease) / increase in trade and other creditors	**(11)**	13,769
Surplus on disposal of housing properties	**(5,930)**	(6,933)
Loss on disposal of other fixed assets	**6**	-
Pension costs less contributions payable	**(4,461)**	(4,537)
Share of profit before tax in joint ventures	**(3,266)**	(5,087)
Share of loss / (profit) before tax in associates	**962**	(514)
Adjustments for investing or financing activities:		
Government grants utilised in the year	**(8,436)**	(8,563)
Interest payable	**44,163**	43,357
Interest receivable	**(2,582)**	(2,091)
Corporation tax paid	**(1,172)**	(504)
Net cash inflow from operating activities	**29,723**	99,200

27. Analysis of changes in net debt

	At 1 April 2018	Cash flows	Other non-cash changes	At 31 March 2019
Cash and cash equivalents	26,854	56,732	-	83,586
Debt due within one year:				
- Housing loans from third parties	(17,713)	17,821	(17,357)	(17,249)
- Discounted bonds	-	-	(58,378)	(58,378)
- 8.375% debenture stock 2018	(22,985)	23,000	(15)	-
Debt due after one year:				
- Housing loans from third parties	(755,466)	(21,842)	16,238	(761,070)
- Discounted bonds	(187,693)	(243,665)	49,773	(381,585)
Total net debt	**(957,003)**	**(167,954)**	**(9,739)**	**(1,134,696)**

28. Reconciliation of net cash flow to movement in net debt

	2019	2018
	£000	£000
Increase in cash in the period	**56,732**	(1,064)
Cash inflow from increase in debt	**(224,686)**	(60,467)
Change in net debt resulting from cash flows	**(167,954)**	(61,531)
Non cash changes	**(9,739)**	(9,643)
Movement in net debt in the period	**(177,693)**	(71,174)
Opening net debt	**(957,003)**	(885,829)
Closing net debt	**(1,134,696)**	(957,003)

29. Capital commitments

	GROUP		ASSOCIATION	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**284,335**	307,967	**159,614**	216,787
Capital expenditure that has been authorised by the Board but has not yet been contracted for	**549,694**	455,653	**254,927**	286,282

The Group expects to fund these commitments, and the costs associated with future growth of the business through a combination of cash flows from operating activities, grants, proceeds from the sale of housing properties, proceeds from the sale of properties developed for outright and shared ownership sale and further borrowings.

At 31 March 2019, the Group had £257.8 million committed and undrawn facilities all of which were immediately available for drawing. Further information on these facilities and future borrowings is provided in the Treasury Management section within the Report of the Board and Strategic Report on page 27.

30. Financial commitments

	GROUP		ASSOCIATION	
	2019	2018	**2019**	2018
At the year end the total contractual payments under non-cancellable operating leases were as follows:	**£000**	£000	**£000**	£000
Less than one year	**2,884**	3,853	**2,872**	3,743
Between one and five years	**4,976**	4,706	**4,976**	4,266
More than five years	**10,913**	15,536	**10,913**	15,252
	18,773	24,095	**18,761**	23,261

The Association has entered into a number of operating leases for assets which are used by other Group members. The lease cost is borne by the appropriate Group members within their income and expenditure account. However, as the leases are entered into by the Association, they have been included within the above note.

31. Contingent liabilities

There were no contingent liabilities as at 31 March 2019 (2018: £nil).

32. Grant and financial assistance

	GROUP		ASSOCIATION	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
The total accumulated government grant and financial assistance received or receivable at 31 March:				
Held as deferred capital grant	**789,022**	746.297	**833,405**	810,960
Recognised as income in the Statement of Comprehensive Income	**122,599**	116,790	**155,131**	148,200
Grant within cost on properties at fair values at acquistion	**237,452**	237,452	**–**	–
	1,149,073	1,100,539	**988,536**	959,160

33. Related party transactions

The Home Group Board includes two customer representatives. All transactions in respect of customer Board members have been carried out at arm's length and under normal commercial terms. Details of the remuneration of Board members are included in Note 5. The Group participates in a number of pension schemes, details of which are outlined in Note 24.

Group

Transactions between fellow subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed.

During the year the Group entered into the following related party transactions with its jointly controlled entities and associates:

	2019	2018
	£000	£000
Invoiced to jointly controlled entities and associates in respect of interest charges	**2,298**	1,981
Purchase of housing property from jointly controlled entities and associates	**13,052**	1,572
Management fee income from jointly controlled entities	**113**	161
Amounts owed from jointly controlled entities and associates at the year-end	**61,366**	53,979

Association

During the year the Association entered into the following related party transactions with its subsidiaries and customer Board members:

	2019	2018
	£000	£000
Recharges to subsidiaries in respect of centrally provided services	**1,399**	455
Management fees payable by subsidiaries	**435**	493
Interest payable by subsidiaries on borrowings from the Association	**631**	953
Purchase of housing property from subsidiaries	**35,174**	25,205
Interest payable by the Association on borrowings from subsidiaries	**4**	20
Amounts owed to subsidiaries	**444**	944
Amounts owed from subsidiaries	**22,356**	34,772
Investment in subsidiaries	**104,701**	74,701
	£	£
Charges to customer Board members in respect of rent and service charges	**11,509**	11,652
Amounts owed to customer Board members at the year-end	**50**	656

The Association recharges each subsidiary for centrally provided services on a basis which reflects the time and cost of the services provided.

There are management agreements in place under which subsidiaries manage some properties on behalf of the Association. The management fees due under these agreements are summarised above.

Intergroup borrowings attract interest at either a fixed rate or interest which is variable and is based on LIBOR, plus a margin.

The Association has purchased housing properties from HGDL based on the construction cost plus a margin.

34. Operating segments

As a Public Interest Entity, Home Group is required to provide segmental analysis in line with International Financial Reporting Standard 8 'Operating Segments'. This requires operating segments to be identified based upon the Group's internal reporting to the Chief Operating Decision Maker (CODM) which forms the basis on which the CODM makes decisions about resources to be allocated to segments and assesses their performance.

The Group's CODM is the Board.

During 2018/19, the Group had two material operating segments. These operating segments undertake different activities and services, which are managed separately. The Group's operating segments are outlined below.

- Operations – this includes the Group's general needs rental business in England and Scotland, the management of homes previously sold as shared ownership and leasehold management, and the Group's supported housing and the provision of care and support services in England and Scotland. It also includes the mid-market rental activity carried out by Live Smart @ Home.
- Development – this includes the development of affordable housing and the development and subsequent sale of shared ownership homes and homes developed for sale on the private market. It includes the activity of Home Group Developments and North Housing.

The Group's third operating segment, New Models of Care, is not material and therefore not separately disclosed. New Models of Care leads on the design and development of integrated health and care services and oversaw the bail accommodation support service contract until handover to the new provider in June 2018.

These operating segments are supported by the Support Functions business unit, which includes the delivery of support services including Chief Executive's team, Risk and Assurance, Communications, Strategy, Finance, Human Resources and Development, Company Secretary, Information Systems, Legal Services, Procurement and Asset Management.

The Board reviews the internal management accounts at each meeting.

The tables which follow set out the income and expenditure account of the Group's operating segments. The title "Other" has been included to reconcile the segments to the figures reviewed by the Board and is made up of the Group consolidation adjustments, and the Support Functions and New Models of Care business units. The key operating performance measure of profit or loss used by the Board in terms of segmental analysis is operating surplus. The Board does not review any balance sheet measures by segment, only for the Group as a whole, so these have not been reported.

Income and expenditure account – year ended 31 March 2019

	Operations £000	Development £000	Other £000	Group £000
Turnover	311,938	54,428	951	367,317
Cost of sales	-	(38,097)	57	(38,040)
Employment costs	(62,469)	(3,559)	(13,517)	(79,545)
Maintenance	(55,170)	(56)	3,197	(52,029)
Service charges	(19,720)	(19)	62	(19,677)
Other direct housing	(16,210)	(333)	(11)	(16,554)
Overheads (facilities, staff, other administrative costs)	(11,979)	(7,697)	(15,583)	(35,259)
Depreciation and impairment	(35,567)	(3,504)	(6,370)	(45,441)
Other costs	(372)	(162)	80	(454)
Recharges	(5,216)	(136)	5,352	-
Operating expenditure	(206,703)	(15,466)	(26,790)	(248,959)
Surplus on disposal of housing properties	-	-	5,930	5,930
Operating surplus	**105,235**	**865**	**(19,852)**	**86,248**

34. Operating segments (continued)

Income and expenditure account – year ended 31 March 2018

	Operations	Development	Other	Group
	£000	£000	£000	£000
Turnover	317,301	36,214	11,188	364,703
Cost of sales	(19)	(27,454)	(378)	(27,851)
Employment costs	(60,899)	(2,646)	(16,530)	(80,075)
Maintenance	(51,794)	-	(852)	(52,646)
Service charges	(19,541)	-	(1,361)	(20,902)
Other direct housing	(17,438)	(11)	(2,793)	(20,242)
Overheads (facilities, staff, other administrative costs)	(10,590)	(3,992)	(16,552)	(31,134)
Depreciation and impairment	(43,077)	(2,255)	(6,036)	(51,368)
Other costs	(944)	(1)	374	(571)
Recharges	(6,087)	32	6,055	-
Operating expenditure	(210,370)	(8,873)	(37,695)	(256,938)
Surplus on disposal of housing properties	-	-	7,597	7,597
Operating surplus	106,912	(113)	(19,288)	87,511

Segmental revenue and expenditure is all derived from UK customers and suppliers.

Building homes,
independence
and aspirations

For any further information,

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Home Group Limited
(Charitable Registered Society No.22981R)
Home and Communities Agency
Registered No: L3076

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