EQUITY
Housing Group

Equity Housing Group Limited
(A Co-operative & Community Benefit Society)

Financial Statements

For the year ending **31 March 2018**

www.equityhousing.co.uk

Equity Housing Group Limited
Financial Statements
For the Year Ending 31st March 2018

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Equity Housing Group Limited
Chair's Statement

The past year has been a busy and challenging one for Equity Housing Group, with an emphasis on strengthening the business through delivering transformation, supporting growth and better managing risk. Developing new approaches to these areas provides the foundation for improving our business resilience, financial performance and social impact.

The Board reviewed our Corporate Plan during 2017/18, alongside our risk appetite and risk framework, and our new Corporate Plan will focus on the following key objectives:

- **Invest -** Invest in building sustainable homes and places where our customers can thrive;
- **Deliver -** Understand our diverse customers and deliver high quality, tailored services;
- **Support -** Support our customers' wellbeing, and help grow the capacity of communities to address the challenges they face;
- **Grow -** Grow the business, driving maximum social value from our activities; and
- **Sustain -** Maintain a commercially viable and sustainable business, driving surplus to fund the delivery of new affordable homes.

To help us deliver these goals, the Executive Leadership Team has been further strengthened during the year with two key Strategic Director appointments in Customer Experience and Corporate Services.

Whilst our key aim over the next 5 years is to strengthen our financial capacity to enable us to continue to develop new homes, we also recognise that our customers are at the heart of everything that we do. We continuously look at how we interact with our customers, the quality of these interactions and the overall satisfaction and experience we are providing. I am really proud of the great work that our teams do every day.

I am also delighted to demonstrate significant progress in the range of partnerships and the expansion of the range of new homes we develop, which saw Equity undertake a programme to deliver 206 new homes during the year. I am pleased to report that 113 of those homes have already been handed over (47 for Shared Ownership and 66 for affordable rent), with the remainder expected to be handed over early in 2018/19. The new Corporate Plan aims to deliver a further 860 new homes over the next 5 years.

As colleague interaction with customers has the biggest impact on satisfaction, I'd like to pass on my thanks to all the employees at Equity for their continued efforts, and who strive to make Equity the customer focussed business that it is.

My thanks also go to my colleagues on the Board, whose dedication helps ensure that the business is fit for the challenges of the future. Special thanks for their contribution of course goes to our Equity customers and to other local residents and community groups who continue to be at the heart of everything that we do.

Carole Hassan
Chair of Equity Housing Group

Equity Housing Group Limited
Directors, Executive Officers and Advisors

Non-Executive Directors:

Board Member	Position	Changes in the Year
Carole Hassan	Chair of the Board	
Susan Gambles	Vice-Chair of the Board	
Grenville Page	Chair of Audit & Risk Committee	
Rebecca Asady	Chair of Operations & Development Committee	
Joe Doherty	Chair of Finance & Treasury Committee	
Ann Johnson	Chair of the Equity Enterprises Board	
Paul Shevlin		
Taf Sharif		
Thomas McDonald		
Anthony Gordon		
Robert Sharp (Co-optee)		To 28th September 2017

Executive Officers:

Executive Officer	Position	Changes in the Year
Collette King	Chief Executive Officer	
Jo Aspinall	Interim Executive Director of Finance	Resigned 8th September 2017
Andrei Szatkowski	Executive Director of Customer Services	Resigned 6th October 2017
Andy Oldale	Strategic Director of Corporate Services and Company Secretary	Appointed 9th October 2017
Phil Webster	Strategic Director of Customer Excellence	Appointed 29th January 2018

Company Registration Numbers:	L1229 Regulator of Social Housing 16551R Co-operative and Community Benefit Society

Registered Office:	Armitt House Monmouth Road Cheadle Hulme Stockport Cheshire SK8 7EF
External Auditors:	Beever and Struthers St George's House 215-219 Chester Road Manchester M15 4JE
Internal Auditors:	BDO LLP 3 Hardman Street Spinningfields Manchester M3 3AT

Bankers:	Royal Bank of Scotland Corporate Banking Liverpool 10th Floor, The Plaza 100 Old Hall Street Liverpool L3 9QJ
Principal Solicitors:	Trowers & Hamlins 55 Princess Street Manchester M2 4EW

Equity Housing Group
Strategic Report (incorporating Value for Money Statement)

The Board presents its strategic report and audited financial statements for the year ended 31st March 2018.

Legal status

Equity Housing Group Limited (the Group) is an independent social business, run on a not for profit basis. During the year the Group consisted of two legal entities:

- Equity Housing Group Limited - registered under the Co-operative and Community Benefit Societies Act 2014 and is a Registered Provider of Social Housing with charitable status.
- Equity Enterprises Limited, a private limited company (Companies registration number 10073137).

The Group is governed by a Board of Non-Executive Directors. The Directors of the Group who served during the year and up to the date of the signing of these financial statements are listed on page 2.

Principal activities

The Group's principal activities are the development and management of social housing. The Group's subsidiary, Equity Enterprises Limited, provides sales and lettings services through an estate agency (Equity Living), and a coffee shop (SK Eight).

Equity Living provides a social lettings and management service to individual landlords and an estate agency service for existing shared ownership customers, as well as providing a commercial service to other Registered Providers. This is complemented by carrying out sales activity associated with the Group's own new-build development programme, and in addition managing the Group's 126 market rented properties.

SK Eight is a social enterprise, which re-invests its profits in local communities via the Equity Foundation, whilst also operating as a commercial business. SK Eight has grown from strength to strength and has become a focal point for the local people and community groups to meet.

The Equity Foundation is the Group's vehicle for delivering social impact, which is achieved through investment in community-led projects.

Our staff are employed on a contract of employment with Equity Housing Group Limited. Where staff are employed by Equity Enterprises, their contracts of employment are joint between Equity Enterprises and Equity Housing Group.

All salary and relevant administration costs are recharged to the subsidiary via a management charge from Equity Housing Group. The administration costs are allocated according to employee time spent on the subsidiary's activity.

Corporate Plan: Mission, Values and objectives

Equity Housing Group is one of the leading providers of high quality, low cost home ownership products and services in the North West of England. We are proud that our homes and services improve the quality of lives for some 4,661 households. During 2017/18 the Board and the Executive Leadership Team developed a new Corporate Plan for the 5 year period 2018 to 2023, which includes a refresh of the Group's Vision and Mission:

Our Vision:	*Delivering Homes, Inspiring Lives*
Our Mission:	*We meet local housing need through providing homes, enabling affordable home ownership, and investing in our communities*

Corporate Plan: Mission, Values and objectives (continued)
Our vision and mission have been developed using the following key principles:

- We recognise that there is a housing crisis in Britain, and our primary accountability is to the wider communities in our areas of operation;
- Our reason for being is to deliver new affordable housing for the communities where we operate, and enable more people to access home ownership; and
- We are a socially conscious business, and want to help grow the capacity of communities where we operate by investing in projects delivering social value.

Our new Corporate Plan is largely focused around efficiency and growth. As a provider of social housing with dispersed stock and strong development performance, we believe we can best serve the community by delivering new affordable homes in the areas within which we operate. Therefore, over the next 5 years, we are aiming to increase our capacity for growth and investment by reducing costs, focussing on core services and digital access for customers, and improving our operating margins. We will use the additional capacity to fund growth in our areas of operation.

The Corporate Plan is underpinned by five key strategic objectives, which are outlined below.

Invest	Invest in building sustainable homes and places where our customers can thrive
Deliver	Understand our diverse customers and deliver high quality, tailored services
Support	Support our customers' wellbeing, and help grow the capacity of communities to address the challenges they face
Grow	Grow the business, driving maximum social value from our activities
Sustain	Maintain a commercially viable and sustainable business, driving surplus to fund the delivery of new affordable homes

To deliver the 860 homes outlined in the Growth and Investment Strategy, the Group requires funding of around £100m, which is £18m above the existing £82m facility. The Board will develop a funding strategy during quarter 1 of 2018/19, and anticipate the additional funding being in place before the start of the 2019/20 financial year.

The full Corporate Plan, which can be obtained from the registered office, and is available on our website, sets out detailed outcomes and measurable targets for each strategic objective.

Governance Structure
The Board is led by the Chair, Carole Hassan. The Board membership, which is detailed on page 2, seeks to reflect the demographic profile of the areas within which the Group operates, and currently consists of 10 independent members. Together, the Board bring a range of professional, commercial and social enterprise experience.

The Board is responsible for determining the strategic direction and reviewing its operating and financial position. The Board is also responsible for establishing and overseeing the Group's control and risk management frameworks and ensuring the Group achieves its aims and objectives. The Board met 8 times in 2017/18.

During the year, the Board reviewed the skills and knowledge requirements to ensure it continues to have the appropriate membership to deliver the new Corporate Plan, and to oversee the dynamic environment within which the Group operates. The review is being complemented by the development of a revised competency framework, and an updated succession plan to inform future recruitment, which is based on skills, knowledge and expertise, and vacancies are widely advertised. New Board members undergo a formal induction programme which includes background information about the Company and its strategy.

Governance Structure (continued)

Each Board member is subject to an annual appraisal conducted by the Chair and the Vice Chair, and in respect of the Chair by the Vice Chair and one other Board member.

The subsidiary, Equity Enterprises Limited, which is chaired by Ann Johnson, has an independent Board of 3 Non-Executive Directors.

Board and Executive Officers Remuneration

Non-Executive Directors receive remuneration from the Group, as well as reimbursement of expenses incurred. The Board's remuneration is based on independent national and sector benchmarking, and is approved by the Remuneration Committee.

The remuneration of the Executive Directors is determined by the Board.

Board Committees

The Board delegates some of its responsibilities to the Committees; Audit and Risk Committee, Finance and Treasury Committee, and Operations and Development Committee.

<u>Audit and Risk Committee</u>

The Audit and Risk Committee met four times during the year and its work included:

- reviewing the external auditor's plans for the audit of the Group's financial statements;
- reviewing the external auditor's management report and audit highlights memorandum;
- reviewing the financial statements for the year;
- agreeing the internal audit plan for the year and reviewing reports from the internal auditors on the Group's system of internal control, monitoring and responding to those reports and compliance with recommendations; and
- reviewing the processes in place for monitoring, evaluating and managing the risks facing the Group, including deep-dive discussions relating to the Group's strategic risks.

<u>Finance and Treasury Committee</u>

The Finance and Treasury Committee met four times during the year and its work included:

- reviewing the Group's annual budget and 30-year business plan;
- reviewing the quarterly management accounts and loan covenant compliance;
- overseeing the financial performance of the new build development programme;
- reviewing the Group's funding requirements and arrangements; and
- monitoring the Group's treasury management activities.

<u>Operations and Development Committee</u>

The Operations and Development Committee is a combination of the former Equity Choice and Equity Select Committees, and was formed in December 2017. The Operations and Development Committee (and the former Equity Choice and Equity Select Committees) met four times during the year, and its work included:

- reviewing the quality and performance of services delivered to customers;
- overseeing the operational delivery of the new build development programme; and
- reviewing customer satisfaction with the services provided by the Group.

<u>Remuneration Committee</u>

The Remuneration Committee met 3 times during the year, and is responsible for:

- recommending to the Board the Group's pay policy; and
- recommending the terms and conditions of employment for the Group Chief Executive and the Executive Directors, and their annual salary review.

Salaries for Executive Directors are set having regard to each director's responsibilities and pay levels for comparable corporate positions.

Governance Code

The Board can confirm that the Group complies with the principle requirements of the National Housing Federation (NHF) Code of Governance (2015).

Regulatory Compliance

The Board confirms that it complies with the requirements of the Governance and Financial Viability Standard, and the wider Regulatory Framework for Social Housing in England (2015).

The Group was subject to an In-Depth Assessment (IDA) by the Regulator of Social Housing (formerly the Homes and Communities Agency) in 2018, which confirmed our compliance with the Governance & Financial Viability Standard. As a result of the IDA, Equity's current regulatory grading is as follows:

- Governance – G2 – during 2018 the Board commissioned an independent review of the Group's governance arrangements. The regulator has graded us as G2 until the recommendations of that review have been fully implemented; and
- Financial Viability – V2 – the business plan in the early years is reliant on First Tranche Shared Ownership sales to achieve the financial targets. The cost reduction agenda, which is outlined in the Value for Money section below, will improve the long-term financial viability of the organisation.

During the year the Board notified the regulator of a breach of the Welfare Reform & Work Act 2016 in respect of the 1% rent reduction for Affordable Rent customers, which resulted in a number of customers being over-charged. The issue was reported to the HCA's regulatory team, and controls have been put in place to prevent a similar issue in the future. We have corrected the customer's rent accounts, and have issued a refund to all customers who were affected.

Employees

The strength of the Group, and its ability to meet its corporate objectives and its commitments to customers lies in the quality, commitment and contribution of its employees.

The Group provides information to its employees throughout the year on its objectives, progress and activities through regular team meetings, and briefings from the Chief Executive and the Executive Leadership Team. The Group has a People Strategy in place, which recognises the importance and contribution of the employees to the on-going success of the Group.

We are committed to equality of opportunity for all employees, and to having a diverse workforce that reflects the communities within which we operate. We are also committed to supporting disabled people, both in recruitment and in retention of employees who become disabled whilst employed by the Group. The Group ensures that staff recruitment, discipline and development issues are dealt with equally and that all employees are treated in the same way.

The Board is aware of its responsibilities on all matters relating to health and safety. The Group has detailed health and safety policies and a robust safety management system in place, and provides training and education to all of our staff on health and safety matters appropriate to their role.

The Executive Leadership Team, led by the Chief Executive, are responsible for the day-to-day running of the business. The Executive Leadership Team work closely with the Board to develop and execute the Group's strategic objectives. The members of the Executive Team are shown on page 2.

Jo Aspinall, Interim Executive Director of Finance, and Andrei Szatowski, Executive Director of Customer Services, resigned during the year. Andy Oldale, Strategic Director of Corporate Services, and Phil Webster, Strategic Director Customer Excellence, were appointed as their replacements. The Chief Executive served throughout the year.

Internal Control Assurance

The Board acknowledges its overall responsibility for establishing and maintaining the Group's system of internal control and for reviewing its effectiveness. This responsibility applies to all of the organisations within the Group.

Internal Control Assurance (continued)

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

In meeting its responsibilities, the Board has adopted a risk based approach to establishing and maintaining internal controls, which are embedded within the day to day management and governance processes. This approach includes the regular evaluation of the nature and extent of the risks to which the Group is exposed.

A process for identifying, evaluating and managing the significant risks faced by the Group is ongoing, and has been in place throughout the year up to the date of the approval of the annual report and financial statements. The Audit and Risk Committee regularly receives and considers reports from the Group's senior management and its auditors about risk management and internal control arrangements.

The arrangements adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework, are set out below.

<u>Corporate Planning and Budgeting</u>

The corporate planning and budgeting process is used to set objectives, agree action plans and allocate resources. The Group's progress towards meeting the strategic and annual objectives is regularly monitored.

The Group's 30-year Business Plan was approved by the Board prior to the start of the 2017/18 financial year.

<u>Performance and Compliance Monitoring</u>

At every Board and Committee meeting, reports outlining the latest operational and financial results compared to the target for the year, and statutory compliance reports, are presented to enable the Board to maintain oversight of the Group's strategic performance and on-going compliance.

<u>Audit and Risk Committee</u>

The Audit and Risk Committee reports to the Board on internal controls, and alerts them to any emerging issues. The Audit and Risk Committee ensures that corrective action is taken in relation to any significant control issues highlighted by the internal and external auditors. As part of its review of the organisation's internal control system, the Committee oversees the performance of the internal and external auditors. The Audit and Risk Committee provides advice to the Board and provides an annual review to them, through the internal auditors, which focusses on the effectiveness of the internal control system, including the Group's systems for managing risk. During the year, the Audit and Risk Committee had oversight of further developments to the internal control environment in the following areas:

- an improved strategic risk management framework, including the development of financial golden rules and risk mitigation strategies linked to the business plan stress testing;
- improved Health & Safety reporting to Executive and Board, particularly the arrangements for Fire Safety management following the Grenfell disaster;
- updated the Group's Financial Regulations;
- compliance with the Governance and Viability Standard through monitoring the Group's preparedness for the In-Depth Assessment from the Regulator of Social Housing;
- improvement of the Group's data protection arrangements in readiness for the new General Data Protection Regulations (GDPR) that were introduced in May 2018; and
- deep-dive discussions at the Audit and Risk Committee during the year on areas of strategic risk.

<u>Internal Audit Programme</u>

Internal Audit is an important element of the internal controls process. Internal Audit is responsible for the annual review of the effectiveness of the internal control system within the organisation.

Internal Control Assurance (continued)

BDO were appointed as the Group's Internal Auditors from 1st April 2013 for a three-year period which was then extended from 1st April 2016 for an additional two years. The internal audit programme for 2017/18 generated recommendations for action, which have helped the Group to improve its internal control environment.

The Audit and Risk Committee considered the Internal Audit Annual Report for 2017/18 at its meeting on 5th July 2018, which included 11 audit inspections during the year.

Following a procurement exercise, Mazars were appointed as the Group's Internal Auditors from 1st April 2018.

<u>External Audit</u>

External Audit provides feedback to the Board on the operation of the internal financial controls reviewed as part of the annual audit of the year-end accounts and financial statements. The external audit process includes an interim and a year-end audit.

Each year, after the year-end audit, a management letter is presented to the Board and subsequently submitted to the Regulator of Social Housing (formerly the Homes and Communities Agency).

Beever and Struthers were appointed as the Group's external auditors from 1st April 2012 for a three year period, which has been subject to further contract extensions to cover the period up to 31st March 2018.

<u>Customer Engagement</u>

Equity has a comprehensive customer engagement framework in place, which was reviewed and refreshed during the year to ensure it remains effective. The Scrutiny Group acts as a critical eye for the Group to review services, policies and processes, making evidence based recommendations to the Board to improve and enhance our customer-facing services. The Customer Advisory Group (CAG) oversees all customer feedback and customer engagement activity to ensure areas of dissatisfaction are addressed appropriately. We also operate regular customer forums across the regions in which we operate, and we have recently launched our 'Equity Voices' e-forum designed to engage with those customers who want to be involved but who prefer to communicate digitally.

Financial Review

Results for the year

An overview of the financial performance of the individual entities is provided below:

- Equity Housing Group Limited achieved a surplus for the year, after interest and tax, of £4.0m (2017: £3.0m);
- Equity Enterprises Limited made a deficit of £2k (2017: £18k deficit);
- Overall, the Group's reserves amount to £64.7m (2017: £60.7m).

The amounts in the remainder of this section relate to the consolidated Group position only.

Operating performance

The Group's operating margin for the year was 26.1%, (2017: 22.9%), resulting in an operating surplus (before interest and tax), of £6.4m (2017: £5.5m). The operating margin provides an indication of how efficient we are at running the business; and the operating surplus shows the net income generated, which is used to fund our borrowings, capital investment and to provide reserves for future years.

Capital structure and treasury policy

The Group's has borrowing facilities in place from a number of lenders. At the end of the financial year total borrowings were £53.1m (2017: £53.3m). This debt is borrowed from banks and building societies and Local Authorities in the UK and through The Housing Finance Corporation (THFC).

Financial Review (continued)

The Treasury Strategy is set annually and approved by the Board. The treasury Policy was reviewed by the Board's retained treasury advisors and approved by the Board in March 2018.

There were £23.3m of loan repayments made during the year (2017: £2.3m), in line with the Group's structured finance agreements. The Group borrows only in sterling and does not have any currency risk. Surpluses are invested in approved UK institutions and the Board monitors investment returns. All loans are secured by fixed charges over the Group's housing properties.

The significant factor influencing the amount and timing of borrowings is the pace of the development programme and the receipt of sales proceeds on shared ownership properties.

Cash flows

Cash inflows and outflows for the year are set out in the cash flow statement. Net cash inflows from operating activities are from the management of housing stock and amounted at £10.1m (2017: £7.3m). The cash inflows were invested in tangible fixed assets and the replacement of other fixed assets. The movement on financing activities on page 25 shows the amounts incurred on interest charges being £2.4m (2017: £2.6m) and the repayment of loans which amounted to £23.3m (2017: £2.3m). The Group's cash balances, including trust funds, at the end of the financial year was £11.3m (2017: £18.3m).

The Group ended the year with net current assets of £2.9m (2017: £13.8m).

Value for Money

Value for Money (VFM) is a key theme which is at the heart of our corporate objectives. Our VFM targets are clearly set out in the new Corporate Plan and the associated VFM Strategy, which recognise that further efficiency gains are required to demonstrate improved VFM to our stakeholders. Over the next 5 years we aim to reduce our operating costs by 6.1% (£2.3m) whilst delivering 860 new homes. This cost reduction will optimise our financial capacity by increasing our operating margin to 32% (2018: 26.1%) and our borrowing capacity to £147m (24%), optimising the Group's ability to service future debt.

Our new corporate strategy draws on our history and brand around shared ownership, innovating in affordable home ownership and selling our services to other providers, as well as retaining our focus and commitment on social and affordable rented housing. Over the next five years we will commit 5-10% of our budgeted surplus after interest and tax (which may equate to around £2m) to social value projects in communities, optimising the social impact within the areas that we operate.

During the year, the Board and the Executive Team monitored VFM using a balanced scorecard approach (Equity's balanced scorecard includes the Sector Scorecard indicators, supplemented by a range of Customer and Colleague indicators which support our corporate objectives). The KPIs included in the scorecard has been amended for 2018/19 in line with the new Corporate Plan (see below).

In addition to monitoring our performance against our internal targets, we also use the Housemark Sector Scorecard Report to compare our performance against other housing organisations nationally who have between 2,500 and 5,000 homes. We also compare our performance at a regional level through the Greater Manchester Providers performance group, and work collaboratively to enhance outcomes across the region. The year-end performance against our 2017/18 Balanced Scorecard targets is provided below.

Value for Money (continued)

Financial and VFM Performance

	Financial & VFM	2017/18 Actual	Target	Benchmark Quartile
1	Reinvestment (%)*	9.1%	10.8%	N/A
2	New Supply Delivered (%) - Social Housing Units*	2.5%	4.4%	1st
2a	New Supply Delivered (%) - Non-social Housing Units*	0.0%	0.0%	N/A
3	Gearing (%)*	22.8%	26.9%	1st
4	Interest Cover (%)*	211.2%	192.0%	2nd
5	Social Housing Cost per Unit*	£3,385	£2,063	3rd
6	Operating Margin - Social Housing Lettings (%)*	16.7%	21.9%	4th
6a	Operating Margin - Overall (%)*	26.1%	21.9%	3rd
7	Return on Capital Employed (%)*	3.2%	2.5%	3rd
8	Management Costs per Unit (£)	£1,453	£1,183	4th
9	Debt per Unit (£)	£11,384	£12,820	N/A
10	Social Value Investment (£'000)	£157	£128	N/A

* RSH VFM Metric

Further explanation of the 2017/18 Financial & VFM performance is provided below:

- % reinvestment and new supply delivered are below the target due to delays in the new homes development programme - 93 homes, out of a budget of 206, will now be completed in the early part out 2018/19, which was mainly caused by adverse weather and a number of Section 106 schemes being delivered later than expected;
- As a result of the delays in the new homes development expenditure, we borrowed less resulting in lower gearing and debt per unit;
- Social Housing Costs per Unit and Management Costs per Unit are both above the target due to additional costs during the year supporting the transformation agenda, including executive and colleague recruitment. Our plans to reduce our operating costs and to increase the long-term operating margins are outlined below;
- Operating margins are above the budget due to additional surplus on first tranche property sales during the year.

Value for Money (continued)

Customer & Colleague Performance

CUSTOMER & COLLEAGUE	2017/18		
	Actual	Target	Benchmark Quartile
Customer Satisfaction (%)	73.6%	77.7%	4th
% of received complaints progressing beyond Stage 1	6.0%	5.0%	N/A
Current Tenant Arrears	1.1%	0.9%	1st
Rent Collection	99.40%	100.00%	3rd
Voids (%)	1.2%	1.1%	3rd
All Colleague Turnover	24.9%	10.0%	4th
Absence (days)	6.3	6.0	1st
Service Charge cost per Unit (£)	£586	£440	4th

Further explanation of the 2017/18 Customer & Colleague performance is provided below:

- Our Customer Satisfaction performance is based on overall Customer Satisfaction (taken from the Survey of Tenants and Residents (STAR) Survey) – the main reasons for the current performance is satisfaction with repairs, improvements and grounds maintenance contracts which we have addressed through procuring new contracts during the year;
- We are proud of our rent collection and arrears performance, and although we are aware that our low levels of rent arrears make it difficult to collect over 100% of the rent charged, we continue to set a stretch internal target;
- The void loss was marginally higher than expected in the year, which was mainly due to three sheltered housing schemes which are due to undergo an options appraisal during 2018/19. We expect our voids performance to improve significantly once the outcome of those appraisals have been implemented;
- A high number of temporary colleagues were in post during the year prior to implementing a new staffing structure. Most of the posts have now been filled, however this resulted in higher colleague turnover than expected; and
- Although our Service Charge costs appear high compared to our peers, this is because a high percentage of our customers are leaseholders (78% of our customer base receive service charges). Through effective procurement and customer consultation we will continue to ensure the services that we deliver to our customers deliver improved Value for Money.

The Board recognises that our performance needs to improve so we can demonstrate Value for Money to our stakeholders. We have a strong focus on developing new homes (2.4% new supply delivered in the year), however our cost base is high compared to our peers resulting in below average operating margins and a low Return on Capital Employed (ROCE).

Return on Assets

Equity Housing Group's main assets are the homes that we own and manage. Whilst we have a clear social purpose, it is critical that we understand and improve the optimal use of our asset base.

During the year we have started to further improve the intelligence driving the management of our assets by investing in new software to enhance our modelling capabilities. This intelligence will provide an improved understanding of the financial and social return on our assets. Using high quality asset performance data will enable us to identify properties and schemes which are becoming uneconomic, or are no longer fit for purpose. This will then trigger our options appraisal process to ensure we continue to understand and improve the VFM of our property assets.

Value for Money (continued)

Future Value for Money Targets
The new Corporate Plan clearly sets out the Group's VFM improvement targets over the next 5 years, which are shown below.

Financial and VFM Performance

Financial & VFM	Actual 2017/18	Target 2018/19	Target 2019/20	Target 2020/21	Target 2021/22	Target 2022/23	Sector Comparison Upper Quartile	Median Quartile	Lower Quartile
Reinvestment (%)*	9.1%	11.1%	8.1%	8.7%	9.2%	9.0%	No benchmark	No benchmark	No benchmark
New Supply Delivered (%) - Social Housing Units*	2.5%	4.0%	3.6%	3.3%	2.8%	2.6%	2.3%	1.3%	0.5%
New Supply Delivered (%) - Non-social Housing Units*	0.0%	0.0%	0.4%	0.6%	1.0%	1.1%			
Gearing (%)*	22.8%	31.8%	34.6%	36.8%	36.5%	35.7%	37.7%	46.7%	62.0%
Interest Cover (%)*	211.2%	153.2%	234.5%	261.0%	263.6%	279.1%	298.6%	202.2%	160.9%
Social Housing Cost per Unit*	£3,385	£3,372	£3,151	£2,923	£2,769	£2,590	£2,907	£3,241	£3,915
Operating Margin - Social Housing Lettings (%)*	16.7%	14.8%	14.7%	21.3%	26.8%	33.0%	36.3%	31.4%	25.6%
Operating Margin - Overall (%)*	26.1%	20.0%	22.0%	25.5%	27.8%	32.0%	34.3%	29.7%	24.0%
Return on Capital Employed (%)*	3.2%	2.4%	3.3%	3.7%	4.1%	4.8%	5.6%	4.2%	3.1%
Management Costs per Unit (£)	£1,453	£1,272	£1,201	£1,018	£873	£720	£694	£941	£1,095
Void Loss (%)	1.1%	1.0%	1.5%	1.0%	1.0%	1.0%	0.5%	0.8%	1.3%
Rent Collected (%)	99.0%	99.0%	98.0%	99.0%	99.0%	99.0%	100.4%	99.9%	99.4%
Debt per Unit (£)	£11,384	£15,962	£18,364	£20,498	£21,080	£21,374	Internal Target	Internal Target	Internal Target
Social Value Investment (£'000)	£157	£121	£193	£247	£657	£811	Internal Target	Internal Target	Internal Target

* RSH VFM Metric

Customer & Colleague Performance

Customer & Colleague	Actual 2017/18	Target 2018/19	Target 2019/20	Target 2020/21	Target 2021/22	Target 2022/23	Sector Comparison Upper Quartile	Median Quartile	Lower Quartile
Customer satisfaction with Equity's services (%)	73.6%	78%	80%	82%	84%	85%	91%	87%	84%
Tenancy turnover (%)	12.0%	10.5%	9.5%	9.0%	8.5%	8.0%	6.04%	7.72%	9.41%
Employee Turnover (%)	25%	20%	19%	18%	17%	15%	12.4%	16.7%	21.5%
Customer initiated transactions - self-serve (%)	Not measured	0%	20%	50%	60%	70%	Internal Target	Internal Target	Internal Target
Vacancies filled by internal promotion (%)	Not measured	20%	25%	30%	40%	50%	Internal Target	Internal Target	Internal Target
Best Companies engagement score	671	685	697	705	715	725	Best Companies	Best Companies	Best Companies
Units managed per FTE	31	31	32	35	36	37	Internal Target	Internal Target	Internal Target

Over the next 5 years, the successful delivery of our Corporate Plan and the achievement of our associated targets will result in the following:

- Maintaining top quartile performance for new supply delivered;
- Increasing our gearing to 38.7% as we utilise our financial capacity to invest in 860 new homes;
- During 2017 we commenced the procurement of a new housing management system, which will enable us to significantly improve a number of key processes, both internally and for our customers – it is anticipated that the new system will be implemented by the Summer of 2019;

Value for Money (continued)

- During 2018/19, a fundamental review of our cost base will be undertaken which, along with the new ICT system, will:
    - reduce our costs per unit by 14% (£2.3m in real terms);
    - improve our Management Costs per Unit from bottom quartile to second quartile; and
    - improve our overall operating margin to 32% (2018: 26.1%).

  These improvements will generate additional finance capacity for reinvestment into new and existing assets, and increased social impact;
- Return on Capital Employed increasing to 4.8%, as we generate increased profits to service the additional investment in new homes; and
- Maintain void loss and rent loss at 2% overall, which is excellent performance given Equity's low levels of arrears, and will have a positive impact on the 30-year business plan.

In addition to the above, to further improve Equity's key non-financial KPIs the following initiatives are being undertaken as part of the new Corporate Plan:

- Customer satisfaction – through optimising the use of new technology and innovation, our aim is to enable customers to self-serve and to access our services conveniently and at the first point of contact, which will reduce customer effort and improve the ease of doing business with us. To start this journey, following a reorganisation in 2017/18, our customers now have a dedicated Customer Relationship Manager who acts as a single point of contact to provide a generic, joined-up service;
- To understand how we compare to other housing organisations and other sectors, during 2018/19 we will become members of the United Kingdom Customer Satisfaction Index (UKCSI). The results of our UKCSI performance will be reported from March 2019; and
- Colleague retention – our new People Strategy is based around principles of colleague engagement and retention, with a commitment to commercial and sustainable remuneration and a new approach to succession planning and internal recruitment. Equity has an engaged workforce and is currently ranked as 60 in The Times Top 100 (Best Companies) list.

Taking into account the actions and initiatives set out above, the Board believes that the Group complies with the requirements of the Value for Money standard. The Corporate Plan targets and the Value for Money Strategy demonstrate the Board's strategic approach to Value for Money, and we feel that the current and future plans will continue to optimise the economic and social value that Equity delivers to its customers and other stakeholders.

Risks and Uncertainties

The main factors and influences that will have an effect on the future performance of the Group are considered regularly by the Executive Team and the Board. Those events or risks that could prevent the Business Plan from being achieved are recorded and monitored for each area of the business.

The key controls required to manage each risk, together with the person responsible for the control are also recorded. The risks are then assessed against the Board's risk appetite, according to the probability of the risk occurring and the potential impact given the current control environment. The key risks monitored by the Board are shown below.

Strategic Risk	Mitigating Actions being taken
The Group's rental income is lower than expected due to the roll-out of the Government's Welfare Reforms over the next couple of years	• The business remains informed and effective at understanding, modelling and managing the impact of Welfare Reform, and the potential impact of government policy announcements on the business is constantly monitored; • We are actively engaging with customers who will be affected by the roll-out of Welfare Reform, offering advice and support to ensure

Strategic Risk	Mitigating Actions being taken
	they are prepared for and understand the potential impact; • We have incorporated the long-term impact of the 4 year rent reduction into our financial plans; • We will continue to review and reduce the organisation's expenditure to ensure the plans remain viable; • The business plan includes prudent assumptions for rent collection and voids to absorb the impact of future under-performance, and the business plan has been stress tested to understand the impact of rental income being lower than expected; and • Risk Mitigation Strategies and Financial Golden Rules have been developed to ensure the Board has an early warning system in place to see things coming, and are able to take appropriate action if rent collection performance deteriorates.
The roll out of the General Data Protection Regulations (GDPR) from May 2018	• A robust plan is in place across the organisation to ensure there is an in-depth understanding of the GDPR requirements, and full compliance is achieved.
The impact of the UK leaving the European Union (Brexit) – the country as a whole face a period of uncertainty as the government negotiates the exit. The reaction of the sector's funders could see increased funding costs as the lenders re-evaluate their credit risk and seek to pass on their increased cost of capital	• The Board will keep a watching brief on the political and economic landscape as the impact of Brexit unfolds; and • Through our funding advisors, the Board will pay particular attention to Brexit as we develop the strategy to fund our growth ambitions over the next twelve months.
The increasing cost of the Social Housing defined benefit Pension Scheme (SHPS) - the triennial valuation of the SHPS scheme is due to be reported to the sector in the Summer of 2018, with the impact on the cost of membership to be implemented from April 2019.	• A comprehensive review of the Group's employee pension provision will be commissioned in 2018/19, which will result in a future pensions strategy being presented to the Board for consideration during the year; and • The 2018 business plan includes sufficient headroom and contingency to deal with increased employer contribution rates and increased deficit liability, should those costs materialise.
Continued compliance with the Group's Health & Safety obligations – the Grenfell disaster in 2017 increased the focus on fire safety and wider health and safety compliance across the sector	• During the year Equity has commissioned new Fire Risk Assessments for all of its housing stock ahead of the scheduled review dates, and we have robust plans in place to implement all of the recommendations; • The appointment of the Strategic Director of Customer Experience has enhanced the strategic Health and Safety knowledge and experience within the business; and • Regular reporting to the Executive Team and to the Board ensures Health and Safety is monitored and scrutinised closely.
The EHG business plan is reliant on future Shared Ownership first tranche sales receipts that may not materialise	• Sales targets remain on track, and KPI's are in place to track performance which are reported to the Executive and the Board;

Strategic Risk	Mitigating Actions being taken
	• We continue to track the market to ensure we are responsive to changes in market conditions; • All development scheme appraisals include robust demand analysis as part of the Board approval process; • The business plan has been stress tested to understand the impact of property sales being lower than expected; and • Risk Mitigation Strategies and Financial Golden Rules have been developed to ensure the Board has an early warning system in place to see things coming, and are able to take appropriate action if the housing market deteriorates.
The cost and availability of future funding – the new Corporate Plan requires additional funding to be in place within the next twelve months to deliver the Growth and Investment Strategy	• The Board retains independent funding advisors who provide an external perspective on the Group's current and future funding requirements; • A funding strategy is being developed with the Group's funding advisors, and will be presented to the Board in the Summer of 2018; • We expect the additional funding to be in place by December 2018; and • The business plan includes prudent assumptions for the cost of new funding.
The Group continues to have the board skills and governance structures to match the increasingly challenging operating environment, and to mitigate the potential risks associated with the financing and funding structures required to support the new Corporate Plan	• An independent governance review was carried out in March 2018, and the recommendations will be implemented during the Summer of 2018; and • The Group will continue its journey towards excellence in governance, and will ensure the Boards and Committees continue to have the skills and experience required to deliver the new Corporate Plan.
Continued investment in the existing housing stock to maintain the high quality offer to new and existing customers	• A robust approach to asset management is in place which balances stock investment with option appraisals and disposals, and which helps ensure we make informed decisions on whether to hold stock in its current form, dispose of it; and • The results of the stock condition surveys are fed into the 30 year business plan to ensure the resources required to maintain our properties and asset values are available when required; and • A full stock condition survey will be commissioned in 2018 to enable the Board to review the 'Equity Standard' and ensure it remains appropriate over the life of the new Corporate Plan.
Legal and Regulatory Compliance – the Group has achieved the highest regulatory grading for Governance (G1) and Financial Viability (V1), and is aware of the reputational impact of not achieving its legal and regulatory standards (the	• The Board actively monitors regulatory compliance through its Board and Committee work plan which ensures the cycle of self-assessments and statutory reporting are formally signed-off; and

Strategic Risk	Mitigating Actions being taken
updated Governance and Viability ratings will be published at the end of July 2018)	• The Executive Team maintain active dialogue with the Regulator to provide on-going assurance about the Group's activity.
Not achieving the business operational and financial performance targets	• The Board and the Executive monitor financial and operational performance throughout the year; • Robust action plans are put in place at an early stage if performance starts to display an adverse trend; and • We have adopted a Balanced Scorecard approach to financial and operational reporting to monitor efficiency and effectiveness across the Group.

Fraud
The Group complies with the Regulator's requirements with respect to fraud, and has a clear anti-fraud policy that has been approved by the Board.

The policy requires a register to be maintained of all actual and attempted fraud. All such cases are reported to the Board through the Audit and Risk Committee, and all cases are reported to the Regulator of Social Housing. There were no instances of fraud during the year.

The breach of the fiduciary duties by a senior employee that was reported in the 2016/17 financial statements was pursued and concluded during the year, with a final settlement being agreed to be paid to Equity Housing Group by the third party.

Directors' and Officers' Liability Insurance
The Group has insurance policies in place which indemnify its Board members and Executive Directors against liability when acting on behalf of the Group.

Political and Charitable Donations
During the year the Group made no political contributions and any charitable contributions were made within the Group's normal activities. Through the Equity Foundation we awarded small sums

Political and Charitable Donations (continued)
of grant to help people make a positive impact on the communities within which the Group operates.

Auditors
Beever and Struthers have been the Group's external auditors since April 2012. A resolution to appoint Beever & Struthers as the Group's external auditors for 2018/19 will be proposed at the Annual General Meeting on 13th September 2018, however their re-appointment is will be subject to a procurement exercise that will be undertaken later in the year.

Going Concern
The Board confirms it has a reasonable expectation that the Group and subsidiary have adequate resources to continue in operational existence for the foreseeable future. Accordingly it continues to adopt the going concern basis in preparing the Group and subsidiary financial statements.

Statement of Compliance
The board confirms that this Strategic Report has been prepared in accordance with the principles set out in Paragraph 4.7 of the 2015 SORP for Registered Social Housing Providers.

Statement of the Board's Responsibilities in respect of the Accounts

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Income and Expenditure for the period of account.

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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable it to ensure that the financial statements comply with:

- the Co-operative and Community Benefit Society Act 2014;
- the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969;
- the Housing and Regeneration Act 2008; and
- the Accounting Direction for Private Registered Providers of Social Housing 2015.

The Board has general responsibility for taking reasonable steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities by establishing and maintaining a satisfactory system of control over the Group's records, cash holdings and all its receipts and remittances.

Information for Auditors

The board members 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 Group's auditors are unaware; and
- each board member has taken all the steps that they ought to have taken as a board member to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

The Strategic Report was approved on 19th July 2018 and signed on its behalf by:

Carole Hassan
Chair – Equity Housing Group
19th July 2018

C. Hassan

Independent Auditor's Report
To The Members of Equity Housing Group Limited

Opinion
We have audited the financial statements of Equity Housing Group Limited ("the Association") and its subsidiary ("the Group") for the year ended 31st March 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves, the Statement of Cash Flows and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

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

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

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

Other information
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Independent Auditor's Report
To The Members of Equity Housing Group Limited

Opinions on other matters prescribed by the Cooperative and Community Benefit Societies Act 2014

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Board's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which Cooperative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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

Responsibilities of the Board

As explained more fully in the Statement of Board's Responsibilities set out on page 17, the Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board are responsible for assessing the Group's 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 the Board either intend to liquidate the Group or Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the Association's members, as a body, in accordance with section 87(2) of the Cooperative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body for our audit work, for this report, or for the opinions we have formed.

Beever and Struthers

Beever and Struthers, Statutory Auditors
St. George's House
215/219 Chester Road
Manchester
M15 4JE

Date: 19th July 2018

Equity Housing Group Limited
Statement of Comprehensive Income

	Notes	Year Ended 31st March 2018 Group £'000	Year Ended 31st March 2018 Parent £'000	Year Ended 31st March 2017 Group £'000	Year Ended 31st March 2017 Parent £'000
Turnover	**2**	24,662	24,463	24,067	23,614
Operating expenditure	**2**	(16,498)	(16,174)	(16,496)	(16,079)
Cost of sales	**2**	(2,443)	(2,567)	(2,688)	(2,634)
Surplus on sale of property not developed for outright sale and other fixed assets	**5**	719	719	628	628
Operating surplus		6,440	6,441	5,511	5,529
Interest receivable	**6**	38	38	22	22
Interest payable and similar charges	**7**	(2,468)	(2,468)	(2,558)	(2,557)
Surplus for the financial year before taxation	**8**	4,010	4,011	2,975	2,994
Taxation	**9**	-	-	-	-
Total comprehensive income for the year		4,010	4,011	2,975	2,994

The financial statements on pages 21 to 56 were approved and authorised for issue by the Board on 19th July 2018 and were signed on its behalf by:

Board Member: C. Hanan

Board Member:

Company Secretary:

The consolidated and parent results relate wholly to continuing activities and the notes on pages 25 to 56 form an integral part of these accounts.

Equity Housing Group Limited
Statement of Financial Position

	Notes	Year Ended 31st March 2018 Group £'000	Year Ended 31st March 2018 Parent £'000	Year Ended 31st March 2017 Group £'000	Year Ended 31st March 2017 Parent £'000
Fixed assets					
Tangible Fixed Assets	**13**	197,501	197,501	186,996	186,996
Current assets					
Trust Fund	**16**	2,507	2,370	2,183	2,068
Stock	**14**	1,718	1,717	1,887	1,885
Trade and other debtors	**15**	1,332	1,316	415	466
Investments	**16**	806	806	795	795
Cash and cash equivalents	**16**	8,749	8,682	16,135	16,023
		15,112	14,891	21,415	21,237
Current liabilities					
Creditors: Amounts falling due within one year	**17**	12,193	12,121	7,601	7,551
Net current assets		2,919	2,770	13,814	13,686
Total assets less current liabilities		200,420	200,271	200,810	200,682
Creditors: amounts falling due after one year	**18 & 19**	135,690	135,553	140,090	139,975
Total Net Assets		64,730	64,718	60,720	60,707
Reserves					
Share capital	**21**	-	-	-	-
Income and expenditure Reserve		64,730	64,718	60,720	60,707
		64,730	64,718	60,720	60,707

The financial statements on pages 21 to 56 were approved and authorised for issue by the Board on 19th July 2018 and were signed on its behalf by:

Board Member: **Board Member:** **Company Secretary:**

The notes on pages 25 to 56 form an integral part of these accounts.

Equity Housing Group Limited
Statement of Changes in Reserves for the Year Ended 31st March 2018

Group

	Year Ended 31st March 2018	
	Income & Expenditure Reserve	Total
	£'000	£'000
Balance as at 1st April 2016	57,745	57,745
Surplus from Statement of Comprehensive Income	2,975	2,975
Balance as at 1st April 2017	60,720	60,720
Surplus from Statement of Comprehensive Income	4,010	4,010
Balance at 31st March 2018	64,730	64,730

Parent

	Year Ended 31st March 2018	
	Income & Expenditure Reserve	Total
	£'000	£'000
Balance as at 1st April 2016	57,713	57,713
Surplus from Statement of Comprehensive Income	2,994	2,994
Balance as at 1st April 2017	60,707	60,707
Surplus from Statement of Comprehensive Income	4,011	4,011
Balance at 31st March 2018	64,718	64,718

The notes on pages 25 to 56 form an integral part of these accounts.

Equity Housing Group Limited
Statement of Cash Flows

	Year Ended 31st March 2018		Year Ended 31st March 2017	
	Group £'000	**Parent £'000**	**Group £'000**	**Parent £'000**
Net cash generated from operating activities (see Note 26)	10,050	10,073	7,273	7,169
Cash flow from investing activities				
Purchase of tangible fixed assets	(14,540)	(14,540)	(14,858)	(14,858)
Cash paid for replacement of components	(3,065)	(3,065)	(3,185)	(3,185)
Cash paid for purchase of other Fixed assets	(165)	(165)	(538)	(538)
Disposal of housing properties	1,787	1,787	1,492	1,492
Grants received	1,542	1,542	2,286	2,286
Interest received	1	1	17	17
Cash flow from financing activities				
Interest paid	(2,418)	(2,418)	(2,615)	(2,615)
Repayment of borrowings	(23,254)	(23,254)	(2,295)	(2,295)
Withdrawal from deposits	23,000	23,000	24,700	24,700
Net change in cash and cash equivalents	(7,062)	(7,039)	12,277	12,173
Cash and cash equivalents at beginning of the year	18,318	18,091	6,041	5,918
Cash and cash equivalents at end of the year (including Trust Fund)	11,256	11,052	18,318	18,091

The notes on pages 25 to 56 form an integral part of these accounts.

1. Principal Accounting Policies

Legal Status

Equity Housing Group Limited is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing (formerly the Homes and Communities Agency) as a Private Registered Provider of Social Housing. The registered office is Armitt House, Monmouth Road, Cheadle Hulme, Stockport, Cheshire, SK8 7EF. Equity Housing Group Limited's principal activities are the development and management of social housing.

The Group comprises the following entities:

Name	**Incorporation**	**Registered / Non-registered with the RSH**
Equity Housing Group Limited (EHG)	Co-operative and Community Benefit Societies Act 2014	Registered
Equity Enterprises Limited (EE)	Companies Act 2006	Non-registered

Basis of Accounting

The Group's financial statements have been prepared in accordance with applicable United Kingdom Accounting Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2014. The Group is required under the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969 to prepare consolidated Group accounts.

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 2015.

The accounts are prepared on the historical cost basis of accounting and are presented in sterling £'000 for the year ended 31st March 2018.

The Group's financial statements have been prepared in compliance with FRS102. The Group meets the definition of a public benefit entity (PBE).

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS102:

- No cash flow statement has been presented for the parent company,
- Disclosures in respect of parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole, and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

Basis of consolidation

The consolidated financial statements incorporate the results of Equity Housing Group Limited and all of its subsidiary undertaking as at 31st March 2018 using the merger method of accounting as required.

Principal Accounting Policies (continued)

Going concern
The Group's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. The Government's announcements in July 2015 impacting on the future income of the Group led to a reassessment of the Group's business plan as well as an assessment of imminent or likely future breaches in borrowing covenants. No significant concerns have been noted in the business plan updated for 2018/19 and therefore we consider it appropriate to continue to prepare the financial statements on a going concern basis.

Critical accounting judgements and key sources of estimation uncertainty
The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

a) **Development expenditure -** the Group capitalises development expenditure in accordance with the accounting policy described on page 29. Initial capitalisation of costs is based on management's judgement that each development scheme is confirmed, usually when Board approval has taken place, including access to the appropriate funding. In determining whether a project is likely to cease, management monitors each development and considers if changes have occurred that result in impairment.

b) **Categorisation of housing properties -** the Group has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Group has considered if the asset is held for social benefit or to earn commercial rentals.

c) **Pension and other post employment benefits** - the cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific sector. Future salary increases and pension increases are based on expected future inflation rates for the respective sector. Further details are given in note 12.

d) **Impairment -** the Group considers whether indicators of impairment exist in relation to tangible assets. Indicators considered include external sources of information such as market value, market interest rates and returns on investment, actual or proposed changes to the technological, economic or legal environment, obsolescence or damage to the asset, operational changes or internal reporting which indicates that the asset is performing worse than expected. The Group also considers expected future performance of the asset. Any impairment loss is charged to the Statement of Comprehensive Income. After the impairment tests there was no impairment recognised in the year.

   Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value or its value in use. A cash generating unit is normally a group of properties at scheme level whose cash can be separately identified.

Principal Accounting Policies (continued)

Following a trigger for impairment, the Group perform impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from sales transactions in an arm's length transaction on similar cash generating units (properties) or observable market prices less incremental costs for disposing of the properties. The value in use calculation is based on a discounted cash flow model.

The cash flows are derived from the business plan for the next 30 years and do not include restructuring activities that the Group is not yet committed to, or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

The Group has identified a cash generating unit for impairment assessment purposes at a property scheme level. The Group has identified VIU-SP as the recoverable amount for 153 properties. The method used to calculate VIU-SP and the key assumptions made in calculating this value are a) discount rate of 6% and b) void levels remain at the same proportion of rental income for the scheme over the 30 year period. The following assets were assessed for indications of impairment based on the high level of voids:

	Book value at 31st March 2018 £000	Recoverable amount £000
Hallowes Court	1,215	3,424
Chatsworth Lodge	1,410	4,566

Other key sources of estimation and assumptions:

Tangible fixed assets - tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Turnover and revenue recognition
Turnover represents:

- rental income receivable;
- amortised capital grant;
- revenue grants from local authorities and the Homes and Communities Agency;
- income from the sale of shared ownership and other properties developed for outright sale; and
- other income.

Turnover is recognised in relation to the period when the goods or services have been supplied.

Rental income is recognised when the property is available for let, net of voids. Income from property sales is recognised on legal completion.

Sales of properties developed for outright sale are included in Turnover and Cost of Sales.

Principal Accounting Policies (continued)

Support income and costs including Supporting People income and costs
Supporting People (SP) contract income received from administering authorities is accounted for as SP income in the Turnover as per note 2. The related support costs are matched against this income in the same note.

Support charges included in the rent are included in the Statement of Comprehensive Income from social housing lettings note 3 and matched against the relevant costs.

Service charges
Service charge income and costs are recognised on an accruals basis. The Group operates both fixed and variable service charges on a scheme by scheme basis in full consultation with residents. Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned or recovered they are held as creditors or debtors in the Statement of Financial Position.

Where periodic expenditure is required a provision may be built up over the years, in consultation with the residents. Until these costs are incurred this liability is held in the Statement of Financial Position within long term creditors.

Loan interest costs
Loan interest costs are calculated using the effective interest method of the difference between the loan amount at initial recognition and amount of maturity of the related loan.

Loan finance issue costs
Loan finance costs are amortised over the life of the related loan. Loans are stated in the Statement of Financial Position at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts amortised. Where loans are redeemed during the year, any redemption penalty and any connected loan finance issue costs are recognised in the Statement of Comprehensive Income in the year in which the redemption took place.

Taxation
Equity Housing Group Limited has charitable status and it is therefore not subject to Corporation Tax on surpluses secured from charitable activities. The trading subsidiary is subject to Corporation Tax on its surpluses.

Value Added Tax
The Group charges VAT on some of its income and is able to recover part of the VAT it incurs on expenditure. All amounts disclosed in the accounts are inclusive of VAT to the extent that it is suffered by the Group and not recoverable.

Principal Accounting Policies (continued)

Tangible fixed assets and depreciation

Housing properties
Tangible fixed assets are stated at cost, less accumulated depreciation. Donated land/assets or assets acquired at below market value from a government source, e.g. a local authority, are included as a liability in the Statement of Financial Position at the fair value less consideration paid.

Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion of construction.

Freehold land is not depreciated.

Where a housing property comprises two or more major components with substantially different useful economic lives (UELs), each component is accounted for separately and depreciated over its individual UEL. Expenditure relating to subsequent replacement or renewal of components is capitalised as incurred.

The Group depreciates freehold housing properties by component on a straight-line basis over the estimated UELs of the component categories. UELs for identified components are as follows:

Structure	100 years	Electrical	25 years
Roof	65 years	Boilers	15 years
Heating	20 years	Bathrooms	15 years
Windows and Doors	20 years	Kitchens	15 years
Solar Panels	20 years		

The Group depreciates housing properties held on long term leases in the same manner as freehold properties, except where the unexpired lease term is shorter than the longest component life envisaged, in which case the unexpired term of the lease is adopted as the useful economic life of the relevant component category.

Other Fixed Assets
Other Fixed Assets are stated at cost less accumulated depreciation.

Depreciation is charged on other fixed assets on a straight-line basis over the expected useful economic lives which are as follows:

Freehold Offices	100 years	Computer equipment	3 years
Additional works to Offices	3 years	Motor vehicles	5 years
Office furniture, fixtures & fittings	10 years		

Low cost home ownership properties
The costs of low cost home 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 the sale proceeds shown in turnover. The remaining element of the shared ownership property is accounted for as a fixed asset and subsequent sales treated as sales of fixed assets.

Capitalisation of interest and administration costs
Interest on loans financing development activities is capitalised up to the date of the completion of the scheme and only when the development activity is in progress.

Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the property into their intended use.

Principal Accounting Policies (continued)

Property managed by agents
Where the Group carries the majority of the financial risk on property managed by agents, income arising from the property is included in the Statement of Comprehensive Income.

Where the agency carries the majority of the financial risk, income includes only that which relates solely to the Group.

In both cases, the assets and associated liabilities are included in the Group's Statement of Financial Position.

Leasing and hire purchase
Where assets are financed by hire purchase contracts and leasing agreements that give rights approximating to ownership (finance leases), they are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as obligations to the lessor in creditors, and are depreciated over the shorter of the lease term and their useful economic lives.

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

Other leases are treated as operating leases and payments are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

Reverse premiums and similar incentives received on leases to enter into operating lease agreements are released to Statement of Comprehensive Income over the term of the lease.

Current asset investments
Current asset investments include cash and cash equivalents invested for periods of more than 24 hours. They are recognised initially at cost and subsequently at fair value at the reporting date. Any change in valuation between reporting dates is recognised in the Statement of Comprehensive Income.

Stock and properties held for sale
Stocks are stated at the lower of cost and net realisable value (net realisable value being the estimated selling price less costs to complete and sell). Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

Properties developed for outright sale are included in current assets as they are intended to be sold, at the lower of cost or estimated selling price less costs to complete and sell.

At each reporting date, stock and properties held for sale are assessed for impairment. If there is evidence of impairment, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in Statement of Comprehensive Income.

Short-term debtors and creditors
Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at the transaction price. Any losses arising from impairment are recognised in the Statement of Comprehensive Income in other operating expenses.

Principal Accounting Policies (continued)

Non-government grants
Grants received from non-government sources are recognised under the performance model. If there are no specific performance requirements the grants are recognised when received or receivable. Where grant is received with specific performance requirements it is recognised as a liability until the conditions are met and then it is recognised as Turnover.

Social Housing and other government grants
Where developments have been financed wholly or partly by social housing and other grants, the amount of the grant received has been included as deferred income and recognised in Turnover over the estimated useful life of the associated asset structure (not land), under the accruals model. Social Housing Grant (SHG) received for items of cost written off in the Statement of Comprehensive Income Account is included as part of Turnover.

When SHG in respect of housing properties in the course of construction exceeds the total cost to date of those housing properties, the excess is shown as a current liability.

SHG must be recycled by the Group under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by the Regulator of Social Housing. However, SHG may have to be repaid if certain conditions are not met. If grant is not required to be recycled or repaid, any unamortised grant is recognised as Turnover. In certain circumstances, SHG may be repayable, and, in that event, is a subordinated unsecured repayable debt.

Non-monetary government grant
On disposal, assets for which non-monetary government grants are held as liabilities in the Statement of Financial Position, the unamortised amount in creditors is derecognised and recognised as income in the Statement of Comprehensive Income.

Recycling of Capital Grant
Where Social Housing Grant is recycled, as described above, the SHG is credited to a fund which appears as a creditor until used to fund the acquisition of new properties, where recycled grant is known to be repayable it is shown as a creditor within one year.

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

Agreements to improve existing properties
Where the Group has entered into agreements to purchase property from a third party and subsequently enters into a sub-contracting agreement to carry out improvement works to the properties, the related assets and liabilities are shown at gross values unless the right of net settlement exists.

Retirement benefits
The cost of providing retirement pensions and related benefits is charged to management expenses over the periods benefiting from the employees' services.

The disclosures in the accounts follow the requirements of Section 28 of FRS 102 in relation to multi-employer funded schemes in which the Group has a participating interest.

Contributions payable under an agreement with the Social Housing Pension Scheme (SHPS) to fund past deficits are recognised as a liability in the Group's financial statements calculated by the repayments known, discounted to the net present value at the year ended using a market rate discount factor of 2.06% at 31st March 2016, 1.33% at 31st March 2017 and 1.72% at 31st March 2018. The unwinding of the discount is recognised as a finance cost in the Statement of Comprehensive Income in the period incurred.

Principal Accounting Policies (continued)

Financial Instruments
Financial assets and financial liabilities are measured at transaction price initially plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

At the end of each reporting period, financial instruments are measured as follows, without any deduction for transaction costs the entity may incur on sale or other disposal:

Debt instruments that meet the conditions in paragraph 11.8(b) of FRS 102 are measured at amortised cost using the effective interest method, except where the arrangement constitutes a financing transaction. In this case the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt.

Financial instruments held by the Group are classified as follows:

- Financial assets such as cash, current asset investments and receivables are classified as loans and receivables and held at amortised cost using the effective interest method; and
- Financial liabilities such as bonds and loans are held at amortised cost using the effective interest method.

Impairment of Financial Assets
Financial assets are assessed at each reporting date to determine whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

The following financial instruments are assessed individually for impairment:

(a) All equity instruments regardless of significance; and
(b) Other financial assets that are individually significant.

Other financial instruments are assessed for impairment either individually or grouped on the basis of similar credit risk characteristics.

An impairment loss is measured on the following instruments measured at cost or amortised cost as shown below:

(a) For an instrument measured at amortised cost, the impairment loss is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate; and
(b) For an instrument measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that the entity would receive for the asset if it were to be sold at the reporting date.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed either directly or by adjusting an allowance account. The reversal cannot result in a carrying amount (net of any allowance account) which exceeds what the carrying amount would have been had the impairment not previously been recognised. The amount of the reversal is recognised in profit or loss immediately.

Principal Accounting Policies (continued)

Categorisation of debt
All loans held by the Group are classified as basic financial instruments in accordance with FRS 102. They are measured at transaction price plus transaction costs initially and subsequently at amortised cost using the effective interest rate method. Loans repayable within one year are not discounted.

At both 31st March 2017 and 31st March 2018 the Group had undrawn loan facilities which included provision for a fixed rate loan which had a two-way break clause (i.e. in addition to compensation being payable by a borrower to a lender if a loan in prepaid where the prevailing fixed rate is lower than the existing loan's fixed rate, compensation could be payable by the lender to the borrower in the event that a loan is prepaid and the prevailing fixed rate is higher than the existing loan's fixed rate). The Financial Reporting Council (FRC) issued a statement on 2nd June 2016 in respect of such loans with no prescriptive direction as to whether they should be classified as 'basic' or 'non-basic'. On the grounds that the Group believes the recognition of each debt liability at cost provides a more transparent and understandable position of the Group's financial position and that each loan still satisfies the requirements of paragraphs 11.8 and 11.9 of FRS 102, the Group has retained its 'basic' treatment of its debt following the FRC announcement.

2 Particulars of turnover, cost of sales, operating expenditure and operating surplus

Group 2018	Turnover £'000	Operating costs £'000	Cost of sales £'000	Operating surplus £'000
Social housing lettings (note 3)				
Housing accommodation	18,672	(15,562)	-	3,110
Other social housing activities				
First tranche shared ownership sales	4,396	-	(2,391)	2,005
Non lettings	507	(371)	-	136
	23,575	(15,933)	(2,391)	5,251
Activities other than social housing				
Lettings	923	(308)	-	615
Non lettings	164	(257)	(52)	(145)
	1,087	(565)	(52)	470
Total	24,662	(16,498)	(2,443)	5,721

Group 2017	Turnover £'000	Operating costs £'000	Cost of sales £'000	Operating surplus £'000
Social housing lettings (note 3)				
Housing accommodation	18,232	(15,336)	-	2,896
Other social housing activities				
First tranche shared ownership sales	4,059	-	(2,644)	1,415
Non lettings	206	(168)	-	38
	22,497	(15,504)	(2,644)	4,349
Activities other than social housing				
Lettings	1,268	(778)	-	490
Non lettings	302	(214)	(44)	44
	1,570	(992)	(44)	534
Total	24,067	(16,496)	(2,688)	4,883

2 Particulars of turnover, cost of sales, operating expenditure and operating surplus

Parent 2018	**Turnover £'000**	**Operating costs £'000**	**Cost of sales £'000**	**Operating surplus £'000**
Social housing lettings (note 3)				
Housing accommodation	18,672	(15,562)	-	3,110
Other social housing activities				
First tranche shared ownership sales	4,396	-	(2,567)	1,829
Non lettings	507	(380)	-	127
	23,575	(15,942)	(2,567)	5,066
Activities other than social housing				
Lettings	888	(232)	-	656
Non lettings	-	-	-	-
	888	(232)	-	656
Total	24,463	(16,174)	(2,567)	5,722

Parent 2017	**Turnover £'000**	**Operating costs £'000**	**Cost of sales £'000**	**Operating surplus £'000**
Social housing lettings (note 3)				
Housing accommodation	18,232	(15,336)	-	2,896
Other social housing activities				
First tranche shared ownership sales	4,059	-	(2,634)	1,425
Non lettings	206	(120)	-	86
	22,497	(15,456)	(2,634)	4,407
Activities other than social housing				
Lettings	1,117	(623)	-	494
Non lettings	-	-	-	-
	1,117	(623)	-	494
Total	23,614	(16,079)	(2,634)	4,901

3 Particulars of turnover and operating costs from social housing lettings

Group and Parent	**General housing £'000**	**Supported and older persons housing £'000**	**Shared ownership £'000**	**Total 2018 £'000**	**Total 2017 £'000**
Income					
Rents receivable net of identifiable service charges and net of voids	10,164	2,322	2,603	15,089	15,034
Service charge income	913	817	910	2,640	2,276
Amortised government grants	503	143	297	943	922
Total turnover from social housing lettings	11,580	3,282	3,810	18,672	18,232
Operating expenditure					
Service charge costs	1,143	831	756	2,730	2,898
Management	4,142	990	1,449	6,581	4,834
Routine maintenance	1,286	322	129	1,737	1,751
Planned maintenance	307	102	30	439	624
Major repairs expenditure	338	2	-	340	1,605
Bad debts	51	13	4	68	93
Lease charges	96	-	37	133	142
Depreciation of housing Properties	2,335	653	425	3,413	3,059
Other costs	58	1	62	121	330
Total operating expenditure on social housing lettings	9,756	2,914	2,892	15,562	15,336
Operating surplus on social housing lettings	1,824	368	918	3,110	2,896
Void losses (being rental income lost as a result of property not being let, although it is available for letting)	161	33	-	194	221

4 Accommodation owned, managed and in development

	2018 No. of properties Group	2018 No. of properties Parent	2017 No. of properties Group	2017 No. of properties Parent
Social housing				
General needs housing social rent	1,750	1,750	1,739	1,739
General needs housing affordable rent	412	412	356	356
Housing for older people	605	605	593	593
Supported housing	120	120	163	163
Temporary social housing	16	16	12	12
Shared ownership accommodation	1,185	1,185	1,138	1,138
Leasehold schemes for the elderly	184	184	182	182
Do it yourself shared ownership	257	257	273	273
Non-social housing				
Non-social housing	126	126	132	132
Managed for other bodies	6	6	28	28
	4,661	4,661	4,616	4,616
Under development				
Housing accommodation	100	100	132	132
Shared ownership accommodation	61	61	69	69
	161	161	201	201

Accommodation managed by others

	Group	Parent	Group	Parent
Number of units	49	49	50	50

5 Gain/(loss) on disposal of property, plant and equipment (fixed assets)

Group	Shared Owner-ship £'000	Others £'000	Total 2018 £'000	Total 2017 £'000
Proceeds of sale	1,991	-	1,991	1,435
Less: Costs of sales	(547)	-	(547)	(442)
Surplus/(loss)	1,444	-	1,444	993
Capital grant recycled	(600)	-	(600)	(365)
	844	-	844	628

Parent	Shared Owner-ship £'000	Others £'000	Total 2018 £'000	Total 2017 £'000
Proceeds of sale	1,991	-	1,991	1,435
Less: Costs of sales	(547)	-	(547)	(442)
Surplus/(loss)	1,444	-	1,444	993
Capital grant recycled	(600)	-	(600)	(365)
	844	-	844	628

6 Interest receivable

	2018		2017	
	Group £'000	**Parent £'000**	**Group £'000**	**Parent £'000**
Interest receivable and similar income				
On financial assets measured at amortised cost:				
From current accounts	19	19	18	18
From short term deposits	19	19	4	4
	38	38	22	22

7 Interest and financing costs

	2018		2017	
	Group £'000	**Parent £'000**	**Group £'000**	**Parent £'000**
Defined benefit pension interest	39	39	64	64
On loans repayable within five years	674	674	443	443
On loans repayable or partly repayable in more than 5 years	1,879	1,879	2,250	2,249
Interest on recycled capital grant fund	3	3	-	-
Other finance costs	99	99		
Total interest payable	2,694	2,694	2,757	2,756
Less: capitalised interest	(226)	(226)	(199)	(199)
	2,468	2,468	2,558	2,557

The interest rate used to capitalise interest was 4.33% (2017: 4.51%).

8 Surplus for the year

	2018		2017 Restated	
	Group £'000	**Parent £'000**	**Group £'000**	**Parent £'000**
This is stated after charging:				
Auditors remuneration (excluding VAT)				
Audit of the Group financial statements	16	16	19	19
Fees payable to the auditors for other services to the Group (excluding VAT):				
Taxation compliance services	2	2	-	-
Service charge certification	8	8	10	10
Depreciation on housing properties	3,412	3,412	3,038	3,038
Depreciation on other fixed assets	338	338	416	416
Operating lease payments	12	12	11	11

The auditor's remuneration in 2017 has been restated as included costs in relation to prior periods.

9 Tax on surplus on ordinary activities

	Group	
	2018	**2017**
	£'000	**£'000**
a) Analysis of the charge in the year		
The tax charge on the surplus/(deficit) on ordinary activities for the year was as follows:		
Current tax:		
UK corporation tax charge for the year	-	-
Under/(over) provision in previous years	-	-
Total current tax	-	-
Deferred tax:		
Origination and reversal of timing differences	-	-
Tax on surplus on ordinary activities	-	-

b) Factors affecting tax charge for the period

	2018	2017
	£'000	**£'000**
Surplus/(deficit) on ordinary activities before tax	4,010	2,975
Surplus/(deficit) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017:20%)	762	595
Effects of:		
Expenses not deductible for tax purposes (primarily property depreciation, development expenditure and movement on sinking fund)	-	-
Income not subject to tax	(762)	(599)
Indexation on disposal of property	-	-
Increase/(decrease) in losses	-	-
Capitalised interest	-	-
Adjustment in respect of prior years	-	-
Gift aid paid in the accounting period but accounted for earlier	-	-
Increase in losses utilised	-	4
Current tax charge for the period	-	-

The Parent operates under charitable rules and therefore is exempt from UK corporation tax.

10 Key management personnel remuneration (Group & Parent)

Remuneration for the year ended 31st March 2018:

Members of the Board and the non-executive management team.

	2018					2017
	Basic Salary £'000	**Benefits in Kind £'000**	**Pension £'000**	**National Ins'nce £'000**	**Total £'000**	**Total £'000**
Carole Hassan – Chair	10	-	-	-	10	10
Susan Gambles – Vice Chair	8	-	-	-	8	7
Rebecca Asady	7	-	-	-	7	7
Joe Doherty	7	-	-	-	7	6
Ann Johnson	8	-	-	-	8	8
Paul Shevlin	5	-	-	-	5	5
Grenville Page	7	-	-	-	7	7
Taf Sharif	5	-	-	-	5	5
Thomas McDonald	6	-	-	-	6	7
Antony Gordon	5	-	-	-	5	5
Robert Sharp (Co-optee)	6	-	-	-	6	7
	74	-	-	-	74	74

Expenses paid during the year to Board Members totalled £10k (2017: £11k)

	2018 £'000	**2017 £'000**
The aggregate emoluments paid to Directors (including Employers National Insurance and Pension contributions)	364	453
The aggregate emoluments paid to Board members (Non-Executive Directors) including expenses	84	85
Compensation paid to former Directors for loss of office	35	127
The emoluments paid to the highest paid Director (including Employers National Insurance and Pension contributions, excluding loss of office payments)	166	113
The pension contributions paid to the Pensions Trust on behalf of the highest paid Director of the Parent (included above)	8	15
Expenses paid to Board members (Non-Executive Directors) Included in aggregate emoluments above	10	11

Key management personnel remuneration totalled £448k in the year end 31st March 2018 (2017: £533k).

The highest paid director in the period to 31st March 2018 is the Chief Executive (2017: Executive Director of Customer Services), who is an ordinary member of the Social Housing Pension Scheme (SHPS) detailed in note 12.2. The cost of the CEO's pension to the Group for the year was £8k (2017: £3k). No enhancements or special terms apply, nor does the group make any other contributions on their behalf.

10 Key management personnel remuneration (Group & Parent) (continued)

Directors (key management personnel) are defined as members of the Board, the Chief Executive, and the Executive Management Team (EMT) or its equivalent. The EMT includes the Strategic Directors of the business but not the Operational Directors.

11 Employee numbers

	2018		2017	
	Group	**Parent**	**Group**	**Parent**
The average number of persons employed during the year expressed in full time equivalents (35 hours per week) was:				
Administration	47	45	41	38
Development	8	8	9	9
Housing	68	63	65	60
	123	116	115	107
Office staff	114	107	107	99
Wardens, caretakers, cleaners	9	9	8	8
	123	116	115	107

12 Employee information

12.1 Staff costs

	2018		2017	
	Group	**Parent**	**Group**	**Parent**
Staff costs (for the above persons including Directors)	**£'000**	**£'000**	**£'000**	**£'000**
Wages and salaries excluding expenses	4,239	4,021	3,956	3,764
Social security costs	387	370	364	349
Pension costs	194	186	191	183
Pension deficit contribution	398	398	91	91
	5,218	4,975	4,602	4,387

Aggregate number of full time equivalent staff whose remuneration (including employer National Insurance and Pension contributions, expenses and compensation for loss of office) exceeded £60,000 in the period:

	2018 No.	**2017 No.**
£60,000 - £70,000	1.7	2.4
£70,001 - £80,000 (0.6 FTE in 2018 has now left EHG)	3.3	-
£80,001 - £90,000	2.0	-
£90,001 - £100,000	1.0	0.9
£100,001 - £110,000	-	1
£120,001 - £130,000	-	1
£150,001 - £160,000 (0.5 FTE in 2018 has now left EHG)	0.5	-
£160,001 - £170,000	1.0	0.5
	9.5	5.8

2018 numbers include Directors in post at the year-end, as well as those that served during the year.

Employee Information (continued)

12.2 Pension obligations - Social Housing Pension Scheme (SHPS)

The company participates in the scheme, a multi-employer pension scheme which provides benefits to some 500 non-associated employers. The scheme is a defined pension benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit pension scheme, therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30th December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out with an effective date of 30th September 2014. This actuarial valuation was certified on 23rd November 2015 and showed assets of £3,123m, liabilities of £4,446m, and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Deficit contributions

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

Note that the scheme's previous valuation was carried out with an effective date of 30th September 2011; this valuation was certified on 17th December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement, the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

12.2 Pension obligations - Social Housing Pension Scheme (SHPS) (continued)

Present values of provision

	31st March 2018 £000	31st March 2017 £000	31st March 2016 £000
Present value of provision	2,703	3,098	3,323

Reconciliation of opening and closing provisions

	Year Ending 31st March 2018 £000	Year Ending 31st March 2017 £000
Provision at start of year	3,098	3,323
Unwinding of the discount factor (interest expense)	39	64
Deficit contribution paid	(395)	(380)
Re-measurements - impact of any change in assumptions	(39)	91
Re-measurements - amendments to the contribution schedule	-	-
Provision at end of year	2,703	3,098
Due within one year	410	392
Due after more than one year	2,293	2,706

Income and expenditure impact

	Year Ending 31st March 2018 £000	Year Ending 31st March 2017 £000
Interest expense	39	64
Re-measurements – impact of any change in assumptions	(39)	91
Re-measurements – amendments to the contribution schedule	-	-

Assumptions	31st March 2018 % per annum	31st March 2017 % per annum	31st March 2016 % per annum
Rate of discount	1.72	1.33	2.06

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

12.2 Pension obligations - Social Housing Pension Scheme (SHPS) (continued)

The following schedule details the deficit contributions agreed between the Group and the scheme at each year end period:

Deficits contributions schedule

Year ending	31st March 2018 £'000	31st March 2017 £'000	31st March 2016 £'000
Year 1	410	395	380
Year 2	425	410	395
Year 3	381	425	410
Year 4	333	381	425
Year 5	344	333	381
Year 6	307	344	333
Year 7	267	307	344
Year 8	275	267	307
Year 9	142	275	267
Year 10	-	142	275
Year 11	-	-	142
Year 12	-	-	-
Year 13	-	-	-
Year 14	-	-	-
Year 15	-	-	-
Year 16	-	-	-
Year 17	-	-	-
Year 18	-	-	-
Year 19	-	-	-
Year 20	-	-	-

The Group must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as a finance cost in the period in which it arises.

It is these contributions that have been used to derive the Group's balance sheet liability.

12.3 Pension obligations – The Growth Plan

The company participates in the scheme, a multi-employer scheme which provides benefits to some 1,300 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme, therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30th December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30th September 2011. This valuation showed assets of £780m, liabilities of £928m and a deficit of £148m.

A full actuarial valuation for the scheme was carried out at 30th September 2014. This valuation showed assets of £793m, liabilities of £970m and a deficit of £177m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1st April 2016 to 30th September 2025:	£12,945,440 per annum (payable monthly and increasing by 3% each on 1st April)
From 1st April 2016 to 30th September 2028:	£54,560 per annum (payable monthly and increasing by 3% each on 1st April)

Unless a concession has been agreed with the Trustee the term to 30th September 2025 applies.

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

Where the scheme is in deficit and where the Group has agreed to a deficit funding arrangement, the Group recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

Present Value of Provision	**31st March 2018 £'s**	**31st March 2017 £'s**	**31st March 2016 £'s**
Present Value of Provision	14,784	17,535	19,517

12.3 Pension obligations – The Growth Plan (continued)

Reconciliation of opening and closing provisions

	Year Ended 31 March 2018 £000	Year Ended 31 March 2017 £000
Provision at start of year	18	19
Deficit contribution paid	(3)	(2)
Provision at end of year	15	17
Due within one year	3	-
Due after more than one year	12	17

Income and expenditure impact

	Year Ended 31 March 2018 £000	Year Ended 31 March 2017 £000
Interest expense (less than £1,000)	-	-
Re-measurements – impact of any change in assumptions (less than £1000)	-	-

Assumptions:

	31st March 2018 % per annum	31st March 2017 % per annum	31st March 2016 % per annum
Rate of discount	1.71	1.32	2.07

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

12.3 Pension obligations – The Growth Plan (continued)

The following schedule details the deficit contributions agreed between the Group and the scheme at each year end period:

Deficit contributions schedule

Year ending	31st March 2018 £000	31st March 2017 £000	31st March 2016 £000
Year 1	3	3	3
Year 2	3	3	3
Year 3	3	3	3
Year 4	3	3	3
Year 5	3	3	3
Year 6	-	3	3
Year 7	-	-	3
Year 8	-	-	-
Year 9	-	-	-
Year 10	-	-	-
Year 11	-	-	-
Year 12	-	-	-
Year 13	-	-	-
Year 14	-	-	-
Year 15	-	-	-
Year 16	-	-	-
Year 17	-	-	-
Year 18	-	-	-
Year 19	-	-	-
Year 20	-	-	-

The Group must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as a finance cost in the period in which it arises.

It is these contributions that have been used to derive the Group's balance sheet liability.

13 Tangible fixed assets

Group and Parent	Social housing properties for letting completed	Social housing properties for letting under construction	Shared ownership properties completed	Shared ownership properties under construction	Total housing properties	Freehold offices	Equipment, computer and motors	Other Assets WIP	Total
Cost	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1st April 2017	145,687	8,560	54,351	5,948	214,546	2,700	2,823	-	220,069
Additions	-	9,909	-	4,657	14,566	-	127	207	14,900
Reclassifications	2,879	(152)	(2,879)	152	-	-	-	-	-
Works to existing properties	2,765	-	111	-	2,876	-	-	-	2,876
Interest capitalised	-	141	-	85	226	-	-	-	226
Schemes completed	5,602	(5,602)	1,769	(1,769)	-	-	-	-	-
Disposals	-	-	(1,546)	-	(1,546)	-	-	-	(1,546)
Write out replaced components	(525)	-	-	-	(525)	-	-	-	(525)
Transfer to current assets	-	-	-	(2,201)	(2,201)	-	-	-	(2,201)
At 31st March 2018	156,408	12,856	51,806	6,872	227,942	2,700	2,950	207	233,799
Depreciation and impairment									
At 1st April 2017	26,460	-	4,466	-	30,926	65	2,082	-	33,073
Charged in year	3,023	-	389	-	3,412	25	312	-	3,749
Disposals	-	-	(114)	-	(114)	-	-	-	(114)
Write out replaced components	(410)	-	-	-	(410)	-	-	-	(410)
At 31st March 2018	29,073	-	4,741	-	33,814	90	2,394	-	36,298
Net book value at 1st April 2017	119,227	8,560	49,885	5,948	183,620	2,635	741	-	186,996
Net book value at 31st March 2018	127,335	12,856	47,065	6,872	194,128	2,610	556	207	197,501

13 Tangible fixed assets - continued

Housing Properties comprises:

	2018		2017	
	Group £'000	**Parent £'000**	**Group £'000**	**Parent £'000**
Freehold land and buildings	152,577	152,577	145,853	145,853
Long leasehold land and buildings	40,941	40,941	37,174	37,174
Short leasehold land and buildings	610	610	593	593
	194,128	194,128	183,620	183,620

Cost of properties includes:
Group : £442k (2017; £441k) for direct administration costs capitalised during the year

Parent: £442k (2017; £441k) for direct administration costs capitalised during the year

Expenditures on works to existing properties

	Group £'000	**Parent £'000**	**Group £'000**	**Parent £'000**
Replacement of components capitalised	2,876	2,876	2,191	2,191
Amounts charged to expenditure	780	780	1,600	1,600
	3,656	3,656	3,791	3,791

14 Stock

	2018 Group £'000	2018 Parent £'000	2017 Group £'000	2017 Parent £'000
Shared ownership properties:				
Work in progress	1,023	1,023	1,304	1,304
Completed	694	694	581	581
Non property stock	1	-	2	-
	1,718	1,717	1,887	1,885

15 Trade and other debtors

	2018 Group £'000	2018 Parent £'000	2017 Group £'000	2017 Parent £'000
Rent arrears and service charges	617	617	477	477
Less: provision for bad debts	(375)	(375)	(307)	(307)
	242	242	170	170
Amounts owed from group undertakings	-	-	-	61
Deferred tax	39	39	39	39
Other debtors	218	202	112	102
Prepayments and accrued income	833	833	94	94
	1,332	1,316	415	466

Debtors are all due within one year.

16 Cash and cash equivalents

	2018 Group £'000	2018 Parent £'000	2017 Group £'000	2017 Parent £'000
Unlisted investments – cash on deposit	806	806	795	795
	806	806	795	795
Cash and cash equivalents	8,749	8,682	16,135	16,023
Trust fund (cash to cover Leaseholder sinking funds, note 18)	2,507	2,370	2,183	2,068
	11,256	11,052	18,318	18,091

Unlisted investments include £806k (2017: £790k) held by counterparties as collateral for future interest payable on the £20m THFC bonds. Cash and cash equivalents included an amount of £9,850k in relation to a charged account in 2017.

17 Creditors: amounts falling due within one year

	2018		2017	
	Group £'000	**Parent £'000**	**Group £'000**	**Parent £'000**
Loan debt (note 18)	5,377	5,377	1,206	1,206
Trade creditors	276	270	294	292
Grants due within 12 months	1,099	1,099	922	922
Amounts owed to group undertakings	-	31	-	-
Rents and service charges paid in advance	1,094	1,088	995	990
Corporation tax	-	-	-	-
Other taxation and social security	184	120	140	110
Accruals and deferred income	1,150	1,118	1,478	1,469
SHPS pension agreement plan	413	413	398	398
Other creditors	561	566	467	463
Loan interest payable	306	306	159	159
Capital creditors	1,733	1,733	1,542	1,542
	12,193	12,121	7,601	7,551

18 Creditors: amounts falling due after more than one year

	2018		2017	
	Group £'000	**Parent £'000**	**Group £'000**	**Parent £000**
Loans	47,683	47,683	52,109	52,109
Recycled capital grant fund (note 20)	930	930	657	657
Leaseholder sinking funds	2,507	2,370	2,184	2,069
SHPS pension agreement plan	2,305	2,305	2,718	2,718
Grant due after 12 months (note 19)	82,265	82,265	82,422	82,422
	135,690	135,553	140,090	139,975

Debt analysis

Loans repayable by instalments:				
Within one year	1,032	1,032	1,206	1,206
In one year or more but less than two years	910	910	2,600	2,600
In two years or more and less than five years	2,277	2,277	2,593	2,593
In five years or more	12,763	12,763	12,697	12,697
	16,982	16,982	19,096	19,096

Creditors: amounts falling due after more than one year (continued)

Loans not repayable by instalments:				
Within one year	4,345	4,345	-	-
In one year or more but less than two years	8,227	8,227	-	-
In two years or more and less than five years	-	-	9,914	9,914
In five years or more	23,506	23,506	24,305	24,305
Total loans	53,060	53,060	53,315	53,315

These loans are secured by specific charges on the Group's housing properties and are repayable at varying rates of interest. The interest rate profile of the Group at 31st March 2018 was:

	Total	**Variable Rate**	**Fixed Rate**	**Weighted Average Rate %**	**Weight Average Term Years**
Instalment loans	16,982	4,129	12,853	4.62%	19
Non-instalment loans	36,078	16,878	19,200	4.35%	15
	53,060	21,007	32,053	4.48%	17

19 Deferred capital grant

	2018		**2017**	
	Group £'000	**Parent £'000**	**Group £'000**	**Parent £000**
At start of the year	83,344	83,344	82,345	82,344
-Grant received in the year				
Housing Properties	1,406	1,406	1,504	1,504
Recycled Capital Grant Fund	136	136	782	782
-Grants recycled during the year				
Recycled Capital Grant Fund	(735)	(735)	(365)	(365)
Amortised Grant	(943)	(943)	(922)	(921)
At the end of the year	83,208	83,208	83,344	83,344
Amount due to be released <1 year	943	943	922	921
Amount due to be released >1 year	82,265	82,265	82,422	82,423

20 Recycled capital grant fund

	2018		2017	
	Group £'000	**Parent £'000**	**Group £'000**	**Parent £000**
At start of the year	657	657	357	357
Inputs to fund:				
Grants recycled from deferred capital grants fund	561	561	365	365
Interest accrued	4	4	1	1
Transfers from other Private Registered Providers	-	-	716	716
Recycling of grant:				
New build properties	(136)	(136)	(782)	(782)
At the end of the year	1,086	1,086	657	657
Amount three years or older where repayment may be required	-	-	-	-
Amount due to be released <1 year	156	156	-	-
Amount due to be released >1 year	930	930	657	657

21 Called up share capital

	2018		2017	
	Group £	**Parent £**	**Group £**	**Parent £**
Allotted, issued and full paid				
At the start of the year	18	18	19	19
Issued during the year	-	-	-	-
Cancelled during the year	(4)	(4)	(1)	(1)
At the end of the year	14	14	18	18

22 Capital commitments

	2018		2017	
	Group	**Parent**	**Group**	**Parent**
	£'000	**£'000**	**£'000**	**£'000**
Expenditure that has been contracted for but not provided for in the financial statements	13,005	13,005	16,770	16,770
Expenditure authorised by the Board but not yet contracted for	5,240	5,240	4,665	4,665
	18,245	18,245	21,435	21,435
The Group expects these commitments to be financed with:				
Social housing grant	1,287	1,287	1,662	1,662
Proceeds from sales of properties	6,877	6,877	8,883	8,883
Committed loan facilities	10,081	10,081	10,890	10,890
	18,245	18,245	21,435	21,435

23 Operating leases

The Group holds properties and office equipment under non-cancellable operating leases. At the end of the year the Group had commitments of future minimum lease payments as follows:

	2018		2017	
	Group	**Parent**	**Group**	**Parent**
	£'000	**£'000**	**£'000**	**£'000**
Land and buildings:				
In one year or less	3	3	11	11
In one year or more but less than two years	3	3	3	3
In two years or more and less than five years	8	8	8	8
In five years or more	89	89	91	91
	103	103	113	113
Office Equipment:				
In one year or less	5	5	-	-
In one year or more but less than two years	5	5	-	-
In two years or more and less than five years	14	14	-	-
In five years or more	-	-	-	-
	24	24	-	-

24 Social housing grant

	2018		2017	
	Group £'000	**Parent £'000**	**Group £'000**	**Parent £'000**
The total accumulated government grant and financial assistance received or receivable at 31st March:				
Held as deferred capital grant (note 19)	83,208	83,208	83,344	83,344
Recognised as income in Statement of comprehensive income	943	943	922	921
	84,151	84,151	84,266	84,265

25 Financial instruments

The Group and Parent had the following financial instruments:

	2018		2017	
	Group £'000	**Parent £'000**	**Group £'000**	**Parent £000**
Financial assets measured at fair value through profit or loss:				
Investments stated at market value	-	-	-	-
Financial assets that are debt instruments measured at amortised cost:				
Cash at bank and in hand	8,749	8,682	6,285	6,173
Trade debtors	-	-	-	-
Fixed asset investments	-	-	-	-
Social Housing Grant receivable	-	-	-	-
Rental and service charge debtors	242	242	170	170
Prepayments and accrued income	833	833	94	94
Other debtors	212	202	112	102
	10,036	9,959	6,661	6,539
Financial assets that are equity instruments measured at cost less impairment:	-	-	-	-
Financial liabilities measure at fair value through profit or loss:				
Derivative financial instruments	-	-	-	-
Derivative financial instruments designated as hedges of variable interest rate risk:	-	-	-	-
Financial liabilities at amortised cost:				
Loans	53,060	53,060	53,315	53,315
Finance leases	-	-	-	-
Trade creditors	276	270	294	292
Recycled capital grant fund	1,086	1,086	657	657
Deferred capital grant fund	83,208	83,208	83,344	83,344
Accruals and deferred income	1,150	1,118	1,478	1,469
Disposal proceeds fund	-	-	-	-
	138,780	138,742	139,088	139,077

26 Cash flow from operating activities

	2018		2017	
	Group £'000	Parent £'000	Group £'000	Parent £'000
Operating surplus for the year	6,440	6,441	4,880	4,898
Adjustments for non-cash items:				
Depreciation of tangible fixed assets	3,749	3,749	3,475	3,475
Amortisation of grants released income	(943)	(943)	(922)	(922)
Decrease/(increase) in stock	169	168	(1,376)	(1,374)
Decrease/(increase) in trade and other debtors	(917)	(850)	329	240
Increase/(decrease) in trade and other creditors	(253)	(288)	661	626
Pension costs less contributions payable	532	523	226	226
Carrying amount of tangible fixed asset disposals	1,273	1,273	-	-
Net cash generated from operating activities	10,050	10,073	7,273	7,169

27 Intra group management fees

Intra-Group management fees are receivable by the parent from its subsidiary to cover the marginal running costs the parent incurs on behalf of managing its subsidiary and providing services. The management fee is calculated and allocated on a percentage of staff costs for the following services:

Service provided
Communications and marketing
Management

Other intra-group charges
Other intra-group charges are payable to the Group at cost.

Transactions with registered and non-registered elements of the business

In accordance with the Accounting Direction 2015, transactions between private registered providers and other non-registered entities in the Group are disclosed as follows:

Equity Enterprises	Turnover £000	Operating Expenses £000	Other Creditors £000	Other Debtors £000
2018	270	64	-	31
2017	232	63	61	-

During the year the Group incurred costs amounting to £270k (2017: £232k) which were re-charged by its subsidiary Equity Enterprises Limited (formerly Provincial Housing Association Limited, a non-regulated entity) for estate agency services on the sale of shared ownership properties.