a2dominion group

Annual Report & Accounts 2018

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INVESTORS IN PEOPLE | Gold

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CO-0718-0126

A2Dominion Housing Group Ltd
(an exempt charity registered under the Co-operative & Community Benefit Societies Act 2014 Sco. No. 28985R, RSH Reg. L4240).

Registered Office: The Point, 37 North Wharf Road, London W2 1BD

Front cover image
Queen's Wharf,
Hammersmith, London.

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Our vision is simple –
to improve people's lives through high-quality homes and services.

Highlights

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Queen's Wharf, Hammersmith

Orchard Cafe, Green Man Lane

Chair's Report

Welcome to A2Dominion's Annual Report & Accounts.

This is my first annual report as Chair of A2Dominion Group and I'm delighted to share with you all the work we've done in 2017/18. We've had another very successful year, delivering strong operational and financial results once again.

We continue to focus on delivering high-quality homes and places, providing customer-led services, investing in our homes and local communities, and strengthening our business.

We achieved a surplus of £92.5m and completed 954 new homes - 200 more homes than in the previous year. Through our private sale homes and joint venture partnerships we made £44.9m for reinvestment into our affordable development programme and achieved a 83% satisfaction rate with our customer contact centre. In the last year alone, we were able to provide 221 affordable rented and 101 shared ownership homes.

Our private rent offering has grown, with a further 226 homes added to our portfolio this year, bringing the total number in management to 1,100.

With more than 7,800 homes in development and 10 joint venture partnerships in place with other developers, we continue to strengthen our commercial activities to support our social purpose.

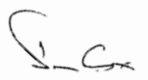
As a business, we want to continue to play a growing and market-leading role in the housing sector. To help us achieve this, our £20m change programme, Fit for the Future, is helping us become more responsive to our customers' needs and expectations, whilst making the Group more efficient and more profitable. The first phase started in early 2018, following the appointment of PowerObjects as our change partner.

Given the events of 2017 it seems only right to acknowledge the work we've done to keep our residents safe since the tragic incident at Grenfell Tower. In the year since the incident we have completed new Fire Safety Risk Assessments and have completed all priority works. We are also continuing with intrusive exterior surveys of our tall buildings, and have organised a fire safety training conference for all housing management staff.

We're committed to keeping our residents and our staff safe, and we will continue to do all we can to make sure there are as many preventative fire measures in place as possible.

Finally, we were very proud to retain our Investors in People Gold award accreditation for the third year running. The award recognises our commitment to our people and their careers with us, helping to ensure that A2Dominion is a great place to work. This includes investing in the development of our people, which is why all of our managers have been given additional training so that they feel skilled enough to lead us through our organisational changes.

I would like to take the opportunity to thank our partners and customers, my Board and committee member colleagues, our executives and employees. Working together, I look forward to doing even more over the next 12 months.



Ian Cox
Chair

A2Dominion at a glance

£92.5m
surplus

37,248
properties owned or managed

7,817
homes in development

£8.8bn
open market asset base

WHO WE ARE

We are a residential property group with a social purpose. Whilst we take a commercial approach to housebuilding, we reinvest all of our profits into building more new homes and supporting the communities where we work.

With over 37,000 homes across London and southern England and a diverse property portfolio, we build award-winning affordable homes. This includes private and social rented homes, student, NHS and temporary accommodation, as well as supported housing and homes for older people.

We also build high-quality sustainable homes for sale and shared ownership through our FABRICA by A2Dominion brand.

FABRICA by A2Dominion is our brand for marketing many of our new homes which are available for private sale and shared ownership.

www.fabrica.co.uk

Pyramid Plus is the name of our asset management companies that provide services to the private, public and not-for-profit sectors.

www.pyramidplus.co.uk

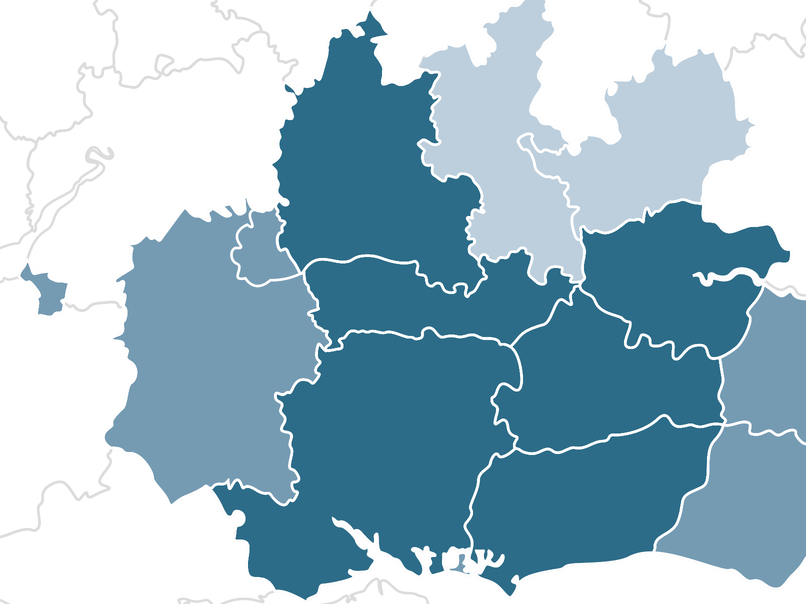
WHAT WE DO

We are committed to working towards our four key business objectives:

1. Providing high-quality new homes and places
2. Delivering customer-led services
3. Investing in homes and communities
4. Strengthening our business

WHY WE DO IT

To improve people's lives through quality homes and services.



Number of properties in management and development:

- 1,000+
- 100-999
- 0-99
- No activity at present

Building homes and creating communities

We build award-winning homes to suit a range of housing needs.

954
new homes built

£44.9m
private sale and joint venture surplus

£81.5m
new joint venture with Crest Nicholson

EXPANDING OUR PORTFOLIO

Our development portfolio is diverse, and we now have over 7,800 homes in development, our highest ever.

In the last year, we built 954 new homes for affordable rent, shared ownership, private rent and private sale. We generated £44.9m of surpluses from our in-house and joint venture private sales to re-invest in future years, an increase from £25.2m in 2016/17.

We continue to expand our private rent portfolio, with over 1,100 properties in management and a further 310 due in the coming year.

WORKING TOGETHER

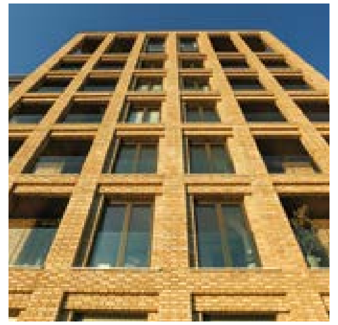
We have agreed three new joint ventures in the last year, including a £81.5m partnership with Crest Nicholson as part of the exemplar phase of NW Bicester to provide 232 new homes. With Nicholas King Homes we will deliver 260 homes in the South East and up to 1,500 homes in London with Mount Anvil.

SECURING LAND

We purchased land for six new developments in Ealing, Hillingdon, Camden and Southwark, that will deliver a total of 2,562 homes.

We also achieved planning permission for six new developments across London and southern England, which together will create 987 new homes.

Elmsbrook, NW Bicester, Oxfordshire



Queen's Wharf
Hammersmith

Case study: A new community in Horley

Westvale Park is a new development in Horley in the heart of leafy Surrey.

Goncalo, Cristina and their six-year-old son Tomas Baretto moved into their first family home at the development in early 2018, which was marketed through our FABRICA by A2Dominion brand.

Settling in quickly, the couple have been impressed by the design and quality of their new home and the community feel of the area.

Goncalo said: "We love the architecture, the white details on the front of the house, the spacious rooms, the lovely view from the property and, most importantly, the excellent location."

Case study: Regenerating Stanwell

A £50m regeneration project has transformed a temporary post-war housing estate into hundreds of high quality new homes over 10 years.

Working in partnership with Spelthorne Borough Council, A2Dominion has created 326 new homes at the Stanwell New Start regeneration in Surrey, along with a raft of new community facilities and open spaces.

An important part of the regeneration was the creation of the Stanwell Rose Community Centre, which offers a variety of events and classes for the local community.

Local resident Valerie Doy, 76, frequently uses the community centre.

She said: "I really like the community here and I love our home. We have a patio that faces onto a communal garden on the court and the staff at the centre are like family. We have no complaints about the service from A2Dominion. They provided us with housing quickly and the service has always been good."

Maria Petri of Hersham, Walton-on-Thames

Putting people first

People are at the heart of what we do. Our homes and services are created with the needs of our customers in mind.

83%
customer satisfaction

£5.8m
in financial support for customers

£1m
extra income from new care and support contracts

CUSTOMER SATISFACTION

Customer satisfaction with calls to our contact centre was 83%, while satisfaction with our responsive repairs service rose to 86% - an increase of more than 3% from the previous year. We continued to increase the speed of our repairs service, with standard repairs completed in 10 days on average and urgent repairs within 23 hours, ahead of target.

FINANCIAL SUPPORT FOR CUSTOMERS

We secured £5.8m of extra housing benefits, grants and charity payments for our customers, an increase from £5.5m the previous year. In total, 99% of customers who received this type of tenancy sustainment and digital inclusion support from us said their income has improved.

CARE AND SUPPORT

We won and retained several care and support contracts with a value of more than £1m. This includes providing services and accommodation for domestic abuse victims, vulnerable young people and young parents, extra care housing for older residents and supporting homeless people.

CUSTOMER ADVISORY PANEL

At the end of the year, we set up our Customer Advisory Panel (CAP), consisting of customers, industry experts and A2Dominion Board members.

The panel aims to help improve our services and communications by taking part in regular meetings, advising on customer projects and testing new services.

Rathbone Apartments, Westminster

Investing in homes and local communities

We invest in building safe and sustainable communities, making a difference to thousands of people's lives.

£24.7m
invested into upgrading our existing homes

2,051
people participated in our community investment programmes

£35,000
donated to support entrepreneurs

UPGRADING OUR HOMES

We invested £24.7m in maintaining our homes, including upgrading and replacing kitchens, bathrooms and heating systems in more than 600 properties.

COMMUNITY INVESTMENT

Over 1,000 residents took part in our health and wellbeing programmes, whilst 1,033 engaged in our employment, enterprise and educational programmes.

We invested £35,000 into our Dragon's Den-style business enterprise programme, supporting budding entrepreneurs with mentoring and grant funding to launch or expand their businesses.

FINANCIAL RESPONSIBILITY

Working in partnership with Catalyst Housing, we secured over £480,000 to maintain a financial responsibility programme, which provides help to residents with debts, overdrafts and savings. The programme runs in Spelthorne, Ealing and Brent.

LOOKING AFTER THE COMMUNITY

Between 2018 and 2019, we will be reviewing our environmental services supplier contracts, including communal cleaning, gardening and decorating services. We will be contacting customers regularly with updates between now and then.

Case study: Community investment

Getting a business off the ground can be hard, which is why our experts give their time to help our residents make their dreams a reality.

We have supported 35 residents to start their own businesses since launching our Dragon's Den-style enterprise programme in 2012.

The scheme offers business mentoring, support and investment to budding entrepreneurs. We have invested £75,000 to date.

A2Dominion resident Coretta Scott, 42, is one of the people who has benefitted from this scheme.

Entering the programme in September 2016, Coretta completed six months of weekend workshops and mentoring before successfully pitching the business plan for her hair care brand, Lena Maye, to a panel of judges in March 2017.

She secured a £3,000 grant to help develop the business which has been put towards branding and labelling, a product photoshoot, the UK trademark registration and accountancy costs.

Coretta is now finalising mixture and ingredient details with her research and development chemist as well as preparing to launch a website.

Coretta says: "A2Dominion is a fantastic housing company which cares about its residents and the communities they live in.

"I'll always be grateful to A2Dominion for running the enterprise programme. They invest in people and help change lives!"

(L-R) **Steve Michaux** (Director of Residential Services), **Coretta Scott, and Dawn Wightman** (Director of Housing Services)

Top
Concierge, Keybridge, Vauxhall

Bottom and right
Queen's Wharf, Hammersmith

A stronger organisation

We're known for our financial strength and delivering results for both customers and investors.

£92.5m
surplus

£20m
investment in businesss transformation programme

£2bn
total loan facilities

TRANSFORMING OUR BUSINESS

In 2017 we launched a £20m transformation programme, Fit for the Future, which will help our business to become more responsive to customers' needs and expectations, whilst making us more efficient and more profitable.

Working in partnership with PowerObjects, a HCL technologies company, we will build and implement new technology and ways of working that will transform the way we operate and provide the foundations for future growth.

FINANCIALLY STRONG

We achieved a surplus of £92.5m and an operating margin of 33%. We also retained our Fitch A+ credit rating, one of the highest in our sector. Through improvements to our ways of working, streamlining systems and procurement of contracts, we made efficiency savings of over £11.2m.

NEW FUNDING

We worked with leading financial groups, MUFG, BNP Paribas and HSBC, to agree three £50m loans that will mature in 2023. From 2018/19 these loans will enable us to continue our growth and take on new development opportunities.

We also agreed a £60m loan with IFM Investors, a global provider of investment services. The privately-financed investment, issued as a nine-year floating-rate note due 2027, is IFM Investors' first in the affordable housing sector.

INVESTING IN OUR PEOPLE

We retained our Investors in People (IiP) Gold Standard accreditation for the third time, following a review by assessors, placing us in the top 16% of IiP-recognised organisations across the UK.

Development portfolio

We are proud to build communities, not just homes, which is why we build with people in mind.

Jubilee Meadows, Walton-on-Thames

Jubilee Meadows is a shared ownership scheme in Hersham, Walton-on-Thames. In partnership with Bewley Homes, the scheme will provide 296 properties, including 128 affordable homes. The one, two, three and four-bedroom properties will assist Elmbridge Borough to meet 28% of its housing needs over a five-year period.

Boston Road, Hanwell

Boston Road in Hanwell, west London, will offer 283 homes for affordable rent, shared ownership and sale, within walking distance of Hanwell train station. The development will provide studios and one, two and three-bedroom apartments plus garden terraces and play spaces for children. Planning permission was granted in January 2018.

Beechwood Grove, Caversham

Beechwood Grove is our new independent living development for over 55s in Caversham. The mixed-tenure scheme, a partnership with Reading Borough Council, will provide 27 apartments for sale and 16 homes for rent and is due for completion in late 2018. Once completed it will offer bespoke care and support packages, and communal amenities.

Stanwell New Start, Spelthorne

Stanwell New Start is our 10 year regeneration programme in Spelthorne, Surrey. It completed in 2018 and now provides 282 houses and flats, replacing 174 post-war prefabricated properties. The development also benefits from a community centre, as well as a 44-bed extra care scheme. A well-designed street network and a series of parks with distinct identities and uses have helped create an attractive place to live and reintegrated the neighbourhood into the fabric of the surrounding area.

Arlington Lofts, Camden

Arlington Lofts is the partial refurbishment of a 1930s electricity substation with large, warehouse-style windows, providing 21 apartments only 150m from Camden Town station. The development consists of 16 private sale and five affordable rent homes and is structured around a wide open courtyard.

Jigsaw, West Ealing

Jigsaw in West Ealing is a 13-year project, replacing 464 flats with over 770 one to four-bedroom homes. Construction started in 2010 and 363 homes, a neighbourhood energy centre, a primary school and a community café have been provided, with the next two phases in progress.

Redcliff Quarter, Bristol

Redcliff Quarter is our third private rent scheme in Bristol and is our largest scheme in the South West.

The major regeneration project is part of a deal with Change Real Estate. Phase one has already provided 128 apartments for private rent and phase two will start in summer 2018 and will offer a further 118 apartments.

NW Bicester, Oxfordshire

NW Bicester is the only true zero carbon development of its size and will offer more than 6,000 homes once completed. In 2017, we announced an £81.5m joint venture with Crest Nicholson to deliver 232 homes as part of a continuation of the exemplar phase, Elmsbrook. Of the new homes, 30% will be affordable, with the remaining available for private ownership.

Fellows Square, Cricklewood

Fellows Square borders the £4.5bn Brent Cross Cricklewood regeneration. The scheme will deliver 230 homes for private sale, private rent, shared ownership and affordable rent, and will eventually be within a five-minute walk of a new Thameslink station. The development will be enhanced by commercial space, including a gym, crèche and offices.

Keybridge, Vauxhall

Keybridge in Vauxhall will be the UK's tallest residential brick tower at 37-storeys and is a joint venture partnership with Mount Anvil. Together, we are regenerating the former BT Tower site within London's Nine Elms Battersea Opportunity Area, delivering 9,000 sq m of commercial space, a new primary school and 595 mixed-tenure homes. The first phase homes were available in January 2018 with the remaining properties completing in early 2021.

Queen's Wharf, Hammersmith

Queen's Wharf, a redevelopment of the former Riverside Studios, was our first joint venture with Mount Anvil. The scheme, which completed in March 2018, is located on the River Thames beside the Grade II listed Hammersmith Bridge. The 165 new waterfront apartments, as well as a state-of-the-art media centre, have revived the area and reintroduced its creative past. The development was highly commended at the 2018 London Evening Standard New Homes Awards.

Packham Mews, Hounslow

Packham Mews is a new development in Hounslow that has transformed a former army barracks. The scheme consists of five adjoining town houses and a bungalow, as well as shared ownership apartments and affordable rented homes. The new development is located on a quiet residential street backing the tree-lined Inwood Park.

Bath Road, Hounslow

A site of a former supermarket will be developed to provide a 176-home residential scheme with 100% affordable housing. The scheme will provide 50% affordable rent and 50% shared ownership homes and will also include a small food store. Work on the site starts in early 2019 and is due to be completed in 2021.

Strategic report

Strategic report

Elmsbrook, NW Bicester, Oxfordshire

Overview of the business

The A2Dominion Group is a large housing organisation in southern England, operating in London and throughout the South East with its head office in central London. Other key office locations are Ealing, Bromley and Oxford from where A2Dominion Homes operates, and Staines-upon-Thames and Winchester from where A2Dominion South operates.

A2Dominion Housing Group Limited, as the parent association, provides the strategic direction, along with central, financial and development services. During the year ended 31 March 2018 the Group consisted of three social landlords:

A2Dominion Homes and A2Dominion South, who are charitable organisations operating within these main business areas:

- long-term rented housing for people who are unable to afford to rent or buy in the open market;
- sheltered and supported housing and care for those who need additional support;
- temporary housing for those who would otherwise be homeless;
- low-cost home ownership housing, particularly shared ownership; and
- student accommodation, key worker accommodation and private rented homes.

A2Dominion Housing Options, a non-charitable organisation providing low-cost home ownership homes, particularly shared ownership.

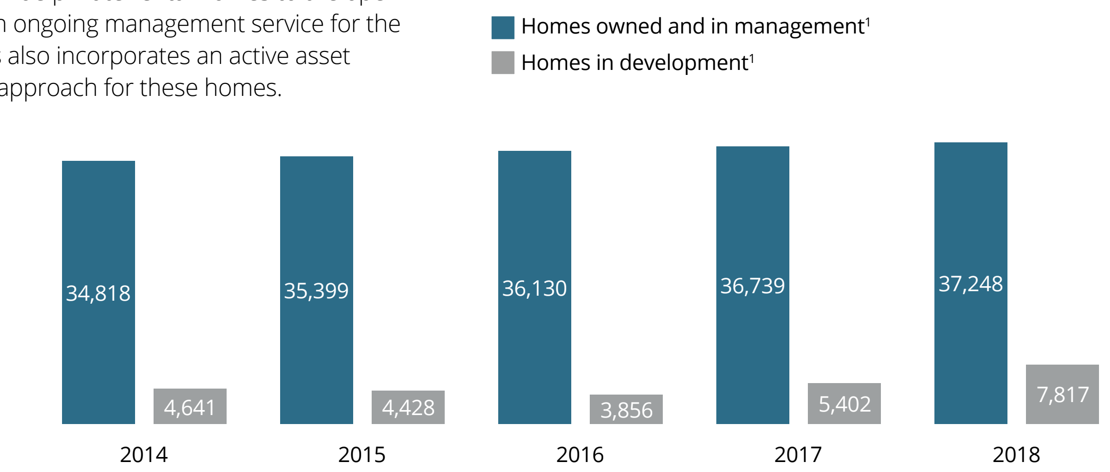
The commercial division consists of **A2Dominion Developments Limited**, developing homes for private sale and homes for affordable rent, shared ownership and private rent that are sold to members of the Group to manage. These activities generate profits which are reinvested in the provision of affordable housing, enabling the Group to grow organically through the development of mixed-tenure schemes. A2Dominion Developments Limited has also entered into eight development scheme joint ventures (see page 87)

The Group has established **A2Dominion Residential Limited** to provide private rental homes to the open market with an ongoing management service for the residents. This also incorporates an active asset management approach for these homes.

The Group's new homes for private sale and shared ownership are marketed under its FABRICA by A2Dominion brand.

At 31 March 2018 the Group looked after **37,248** homes including offices, commercial space, garages and community spaces.

The full open market value of these properties owned is £8.8 billion, significantly in excess of the homes' original historic cost of £3.1 billion.



[1] Note 5

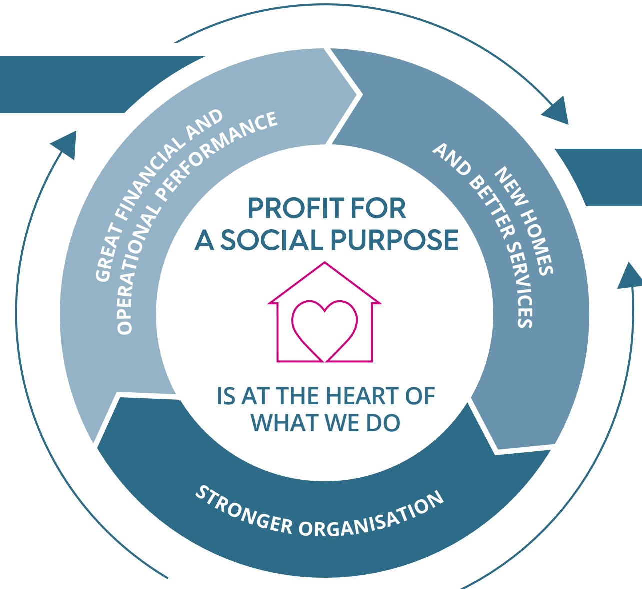
Strategic objectives

The Group has revisited its business strategy to provide clarity on its focus up to 2020. Whilst its objectives have not changed, the approach to how the organisation delivers its profit for a social purpose has been clarified.

PROFIT

WE GENERATE SIGNIFICANT PROFITS from a wide range of activities, particularly from private sales and landlord services.

- Rent
- Sales
- Services
- In 2017/18, we achieved a turnover of £300.7m and a surplus of £92.5m



FUNDING

WE USE OUR EXISTING ASSETS AND PROPERTY PORTFOLIO BASE TO ATTRACT FUNDING FROM LENDERS

REINVESTMENT

EACH YEAR WE WILL USE OUR PROFITS TO DEVELOP AROUND 900 NEW HOMES, rising to 1,200 by 2020, across a range of tenures. In fact, for every affordable rented home we build, we contribute up to £120,000.

- Families on low incomes
- Meeting the growing demand for privately rented homes
- Shared ownership homes helping people get onto the housing ladder
- Local communities
- Vulnerable people
- Improving existing homes and services
- Investing in the new Fit for the Future programme

The Group is committed to continued work towards its four key business objectives in order to achieve the business strategy up to 2020. These objectives and priorities are as follows:

PROVIDING NEW HIGH-QUALITY HOMES AND PLACES:

- developing up to 1,200 new homes a year by 2020 by leveraging its resources.
- retention of its current 37,000 plus properties under management with no anticipated further stock rationalisation.

INVESTING IN HOMES AND LOCAL COMMUNITIES:

- continuing with current plans to build around 40% for private sale and 60% split between rented (affordable and private) and shared ownership properties.
- focusing on building great places to live by providing well-designed larger housing schemes with a strong sense of community, regardless of tenure.

DELIVERING CUSTOMER-LED SERVICES:

- developing a clear, simple and consistently well-delivered customer offer, regardless of tenure, scheme or location.
- providing more flexible services to suit its different customers' needs by responding quicker when things go wrong and offering greater choice.
- providing subsidised services with wider community benefits by delivering care and support for vulnerable people and investment in the local communities.

STRENGTHENING THE BUSINESS:

- continuing to invest in attracting, developing and retaining great people to create a talented workforce.
- continuing to enhance its approach to risk management and compliance, maintaining a strong position by taking a sensible and pragmatic approach to opportunities and threats.
- investing in technology and standardising business processes alongside updating the organisational design in order to improve customer experience as well as increasing efficiency and integration across the business.

To support the delivery of these objectives the Board agreed to invest significantly into a business transformation programme, Fit for the Future. This programme commenced in January 2018 and will transform the way the organisation works and significantly improve the services it provides to its customers over the next few years. A2Dominion will become more efficient, profitable and responsive to customer expectations whilst making it easier for its staff to do their roles. To support this transformation all managers have completed a leadership programme, providing them with the tools and skills to lead their teams through the forthcoming changes. The benefits from the Fit for the Future programme form part of the Group's value for money long-term targets.

Governance and regulation

The Group operates a virtual board structure which allows the Board to oversee all areas of performance whilst delegating roles to its committees. Within the virtual board structure the Board acts on behalf of its subsidiaries, A2Dominion Homes Limited, A2Dominion South Limited, A2Dominion Housing Options Limited and A2Dominion Residential Limited. The committees listed below oversee the activities of these subsidiaries through their delegated roles.

The Group's structure that has been in place since 1 April 2017 consists of:

- Audit, Risk and Assurance Committee
- Treasury Committee
- Governance and Remuneration Committee

The Treasury Committee has the specific role of ensuring effective management of the Group's treasury function whilst the Group Board holds the responsibility for overseeing financial management and reporting.

In addition, the Group has an executive-led panel to oversee development activities and asset management, the Development and Property Panel. This panel consists of non-executive and executive members and meets 10 times a year with the responsibility for approving development schemes and stock investment programmes and monitoring the delivery of the development programme.

The Group encourages customer participation at all levels of decision-making and has operated with a Customer Insight Panel, whose role has been to consult with residents to review the framework for customer engagement, feedback and insight and resident involvement in future. This review has concluded and a Customer Advisory Panel has been established from April 2018. This panel which consists of residents and two board members will be responsible for overseeing implementation of the Group's customer insight and involvement framework.

Investment

The Group continues to ensure its investments help support its overall vision, with investment being shared between supporting ongoing services for residents, enhancing the development offer to employees and continued reinvestment in all of the Group's assets. Examples of these include:

RESIDENT SERVICES:

- Through our community investment and corporate social responsibility programmes the Group offers youth enterprise and grant funding schemes, accredited training programmes, community events, employment and educational advice and support and charitable donations. The Group continued to run its annual programme which provided £15,000 to invest in residents' business initiatives.
- 31,901 of our customers engaged with A2Dominion through our priority neighbourhoods and community centres. 1,018 tenants have participated in the Group's health and wellbeing programme and 1,033 engaged in employment, enterprise and educational programmes. 99% of customers said their income improved since meeting with our tenancy sustainment officers on financial and digital inclusion and 78% of children attending homework clubs run in partnership with Tutors United have seen improvements in their Maths and English results.
- In partnership with Catalyst Housing Limited, A2Dominion secured over £486,000 to maintain the Group's financial responsibility programme in Ealing, Spelthorne and including the ability to expand into Brent.
- The Group secured £5.8 million in extra housing benefits, grants and charity payments for its residents. Over £49,000 was donated to charities and community groups. This includes £25,000 which was donated to Ealing community resource centre.
- The Group continues to develop its care and support business where contracts have been extended. The Group has also secured a number of new contracts and funding, including domestic abuse support in West Berkshire and Oxfordshire plus two additional care contracts.

PEOPLE:

- A2Dominion has maintained its Investors in People Gold Standard accreditation and retained its Good Practice Health and Wellbeing Award with the assessor stating that "A2Dominion recognises the value of investment in its people which it is actively seeking to improve."
- A2Dominion continues to invest in its staff with 250 managers going through a Leading Change programme. This programme set out to provide clarity and alignment in the kind of leadership the Group requires, provide a common purpose, language and expectation in the way the Group does business and raise the Group's level in terms of engagement and productivity. Feedback from the Group's staff survey saw an average rise of 6% in leadership scores from the previous survey, resulting in the Group being on average 10% above the benchmark when compared to other organisations.
- The Group's customer and leadership academies were launched during the year, providing an online portal for all staff to access a wide range of learning and development opportunities.

EXISTING HOMES:

- The Group has continued to deliver investment in maintaining and upgrading the homes owned and managed. In the current year the total investment of £24.7 million included upgrades and replacement of kitchens, bathrooms, heating systems and passenger lifts.
- The value of A2Dominion's investment properties that include student and private rented homes is 38.5% above the original investment cost. This creates unrealised value providing another layer of resilience to help support the Group's liquidity management.

Growth

The Group's development programme continues to increase the number of homes it owns and manages, with a target to build 900 homes each year over the next two years rising to 1,200. During the year A2Dominion has delivered 954 homes against this target of 900. This included 221 affordable homes, 101 for shared ownership, 406 properties for private sale and 226 for private rent.

To enable this growth, the Group develops schemes with multiple tenures, allowing the outright sale homes to generate surpluses to support the development of the affordable homes. The number of homes in A2Dominion's development pipeline is at its highest level, reaching to over 7,000 homes at the end of the year. These have been identified and secured using the Group's financial resources derived from utilising the strong asset base it has.

The mix of this programme requires the private sale units to be at 40% with the remaining 60% split between rented (affordable and private) and shared ownership properties. The profits from the private sales provide the subsidy needed for the development and ongoing management of the Group's affordable homes. These affordable homes currently require a subsidy of up to £120,000 each in order to be financially viable.

To help deliver A2Dominion's growth the Group has successfully continued with its aims to:

- utilise opportunities to secure social housing grant: the Group has formed a Strategic Partnership with the GLA as part of its 2016/21 London Affordable Homes Programme and agreed to deliver 60% of affordable homes across the London programme, securing over £71 million of grant funding. This funding will help to provide 1,902 affordable homes in London contributing to the Mayor's target of 50,000 new starts by 2021. We've also secured £7.8 million from Ealing Council for our Boston Road scheme to provide 55 social rent units.
- expand partnership working: the Group has entered into partnerships with housebuilders to jointly develop schemes, sharing expertise and reducing risks to support its development activities. During the year the Group has formed a new joint venture with Nicholas King Homes to deliver homes and apartments in both the private and affordable sectors in Oxfordshire. A further joint venture has been agreed with Mount Anvil at New Cross Gate in Lewisham to deliver 1,396 homes of which 33% will be affordable homes.
- continue investment in strategic land: the Group continues to build up its portfolio of strategic land options which will add to the future land supply with approximately 1,700 potential homes secured under land option agreements. This provides A2Dominion with a long-term solution to deliver even more new homes. The Group anticipates that an average of 50% of its investment in strategic land opportunities will be successful in achieving planning and for those that are not the Group's commitment ends as the options expire. With options spanning the next 10 years, the Group reviews its commitment and expenses an element of the potential costs over the option life as well as taking a conservative view on the likely outcome of the options. During the year the Group expensed £0.6 million for land option payments and has written off £8.4 million of abortive promotional costs for one of its schemes representing 2.9% of the Group's properties for sale held as work in progress.

The Group's aim is to continue to increase the private rented as well as affordable homes provision. At the end of the year, the Group had over 1,100 private rent homes in management with a further 310 to come into management in 2018/19. This increase in the number of private rent homes is enabling the Group to respond to the increasing demand for high-quality private rented homes utilising A2Dominion's landlord services.

The future

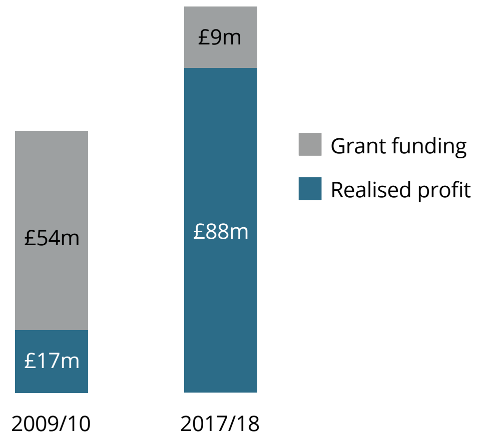
In 2017/18 the Group generated a net surplus of £92.5 million, and when this is adjusted so that the movement in the fair value of investment properties and financial instruments is excluded the realised surplus for reinvestment totalled £87.7 million.

This was achieved through the Group's core social housing activities, the profits made from commercial activities and the ongoing delivery of efficiencies. This level of surplus has helped offset the historically low level of government grants available to subsidise new housing. A2Dominion has been successful in generating its own funds to invest in the provision of new homes by bridging the gap from the reduced government grants with surpluses, highlighted in the graph to the right.

The continued focus on increasing the Group's surplus is essential, as this generates the funds needed to continue developing affordable housing across our entire geographical area, particularly where grant funding has not been secured and remained at very low levels. Over the past year the Group's performance for private sales surplus, including A2Dominion's share of joint venture private sales surpluses, stood at £44.9 million (2017: £25.2 million). With each affordable home requiring up to £120,000 of subsidy this has successfully generated cash to use to help deliver approximately 374 more homes.

The rent reductions announced in the Government's 2015 summer budget came into effect from April 2016. After two years some of the financial impact of this has in part been offset by achieving further savings and efficiencies and through the ongoing maximisation of other income streams, both key aspects of the Group's value for money aims. This year efficiency savings of over £11.2 million were made by improving the Group's way of working, streamlining systems and processes, and re-procuring contracts.

During 2017/18 work to secure additional funding streams has been on-going. Post year-end two new £50 million revolving credit facilities have been put in place, a £50 million loan has been restated and extended to 2023, and an issue of £60 million floating-rate notes was completed in May 2018. Work is also progressing on a number of other funding initiatives which should be finalised later in 2018/19. The Group's unsecured £1 billion Euro Medium Term Note programme will be updated during the forthcoming year, so that it is available for future funding requirements. As at 31 March 2018 the Group had sufficient financial resources in place to support all committed cashflow expenditure over the next five years.



Risk

The Group has a framework in place for the Board and senior managers on setting out the Group's approach to risk management. The definition of risk for this purpose is an event that could prevent the Group Business Plan from being achieved if the risk were to materialise.

The strategic and operational risk register records key controls to manage each risk, who is responsible for the control and how the control effectiveness is monitored. Risks are analysed according to their potential impact and probability, i.e. critical, high, medium and low, given the current control environment.

The following table sets out the risk monitoring process on how the Group ensures that the risk management policy is being implemented effectively.

AIM	HOW THIS IS ACHIEVED
EFFECTIVE IDENTIFICATION AND MITIGATION OF KEY BUSINESS RISKS SUPPORTING THE CONTINUED VIABILITY AND SUCCESS OF THE GROUP.	Annual review of business plan by the Executive Team and the Board. Monthly review of the strategic and operational risk registers by the Executive Team. Quarterly review of the strategic risk register by the Audit, Risk and Assurance Committee and the Board. SMART actions achieved to timescales. Internal audit of risk management every three years.
EMBEDDING RISK MANAGEMENT THROUGHOUT THE ORGANISATION BY KEEPING IT REAL FOR MANAGERS.	Strategic and operational risk registers in place. SMART actions achieved to timescales. Risk owners within the business.
A SIMPLE AND EFFICIENT RISK MANAGEMENT PROCESS THAT IS PROPORTIONATE TO THE NEEDS OF THE BUSINESS AND EASY FOR MANAGERS AND THE BOARD TO OPERATE.	Group strategic and operational risk registers that can be cut across the Group as required. Feedback from managers on use of risk assessment process. Monthly reporting against risk trigger measures.
A RISK MANAGEMENT PROCESS THAT ADDS VALUE TO THE BUSINESS.	SMART actions achieved to timescales. Opportunities identified with risk assessments embedded. Review risk management policy annually.

Through the process of regular review, risks which present a significant threat to the Group are recorded on the Strategic Risk Register and prioritised quarterly at the Audit, Risk and Assurance Committee and reported to all other committees and to the Board. Each committee and panel review those strategic risks assigned to them by the Audit, Risk and Assurance Committee. A member from each committee or panel sits on the Audit, Risk and Assurance Committee. The strategic and operational risk registers are both reviewed, monitored and updated by senior management on a monthly basis.

Action plans are regularly updated to mitigate any risks with both high impact and probability, in order to reduce the net future risk profile.

Risk management supports the achievement of business objectives by:

- enhancing the quality of decision-making, planning and prioritisation;
- contributing to effective allocation of resources; and
- protecting and enhancing the Group's financial viability, assets and reputation.

Effective management of risk is a high priority within the Group because of its growth plans and the rapidly changing environment in which it operates. In order to grow and improve services, the Group needs to take some risks whilst ensuring that these are well-managed and that appropriate controls and contingencies are in place. The Group has a statement of risk appetite in place. This identifies the main risk areas for the Group and provides clarity on how much risk A2Dominion is willing to take.

The table below shows the strategic risks which have been identified as critical or high to the Group and which continue to pose a threat even after mitigating action has been taken.

RISK CATEGORY	RISK AREA	CONTROLS	KEY ACTIONS
EXTERNAL FACTORS AFFECTING A2DOMINION	Changes in the global economic environment, such as interest rates, inflation, and house prices, could lead to decreased profitability and would have an adverse impact on the long-term financial viability of the Group.	Prudent assumptions in long-term financial forecast (LTFF) and sensitivity analysis. Buffers and trigger limits established which monitor available funding, on-lending limits and covenant compliance using projected cashflows, reported monthly to the Group Board.	Annual LTFF risk scenario planning exercise testing resilience to changes in the economic environment. Monthly cashflow monitoring with the outcomes stressed to reflect changes in the sales market.
	Fall in the housing market could impact on sustaining a large, viable residential development programme across all tenures, including: • Land availability and price; • Planning delays and planning conditions; • Sales prices, mortgage rates and mortgage availability; • Grant and funding conditions.	Weekly sales reports. Monthly monitoring of Trigger KPIs. Monthly scheme monitoring whilst under construction by project managers and senior team. Bi-annual review of land acquisition assumptions. Maximum cash/drawable facilities reserve buffer set. Reporting against the Land and Development Strategy. Review market intelligence and government policy implications.	An annual review of the Land and Development Strategy to ensure the programme operates effectively. Review the hurdle rates used for scheme purchases. Expand opportunities for partnership working.
	Reduction in grant funding and inability to retain existing contracts and / or to secure new contracts could result in an inability to deliver care and support services.	Existing Supported People contracts and new business opportunities fully evaluated for service risk and financial risk with hurdles set. Board approved financial hurdles for new contracts.	Annual funding review of the Care and Support activities function.
	Shortage of adequately skilled labour could cause resource implications leading to delays in development schemes, increases in costs and a potential impact on customer satisfaction.	Joint ventures using partners supply chain. Arrangement of group deals with subcontractors.	Regular updates to the Group's subcontractor arrangements. Embed opportunity for continuity of work across the Group's development schemes.

The Group's risk management framework has been enhanced to include the three lines of defence model on the strategic and operational risk registers.

The three lines of defence model assists with:

- identifying assurance gaps for significant risks, risks outside appetite and areas of assurance overlap
- considering whether the level of assurance activity is appropriate and is targeted at the right area of risk
- ensuring sufficient, relevant and reliable level of assurance is captured

Within this model the current management and operational controls are the first line of defence, compliance and committee reporting are the second line of defence and external independent assurance is the third line of defence. These lines of defence provide assurance to the Audit, Risk and Assurance Committee and the Board that the management controls are working effectively.

A2Dominion strives to maximise its surpluses so that it can invest in the provision of new homes and its existing portfolio, whilst continuing to support its customers. The Group is anticipating achieving its forecasted surpluses in the coming years.

The Group tests its resilience to risk by running scenarios on its long term financial forecast (LTFF). This includes multi-variable scenarios which test amongst other things, liquidity and covenant compliance to assess that the Group's protection of social housing assets remains robust.

RISK CATEGORY	RISK AREA	CONTROLS	KEY ACTIONS
HIGH LEVEL TECHNICAL ISSUES AFFECTING A2DOMINION	Failure to achieve compliance with health and safety regulations could lead to death or injury of residents.	Weekly monitoring of performance relating to gas safety and fire safety obligations with an embedded escalation procedure identifying properties by risk profile.	Continuous focus on internal audit to provide assurance to the Audit, Risk and Assurance Committee. Review health and safety KPIs and actions.
	Failure to ensure the Group has appropriate cyber security arrangements in place could lead to data losses, damage to our reputation and sanctions from the Information Commissioner's Office.	Virus protection, email scanning, back-up processes and phishing protection in place and monitored regularly and updated as required. Critical Security Control Framework used to assess security risk annually, and annual penetration testing in place to test strength of perimeter defences.	Extensive Cyber Security improvements program including certification for Cyber Essentials, a Government-backed, industry-supported scheme to help organisations protect themselves against online threats. Cyber Essentials Gap Analysis and remediation project under way to make A2Dominion "Cyber Essentials plus" certified by end of 2018.
	Failure to be able to access financing options and maintain sufficient loan security would have an adverse effect on the funding of future development programmes and therefore the future growth of the Group.	Cashflow monitoring against a Group cash buffer limit. Annual review of the Group's structure and specialist external advice sought for significant investments or changes.	The cashflow forecast is stress tested to test ability to fund Group requirements within a stressed environment. New funding options being explored for long-term requirements.
	Failure to have accurate stock condition information and programme planning could result in incorrect assessment of the long-term repairs costs.	Implementation of the Group asset management strategy, assessing returns on investment for the Group's stock portfolio. Annual review of the long-term financial forecast repair costs.	Improve existing datasets on the asset management database. Continue to implement actions relating to predictive asset performance. Review the recommendations from the Hackitt Review.

Performance summary

GROUP STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE	2018 £M	2017 £M
Turnover	300.7	371.9
Cost of sales	(55.7)	(99.3)
Operating costs	(158.2)	(166.4)
Surplus on sale of fixed assets	13.4	13.7
Operating surplus	100.2	119.9
Operating margin	*33.3%*	*32.2%*
Share of jointly controlled entity operating surplus / (deficit)	41.2	(1.2)
Net interest charges	(53.7)	(49.4)
Change in fair value of investments	-	0.5
Movement in fair value of financial instruments	3.2	(3.4)
Movement in fair value of investment properties	1.6	18.7
Taxation	1.1	(0.2)
Non-controlling interest	(1.1)	(0.8)
Net surplus for the year	92.5	84.1

GROUP STATEMENT OF FINANCIAL POSITION	2018 £M	2017 £M
Tangible fixed assets and investments	3,174.6	3,060.7
Current assets	568.2	578.1
Total creditors including loans and borrowings	(2,803.5)	(2,802.5)
Non-controlling interest	(1.2)	(0.8)
Total reserves	938.1	835.5

In preparing the financial statements key judgements have been made as detailed on page 75.

Operational performance

One of the mechanisms in place to ensure the Group delivers its strategic objectives is A2Dominion's performance management framework.

A number of key performance indicators are used to monitor the achievement of the Group's strategic objectives. These are reported and reviewed on a quarterly basis by senior management and the Board and aligned to the Group's four business objectives:

OPERATIONAL KEY PERFORMANCE INDICATORS

OPERATIONAL PERFORMANCE AREA	PERFORMANCE INDICATOR	TARGET PERFORMANCE 2018	ACTUAL PERFORMANCE 2018	ACTUAL PERFORMANCE 2017
PROVIDE NEW QUALITY HOMES AND PLACES	Sales receipts against projection	£57.9m	**£57.6m**	£129.8m
	Number of units in development forecast to complete in the next two years	1,800	**1,806**	2,120
	New homes completed over past two years	1,800	**1,708**	1,881
CUSTOMER-LED SERVICES	Overall satisfaction with service received from the customer service centre	>85%	**82.5%**	82.8%
	Overall satisfaction with responsive repairs service	>85%	**86.2%**	83.0%
	Repair chaser calls	<25%	**18.5%**	33%
	Rental arrears – general needs homes	<3.52%	**3.35%**	3.52%
	Re-let turnaround times	<16 days	**19 days**	20 days
INVEST IN HOMES AND LOCAL COMMUNITIES	Number of homes refurbished (planned works)	1,363	**622**	692
	Decent Homes compliance	100.0%	**99.2%**	98.6%
	Number of homes with a valid gas safety record	100.0%	**99.8%**	99.8%
STRENGTHEN OUR BUSINESS	Interest cover (excluding sales and surplus from joint venture)	>120%	**172.0%**	180.5%
	Results vs. budget – net surplus	> Budget	**Yes**	Yes
	Staff turnover	<13.0%	**14.5%**	15.1%
	Staff sickness levels	<7.0 days	**4.8 days**	6.6 days

New homes provision has the target to deliver 1,800 homes over a two-year period, which has been exceeded in terms of what has been secured in the development programme to be delivered in the next two years. In terms of actual delivery, 954 homes completed in the financial year, however a combination of delays causing revised build programmes and access issues has meant the overall number of properties handed over for occupation for the year was 774. Sales receipts have just missed the target by £0.3 million, largely as a result of the change in mix of units sold during the latter part of the year.

Extensive work in the Group's customer contact centre to introduce a knowledge management approach to support how the organisation responds to customer queries has been undertaken during the year. Coupled with strong operational performance from the Group's responsive repairs joint venture subsidiaries this has helped achieve a significant improvement in reducing the levels of repeat contact from customers and chaser calls for repair issues. This is also reflected via the overall satisfaction with the Group's repairs service being above target at the end of the year.

Income management via its arrears collection remains strong, despite many of the Group's residents being impacted by welfare reform changes. Re-let turnaround times fell just below the Group's target due to delays in tenancy sign ups, but the result still remains in the upper quartile of performance when compared to the Group's peers (g15 housing providers).

The number of homes refurbished fell below the target for the year. This was partly due to the late start of the planned programme following the procurement activity at the end of the previous year. The level of drop-outs from residents who requested the work be carried into future years and the on-site condition surveys also meant that less work was carried out than originally planned. Whilst the performance on gas safety is below the 100% target the Group is fully compliant with its legal responsibilities. The main reason why this target was not met during the year was due to access issues. The Group has a comprehensive access policy to help ensure it can fulfil its health and safety responsibilities, with legal action taken against residents if necessary. At the end of the year 29 properties were overdue due to non-access, all of which are being progressed through the necessary legal processes.

Staff sickness levels and turnover both decreased during the year and remain strong compared with the Group's peers. The strong performance on reducing staff sickness levels below the prior year and well below target has been driven by continued monitoring and support for both employees and managers alongside the on-going wellbeing campaign the Group supports annually.

Value for Money

Value for Money (VfM) is at the core of what we do. Our business success is strengthened by our ability to achieve our VfM objectives, from our central and operational services through to our commercial activities. VfM is not about minimising cost but achieving more from our activities and investments.

Following a statutory consultation, a new VfM standard and supporting code of practice has applied to all registered providers of social housing since April 2018.

This VfM section of our annual report complies with these new standards and we will continue to monitor and manage our performance based upon the rigour of our past methodologies.

APPROACH

Our approach to VfM embraces five fundamental objectives that provide a comprehensive framework for delivery.

VFM OBJECTIVES

- Maximising income and the use of group assets
- Maximising VfM through a range of procurement and joint venture approaches
- Ensuring efficiency and simplicity across all business activity
- Working with customers to prioritise investment in services and communities
- Ensuring that managers understand and are accountable for delivering return on investment, and that the group has a well-developed culture for achieving and demonstrating VfM.

Our strategic investment in organisational change through our Fit for the Future Programme, will create major benefits through a review in organisational design and a clearer service delivery.

TO ACHIEVE THIS, WE WILL FOCUS OUR VFM EFFORTS ON:

- Building our capability through using our Fit for the Future programme to:
  - ~ Improve customer experience by simplifying our services
  - ~ Introduce new technology, digital and online services
  - ~ Reduce the cost of services through the use of technology and improved ways of working
  - ~ Provide development opportunities for our staff to ensure our organisation is an industry expert.
- Expanding our commercial activities to generate surpluses for reinvestment in our social purpose programme.
- Improving procurement processes and applying VfM criteria through all our major areas of expenditure.
- Developing our asset management activities to maximise the return on our existing and future investments.

PERFORMANCE OVERVIEW

We continue to improve our track record of excellence with our overall Value for Money performance objectives. Our judgement is that we comply with the regulatory requirements, as set out in the Regulator of Social Housing's VfM standards.

Our fulfilment of the regulatory requirements is set against our VfM objectives and demonstrated as headline results below:

MAXIMISING INCOME AND THE USE OF GROUP ASSETS:

- Delivering above our budgeted operating surplus at £100.2 million, enabling us to increase the number of new homes we provide and bring our total accumulated operating surplus to £706.5 million since 2011. This was achieved through a strong performance from our core social housing activities, the sale of new homes and increasing capacity through efficiencies.
- Improving the operating investment return in each of our main property portfolios, including social housing, shared ownership and non-social rented homes.

PROPERTY PORTFOLIO	NET ASSETS EMPLOYED £M	ANNUAL RENTAL TURNOVER £M	ANNUAL OPERATING SURPLUS £M	OPERATING RETURN 2017/18	OPERATING RETURN 2016/17	OPERATING RETURN 2015/16
Social housing	2,160.5	185.3	73.1	3%	3%	3%
Shared ownership	304.2	26.6	13.3	4%	4%	3%
Non-social housing	316.8	24.3	14.6	5%	4%	4%

- We maintained a strong income collection performance over the past five years, achieving our lowest-ever level of arrears of 3.35%.
- Investment criteria for new homes all met;
  - ~ Affordable rented homes: year one interest cover within subsidy maximum limit of £120,000
  - ~ PRS homes: target net yield delivered
  - ~ Shared ownership and private sales: target margin delivered

MAXIMISING VFM THROUGH A RANGE OF PROCUREMENT AND JOINT VENTURE APPROACHES:

- Achieving savings of £11.2 million, up from £4.5 million in 2016/17, by continuing to build on savings in overhead costs, procurement and benefit realisation of projects within our strategic work programme. Savings across the business now total £34.2 million.
- Savings from operating efficiencies and improved performance delivered from our repair and maintenance joint ventures, Pyramid Plus, compared to outsourcing has saved £1.5 million this year with average customer satisfaction exceeding target at 86%.
- The Group has worked with third parties to create collaborative development partnerships and form joint ventures to deliver new housing schemes. Our share of surpluses from these joint ventures have delivered £41.2 million to the Group in 2017/18.
- The Group has formed a Strategic Partnership with the GLA as part of its 2016/21 London Affordable Homes programme, securing additional grant for contracted developments.

ENSURING EFFICIENCY AND SIMPLICITY ACROSS ALL BUSINESS ACTIVITY:

- Our Fit for the Future programme focusses on key services and associated commitments that our customers value the most. As a result, a new digital knowledge-database was launched for our new customer contact centre, which streamlined processes to help customer service agents answer queries consistently and more easily, leading to significant improvements in call-handling; 80.4% (2016/17: 70.3%) calls answered in 60 seconds and only 7.8% (2016/17: 12.5%) of calls abandoned and in part contributing to customer satisfaction score of 82.5% with volume of complaints down by 10%, a cost reduction of £275k.

WORKING WITH CUSTOMERS TO PRIORITISE INVESTMENT IN SERVICES AND COMMUNITIES:

- We continue to invest time and resources within our local communities, securing £5.8 million for our customers in extra housing benefits, grants and charity payments.
- Key community programmes in health, employment, enterprise and education continue to attract significant attendances from residents.
- We invested £24.7 million into upgrading and maintaining our existing homes.

ENSURING MANAGERS UNDERSTAND AND ARE ACCOUNTABLE FOR DELIVERING RETURN ON INVESTMENT AND THAT THE GROUP HAS A WELL-DEVELOPED CULTURE FOR ACHIEVING AND DEMONSTRATING VFM:

- Re-confirmation of G1/V1 governance rating by the Regulator which verifies our ongoing compliance with the financial and governance standards.
- Quarterly VfM reports produced and communicated to staff with specific case studies demonstrating how VfM can be achieved at local, team and group levels.
- Reinforced managers' understanding on how the Group can achieve VfM through staff communications and reinforced to all staff through a multi-media campaign.
- Graded with significant assurance with minor improvement opportunities by the Group's internal auditors for an efficiency and VfM audit carried out during the year.

EFFICIENCY INDICATORS

We use a sector-wide efficiency scorecard that has been developed to allow for consistent measures to be used to highlight how an organisation is performing against key efficiency measures. These include the nine measures contained within the VfM Standard set by the Regulator.

These indicators provide an overview of the Group's efficiency in relation to business health, development capacity, outcomes delivered, effective asset management and operating efficiencies against the previous year and the g15 peer group.

EFFICIENCY INDICATORS SCORECARD	A2DOMINION ACTUALS		G15 AVERAGE
	2017/18	2016/17	2016/17
Business health			
Operating margin overall[1, 2]	28.9%	28.6%	32.7%
Social housing margin[1]	40.7%	34.7%	34.9%
EBITDA MRI[1]	127.3%	177.4%	211.9%
Development capacity			
Units developed	954	754	661
Units developed (as a % of units owned) including joint venture units developed.	2.7%	2.2%	2.1%
New supply delivered social housing units (as a % of social units owned)[1]	0.9%	1.3%	TBC
New supply delivered non-social housing units (as a % of units owned)[1]	0.5%	0.5%	TBC
Gearing[1]	54.7%	55.8%	45.6%
Outcomes delivered			
Customer satisfaction	82.5%	82.8%	78.4%
£'s invested for every £ generated	3.5	1.1	2.0
Effective asset management			
Ratio of responsive repairs to planned maintenance	68.8%	57.6%	51.9%
ROCE[1]	4.0%	3.4%	4.2%
Reinvestment[1]	3.9%	2.5%	TBC
Operating efficiencies			
Overall social housing cost per unit (£)[1]	3,551	3,748	4,725
Management cost per unit (£)	1,151	1,083	1,299
Service charge cost per unit (£)	739	748	660
Maintenance cost per unit (£)	858	1,115	1,096
Major Repairs cost per unit (£)	346	272	1,039
Other social housing costs per unit (£)	457	531	631
Rent collected	99.6%	100.4%	99.8%

[1]-Represents the nine measures prescribed in the VfM Standard.
[2]-Calculation excludes surplus on sale of fixed asset.

BUSINESS HEALTH

Current: The Group's operating margin reflects the operating efficiency of the Group's rented business and sales performance. The timing of the completion of new development schemes alongside the investment made into maintaining homes will influence this measure. Social housing margin helps demonstrate the performance of the underlying social housing business. Performance was strong, exceeding the Group's targeted margin of 35% for social housing. The EBITDA MRI measure is an approximation of generated cash and a company's profitability. A2Dominion's result reflects the investment being made into new developments and private rented homes, which result in increasing debt levels to achieve this. Whilst the result is below our peers it is at a level that still indicates strong financial health. This measure does not include joint venture surpluses. If the Group's joint venture activity had been performed in-house and the joint venture surplus of £41.2 million had been included the result would have increased to 183.3% which is an improvement on the prior year.

Future: The Group aims to deliver on average a 35% margin on its social housing activities and a 20% margin on its sales activities. The difference largely relates to interest costs being part of sales margins. In the short term the operating margin will fall due to the nature of the developments providing completions in 2018/19, that are lower margin. Over the next couple of years, additional overhead costs for the Group's transformation programme will reduce social margin. By 2021, however, this investment will be repaid and the Group's overheads will reduce by circa £6 million, helping the overall margin increase at that point. The outcome of the Hackitt Review may result in additional expenditure for fire risk work being required in future years which could impact the EBITDA MRI measure.

DEVELOPMENT CAPACITY

Current: The measures relating to units in development and units developed as a percentage of homes owned highlights the contribution made in the year to the supply of all types of new homes including affordable units and the non-social element of our units which include private rented units. The Group's investment in non-social housing helps provide flexibility for future liquidity. The phasing of each development schemes programme will impact these measures. The gearing indicator shows the proportion of borrowing in relation to the size of asset base. A2Dominion's result, which is higher than the g15 average, demonstrates that it is using its capacity effectively to leverage its assets more than others, and is a result of the Group's continued investment in all types of property.

Future: The Group is targeting to deliver 900 homes a year moving up to 1,200 by 2020. The units developed as a percentage of units owned will remain at similar levels as achieved in 2017/18 where production is approximately 900 units. The Group's goal is that 60% of all newly-developed units will be made up of affordable and private rented units and shared ownership homes. The potential for higher grant rates to be available will create the opportunity for more affordable homes to be developed in the future. Maintaining a small proportion of the Group's overall stock in non-social housing helps provide assets that are more liquid and can be used to generate funds forming part of the Group's approach to risk management. The Group's continued private rented investment will mean that that the Group will continue to have higher gearing levels than our peers who may have less activity in this area. This measure will also be impacted by the accounting method where those organisations that use the deemed cost method to report their assets as opposed to the historic cost will see lower gearing levels. A2Dominion uses the historic cost method.

OUTCOMES DELIVERED:

Current: A2Dominion's customer satisfaction measure for 2017/18 of 82.5% is a slight decrease on the previous year but is still well above its peers. The £s invested for every £ generated from operations demonstrates the extent to which the Group is investing its own money in new supply, which at 3.5 for 2017/18 signifies that the Group is efficiently reinvesting all of its own cash generated together with other sources for future investment. This is a significant increase on previous years in part due to lower sales activity for the year.

Future: The Group's objective is 85% for customer satisfaction by 2022 following improvements from the completion of the Fit for the Future programme. As the development programme continues with lower sales activities into 2018/19 the £s invested for every £ generated ratio will remain at current levels with cash from financing sources funding new supply.

EFFECTIVE ASSET MANAGEMENT:

Current: The ratio of responsive to planned repairs of 68.8% is underpinned by a consistent level spend on responsive repairs but lower spend on planned maintenance for 2017/18. The Group's responsive repairs contract sees its annual price inflate with CPI and by the number of additional units, and not order volumes. It is therefore harder to affect the cost of this service via the level of planned works completed. The return on capital employed measure indicates how well A2Dominion is using its capital and debt to generate a financial return. Whilst this measure provides an organisation-wide metric, A2Dominion measures the return for each of its key business areas which are summarised within its value for money headlines. The 2017/18 result of 4.0% reflects the decision to secure funding for future use for the organisation, which will generate returns in future years. The reinvestment result of 3.9% shows the Group's continued investment in the development of new units as well as the investment in its existing stock.

Future: The responsive repair ratio measure is impacted by the fluctuation in the planned programme from one year to the next. The Group's planned and major repairs programmes reflect the work required to be done in order to ensure decent homes compliance. This means that in some years there may be more work required than in other due to the timing of the replacement of a properties components. Growing investment in the private rented sector will mean the Group's ROCE will remain lower than its peers who have less activity in this area. Capital growth will provide the future return, which won't impact this calculation unless the units are sold. The reinvestment measure will be impacted by the level of planned works capitalised in the year.

OPERATING EFFICIENCIES:

Current: The results for 2017/18 indicate a strong performance from A2Dominion in this area. The overall cost per unit for the social housing activities is considerably below the peer group. Savings in the cost of planned and cyclical maintenance work has contributed to this reduced cost per unit. Rent collected reflects a performance that is in line with our peers and reflects best performances in arrears levels for General Needs, Supported Housing, Sheltered Housing and Keyworker.

Future: Additional investment in the Group's transformation programme will see the overall cost per unit for the social housing activities rise over the next couple of years. The delivery of benefits from this investment will help reduce this cost per unit by 2021/22. The Group will continue to monitor our recovery of service costs through service charge income. The development strategy focusses on the development of schemes where we can retain the freehold ownership and manage the properties directly to mitigate the risk of excessive external managing agent fees. Procurement activity which helps the Group to achieve a market rate for its services will help to ensure residents and leaseholders receive value for money in their service provision. Future activities include a review of the Group's approach to providing estate services and their associated contractual arrangements. A review within the market of average cost per property responsive repairs will be undertaken in 2018/19 to ascertain financial value of our current contractual arrangements with the repair joint ventures. The Group will continue to use its surpluses to support the investment in any major repairs required.

FUTURE OBJECTIVES

The main emphasis for delivering VfM will continue to be through the successful delivery of its Fit for the Future change programme. By changing the way the organisation operates and improving the services we provide to customers, the programme will provide a return for the organisation within four years of its full implementation and generate operating efficiencies of approximately £4.6 million a year from 2020.

Running alongside this change programme the Group will deliver a series of initiatives which will focus on investing in our homes and local communities, active asset management of existing homes, enhanced procurement activity and continual maximisation of income sources.

PROVIDE NEW HIGH-QUALITY HOMES

- Develop 900 new homes each year, moving up to 1,200 by 2020, with 60% retained for rental or shared ownership use.
- Secure development sites to provide the next two years' supply by the end of each current year.
- Improve customer experience with residential sales and aftercare as measured by a net promoter score of 50 or higher.
- Continue to explore and raise funds for future developments that will deliver surplus for cross subsidy in the long term.

DELIVERING CUSTOMER-LED SERVICES

- Development of the new customer contact centre and knowledge management tool, to deliver net annual savings against current and projected running costs of up to £0.3 million in 2018/19, remaining across subsequent years.
- Achieve 85% customer satisfaction with the customer contact centre.
- Achieve a stabilised and consistent performance of contact handling with fewer than 7.5% calls abandoned and 80% of calls answered.

INVEST IN OUR HOMES AND THE LOCAL COMMUNITY

- Implement the new planned and cyclical maintenance frameworks with anticipated annual savings of £1.4 million.
- Deliver improved value and services through a Group-wide estate services procurement activity.
- Continue the implementation of the new asset management strategy to ensure the best of use of our assets by optimising the performance of our asset portfolio using the new property performance assessment system.
- Expand the use of the category management system to inform strategic procurement opportunities over the medium term.

STRENGTHEN OUR BUSINESS

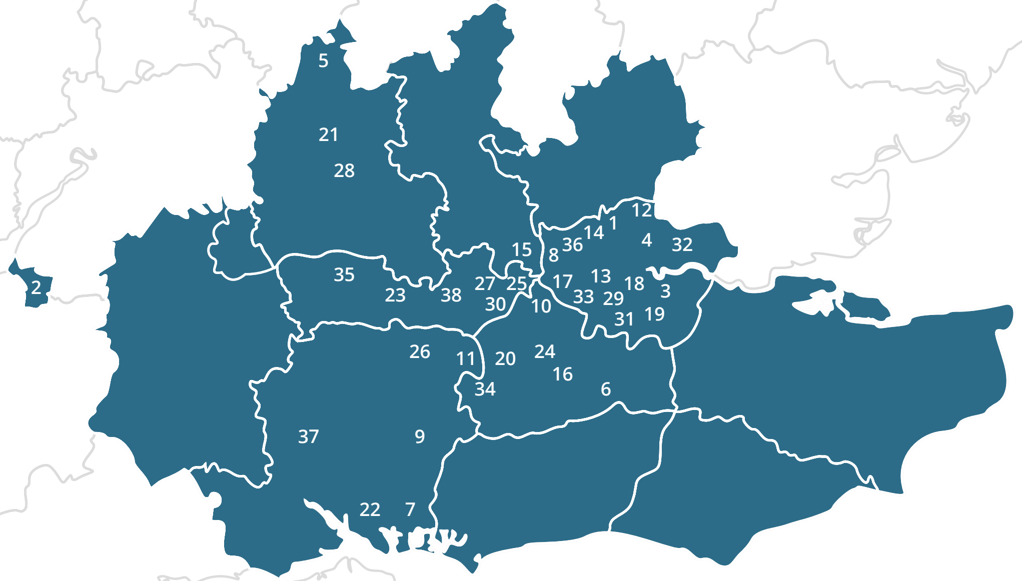
- Deliver an operating surplus of £84.4 million in 2019.
- Secure new funding facilities of circa £200 million to support the Group's development programme.
- Achieve efficiency savings in 2019 of £7.4 million from reduced costs and increased income, including procurement savings of £4.4 million.

1 Arlington Lofts
Camden
2 Boston Road
Hanwell
3 Knowle Park
Cranleigh
4 Queen's Wharf
Hammersmith
5 Elmsbrook
NW Bicester

Stock profile

LOCAL AUTHORITY	PROPERTIES IN MANAGEMENT	PROPERTIES IN DEVELOPMENT	TOTAL
1 Barnet	0	230	230
2 Bristol	750	246	996
3 Bromley	1,227	0	1,227
4 Camden	194	185	379
5 Cherwell	421	303	724
6 Crawley	0	104	104
7 Chichester	559	0	559
8 Ealing	3,593	967	4,560
9 East Hampshire	0	8	8
10 Elmbridge	416	597	1,013
11 Guildford	505	120	625
12 Hackney	413	0	413
13 Hammersmith & Fulham	1,274	45	1,319
14 Harrow	942	0	942
15 Hillingdon	2,068	375	2,443
16 Horsham	262	98	360
17 Hounslow	2,805	366	3,171
18 Lambeth	0	583	583
19 Lewisham	0	1,396	1,396
20 Mole Valley	0	88	88
21 Oxford	2,755	506	3,261
22 Portsmouth	0	35	35
23 Reading	518	43	561
24 Reigate & Banstead	282	349	631
25 Runnymede	641	0	641
26 Rushmoor	368	0	368
27 Slough	953	0	953
28 South Oxfordshire	241	78	319
29 Southwark	0	519	519
30 Spelthorne	7,558	6	7,564
31 Sutton	350	0	350
32 Tower Hamlets	502	0	502
33 Wandsworth	289	253	542
34 Waverley	0	305	305
35 West Berkshire	632	0	632
36 Westminster	1,314	12	1,326
37 Winchester	1,149	0	1,149
38 Windsor & Maidenhead	382	0	382
Other*	3,885	0	3,885
Total	**37,248**	**7,817**	**45,065**

*Indicates local authorities where there are no properties in development and total stock in management is less than 300.



Financial review

Summary of results for the year ended 31 March 2018

Group turnover totalled £300.7 million of which £212.1 million was from social housing lettings and £5.2 million from the sale of first tranche shared ownership properties. Surplus for the year was £92.5 million. Key features of the results were as follows:

Group operating surplus of

£100.2m

an operating margin of **33.3%;**

Surplus on first tranche sales of

£5.2m

with a margin of **44.4%;**

Social housing costs per home of

£3,551

which is **5%** lower than last year

Expenditure on planned and major repairs of

£24.7m

of which **£12.0m** was capitalised;

CAPITAL STRUCTURE AND TREASURY STRATEGY

The Group has a formal treasury management policy, which is regularly reviewed and was last approved by the Group's Finance Committee in November 2017. The purpose of the policy is to establish the framework within which the Group seeks to protect and control risk and exposure in respect of its borrowings and cash holdings. The treasury policy addresses funding and liquidity risk, covenant compliance and interest rate management. The Group holds floating rate loans which expose the Group to interest rate risk, to mitigate this risk the Group uses interest rate swaps (page 93).

The Group has five active borrowers: A2Dominion Homes Limited, A2Dominion South Limited, A2Dominion Residential Limited, A2Dominion Developments Limited and A2Dominion Housing Options Limited. The Group has two funding vehicles, A2Dominion Finance Limited and A2Dominion Treasury Limited, both of which on-lend to the above borrowers. In addition, the Group's parent company, A2Dominion Housing Group Limited, has loan facilities and has issued bonds, the proceeds of which are on-lent to the above borrowers.

Borrowings and arranged facilities as at 31 March 2018 can be summarised as follows:

	ARRANGED £M	DRAWN £M
A2Dominion Homes Limited	810.2	610.6
A2Dominion South Limited	752.2	621.4
A2Dominion Housing Options Limited	16.4	16.4
A2Dominion Developments Limited	47.3	47.3
A2Dominion Residential Limited	240.4	240.4
Total	1,866.5	1,536.1
Fair value adjustment of loans arising on consolidation		17.4
Loan issue costs		(7.4)
Bond discounts		(1.4)
Net debt (note 28)		1,544.7

Undrawn facilities available of

£330.4m

Net book value of housing properties of

£2.6bn

with an open market value of **£8.8bn**

Total retained reserves of

£932.6m

As at 31 March 2018 the percentage of fixed and index linked loans to variable was as follows:

	FIXED OR INDEX LINKED %
A2Dominion Homes Limited	79.2
A2Dominion South Limited	96.7
A2Dominion Residential Limited	100.0
Average for Group	91.4

CURRENT LIQUIDITY

It is the Group's normal policy not to hold significant cash balances but to ensure that loan facilities are in place to fund future liquidity requirements. However, following the £250 million bond issue in November 2016, the Group is still holding a substantial level of cash, which is invested with a number of counterparties at competitive rates of interest. This is until the funds are required to meet the commitments within the Group's development programme.

Cash and bank balances at 31 March were £126.1 million (2017: £148.1 million). Net current assets were £379.5 million (2017: £443.7 million). Additionally, as at 31 March 2018, the Group had facilities in place to borrow a further £330.4 million (2017: £358.3 million).

The main factor affecting the amount and timing of borrowing is the pace of the development programme.

Loan covenants are primarily based on interest cover and gearing ratios. Interest cover is after adding back housing property depreciation, interest capitalisation, impairment and includes surpluses from sales. Interest cover and gearing covenants were met throughout the year and at the year-end for all facilities. FRS102 has had no impact on the Group's loan covenants as the covenants contain a frozen UK GAAP clause.

ACCOUNTING POLICIES

The principal accounting policies of the Group are set out on pages 70 to 75.

STATEMENT OF COMPLIANCE

The Board confirms that this Strategic Report has been prepared in accordance with the principles set out in the Statement of Recommended Practice "Accounting by registered social housing providers 2014".

I Cox
Chair

D Coates
Board Member

Z Ollerearnshaw
Company Secretary

Report of the Board

Report of the Board

Canons Gate and Invicta, Bristol

Board of management

The Group Board steers and directs the activities of the organisation. Members of the board are chosen to ensure a broad cross-section of skills and experience from across the housing sector.

IAN COX

Chair

Ian has worked in the property industry for over 35 years, holding senior level roles in development and regeneration with major house building and construction PLCs.

Ian is Managing Partner and shareholder of an SME developer of mixed-use projects in partnership with landowners and local authorities. He is also leading on a Garden Village project in Surrey.

DAVID COATES

David has worked as a finance and treasury professional in the retail sector for over 25 years, holding a number of Finance Director roles at companies including Sainsbury's and Debenhams. He was also Group Finance Director at New Look, currently manages his own property portfolio and is the Chair of our Audit Risk and Assurance Committee.

SARA DICKINSON

Sara has worked in financial roles for the past 25 years, and is Chair of the Group's Treasury Committee. She has previously worked as Group Financial Controller for Sage Group PLC, and as Vice-President and Finance Director of eBookers Group, a pan-European online travel agency. She is currently CFO for Expedia Partner Solutions, the B2B travel technology division of Expedia Inc. Group.

CAROLINE TILLER

Caroline has over 30 years' housing experience and has held a number of Non-Executive Director Positions. She is Chair of our Customer Advisory Panel and was Chief Executive of Central and Cecil Housing Trust, a post she held for six years.

Prior to this, Caroline held a number of director-level positions in large and medium-sized housing associations, with a focus on customer-facing operations.

CAROLINE TOLHURST

Caroline has 30 years' experience in the property and investment management sectors as a surveyor and compliance officer, and was previously Company Secretary at Grosvenor and NewRiver Retail. She is now on the board of Wynnstay Properties PLC and LocatED Properties Limited. Caroline currently sits as Chair of our Governance & Remuneration Committee.

DARRELL MERCER

Darrell has 40 years' experience in the housing sector, and was previously Assistant Director of Housing for the London Borough of Islington. He is the former Chief Executive of Acton Housing Association and the Dominion Housing Group. In 2017, he became a non-executive board member for Homes for Reading Ltd.

ANNE WATERHOUSE

Anne is a chartered accountant with over 20 years' finance experience. Prior to her current role, Anne was Deputy Group Finance Director at Dominion Housing Group, and then Executive Director (Financial Services) at A2Dominion. She is a member of the Chartered Institute of Management Accountants, and has also worked as a finance director within the housebuilding industry.

Executive officers

DARRELL MERCER

Group Chief Executive

See previous page.

ANNE WATERHOUSE

Executive Director (Central & Financial Services) and Deputy Chief Executive

See previous page.

ANDREW BOYES

Executive Director (Change & IT)

Andrew has over 30 years' experience in IT, working across a broad range of business sectors including housing, insurance, retail and distribution. Andrew has been an IT Director since 1998, holding three IT Director roles before he joined A2Dominion in 2009 as Group Director of IT. He became Executive Director (Change & IT) in 2014.

KATHRYN BULL

Executive Director (Projects)

Kathryn has significant senior management experience in the housing sector. Prior to her current role, she was Executive Director (Corporate Services) at A2Dominion, and Group Director of Risk and Planning at Dominion Housing Group. She was also Assistant Director of Housing for the London Borough of Croydon, and was at the London Borough of Wandsworth for six years.

Kathryn left the Group in April 2018.

ANDREW EVANS

Executive Director (Operations)

Andrew has over 35 years' service delivery experience in both the private and public sectors. Andrew was previously Group Operations Director for A2 Housing Group for 12 years, and was Spelthorne Housing Association's Deputy Chief Executive. Andrew is a member of the Institute of Management.

NICK HUTCHINGS

Executive Director (Managing Director, Commercial)

Nick has over 30 years' experience in the housebuilding industry and formerly worked at the Berkeley Group, one of the most respected housebuilding brands in the industry, where he held senior management posts including Land Director and Managing Director of St George Central London.

JOHN KNEVETT

Executive Director (New Business)

John has worked in the housing sector for over 30 years, in addition to his extensive experience as a structural and civil engineer. He was previously Chief Executive of A2 Housing Group, and Group Commercial Officer and Deputy Chief Executive at A2Dominion.

John will be leaving the Group in September 2018.

NICHOLAS YEELES

Executive Director (Development Initiatives)

Nicholas' career encompasses over 30 years' experience in the social housing sector, with an emphasis on business development. Prior to his current role at A2Dominion, Nicholas was Chief Executive of Cherwell Housing Trust, part of Dominion Housing Group, and an Executive Director (Commercial, London). He has held various executive posts in management and development, and has worked as a freelance consultant.

Nick left the Group in June 2018.

DEAN TUFTS

Executive Director (Finance & Strategy)

Dean is a chartered accountant and has worked in the housing industry for over 30 years. Dean was Group Finance Director of Dominion Housing Group for four years. Prior to that he was Finance Director of its forerunner Acton Housing Association for 11 years, joining the association from McCarthy & Stone Plc. Dean is an Associate of the Institute of Chartered Accountants in England and Wales.

ZOE OLLEREARNSHAW

Group Company Secretary and Director of Governance & Compliance

AUDITORS

BDO LLP
55 Baker Street, London W1U 7EU

BANKERS

Barclays Bank Plc
Floor 28, 1 Churchill Place
London E14 5HP

SOLICITORS

Winckworth Sherwood
Minerva House, 5 Montague Close
London SE1 9BB

Devonshires Solicitors LLP
30 Finsbury Circus, London EC2M 7DT

Report of the Board

The Board presents its report and the Group's audited financial statements for the year ended 31 March 2018.

PRINCIPAL ACTIVITIES

A2Dominion Housing Group Limited is a social landlord administered by a board of directors with a broad range of expertise and experience. It is also the parent entity of the A2Dominion Group ("the Group") and all further references to the Group refer to the consolidated Group rather than the Association. The subsidiaries of the Group are listed in note 18 to the financial statements and their activities detailed within the Strategic Report on page 26.

BUSINESS REVIEW

Details of the Group's performance for the year and its future plans are set out in the Strategic Report that follows the Report of the Board.

HOUSING PROPERTY AND OTHER FIXED ASSETS

Details of changes to the Group's fixed assets are shown in notes 13 to 18 to the financial statements.

RESERVES

After transfer of the surplus for the year of £92.5 million (2017: £84.1 million) and other movements in reserves, the Group's year-end reserves amounted to £938.1 million (2017: £835.5 million).

DONATIONS

The Group donated £49,480 to charitable entities (2017: £33,888) and made no political donations.

POST BALANCE SHEET EVENTS

The present board members ("the Board") consider that there have been no events since the year-end that have had a significant effect on the Group's financial position.

FINANCIAL INSTRUMENTS

The Group's approach to financial risk management is outlined in the Strategic Report.

EMPLOYEES

A key strength of the Group lies in the quality of its employees. In particular, it is their contribution that gives the Group the ability to meet its objectives and commitments to residents in an efficient and effective manner.

The Group shares information on its objectives, progress and activities through regular briefings, seminars and meetings involving board members, the senior management team and staff.

The Group is committed to equal opportunities and in particular supporting the employment of people with disabilities, both in recruitment and in the retention of employees who become disabled whilst in the employment of the Group.

HEALTH AND SAFETY

The Board is aware of its responsibilities on all matters relating to health and safety. Members of the Board together with the executive officers have undertaken external accredited health and safety training appropriate to their role. The Group operates an executive led Health & Safety Committee which is responsible for monitoring all health and safety activities and reporting on these. The Chair of the Audit, Risk and Assurance Committee is a member, providing a direct link back to the Board. The Group has also prepared detailed health and safety policies and provides training and education on health and safety matters.

BOARD MEMBERS AND EXECUTIVE OFFICERS

The Board and the executive officers of the Group are set out on page 50 to 53. The Board are drawn from a wide background bringing together professional and commercial experience. The executive officers are the chief executive and the other members of the Group's senior management team.

The executive officers hold no interest in the Group's shares and act as executives within the authority delegated by the Board. Group insurance policies indemnify the Board and officers against liability when acting for the Group.

SERVICE CONTRACTS

Executive officers are employed on the same terms and conditions as other staff, save that their notice periods are between six and 12 months.

PENSIONS

Executive officers are members of either the Social Housing Pension Schemes or Oxfordshire County Council Schemes, which are either defined benefit final salary pension schemes or defined contribution schemes. They participate in the schemes on the same terms as all other eligible staff and the Group contributes to the schemes on behalf of its employees.

OTHER BENEFITS

Executive officers are entitled to other benefits such as health care insurance. Details of their total remuneration are included in note 8 to the financial statements.

GOVERNANCE

The regulatory judgement for A2Dominion Group is rated as G1/V1. This rating was confirmed following a desktop stability review carried out by the Regulator of Social Housing ("RSH") which was published in December 2017. This judgement is the highest rating achievable and covers A2Dominion Housing Group, A2Dominion Homes Limited, A2Dominion Housing Options Limited and A2Dominion South Limited.

A wholesale Governance Review was carried during the last financial year with the new structure taking effect from 1 April 2017. An evaluation of the new arrangements was completed in early 2018. The evaluation concluded that the new arrangements were operating effectively.

The Board has carried out its annual assessment of compliance against the RSH's regulatory framework for registered providers, and reports full compliance. As part of this assessment the Group has determined that it is compliant with the requirements of the new General Data Protection Regulation 2018 but has identified that it will be reliant on some manual processes within its internal control framework until the Group's technology systems have been updated which is scheduled to complete in 2020.

The Board has also reviewed its governance arrangements for compliance against its adopted code of governance, the National Housing Federation Code of Governance published in 2015. The Board is fully compliant with the Code.

The Board is confident that the Group's regulatory judgement from the RSH and the work of its Governance Review, together with the self-assessments against the regulatory framework and its code of governance, provide assurance that the governance framework across the organisation is strong.

RESIDENT INVOLVEMENT

The Group actively encourages residents' involvement providing feedback and informing decision making through active resident groupings which promote resident involvement led by the Group's customer experience team. There are clear reporting arrangements between the resident groups and the Board and committees. Operational from 1 April 2018 has been the Group's Customer Advisory Panel, established to provide clear resident and customer feedback on enhancements to services being provided. The Panel consists of residents along with two Board members who provide the direct link back to the Board.

COMPLAINTS

The Group has a clear, accessible complaints policy for its residents that has been designed to enable residents to follow a simple process.

INTERNAL CONTROLS ASSURANCE

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

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

The process for identifying, evaluating and managing the significant risks faced by the Group is on-going and has been in place throughout the period commencing 1 April 2017 up to the date of approval of the annual report and financial statements.

Key elements of the control framework during the year included:

- Board-approved terms of reference and delegated authorities for Audit, Risk and Assurance Committee, Treasury Committee, Governance and Remuneration Committee, Development and Property Panel and Customer Insight Panel;
- clearly defined management responsibilities for the identification, evaluation and control of significant risks;
- robust strategic and business planning processes, with detailed financial budgets and forecasts;
- comprehensive three year programme of internal audit;
- formal recruitment, retention, training and development policies for all staff;
- established authorisation and appraisal procedures for all significant new initiatives and commitments;
- a prudent approach to treasury management which is subject to external review on an annual basis;
- regular reporting to the appropriate committee on key business objectives, targets and outcomes;
- Board-approved whistle-blowing, anti-theft and anti-corruption policies; and
- formal money laundering and fraud policy and register.

The Audit, Risk and Assurance Committee oversees the Group's performance of its landlord services and health and safety reporting and compliance.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Audit, Risk and Assurance Committee to regularly review the effectiveness of the system of internal control.

The Audit, Risk and Assurance Committee reviews the Group Risk Register quarterly to ensure all risks are fully assessed with actions identified to mitigate risks. In addition each of the Group's committees review risks and actions specific to their areas of responsibility. The Audit, Risk and Assurance Committee regularly reviews the fraud register. Any control weaknesses or fraud identified during the year are reported to and monitored by the Audit, Risk and Assurance Committee, who review the mitigating actions and the timescales for their completion.

The Audit, Risk and Assurance Committee and the Board have received the chief executive's annual review of the effectiveness of the system of internal control for the Group and the annual report of the internal auditor.

The Board has reviewed and evaluated the effectiveness of the internal controls as well as the fraud register and the annual report of the internal auditor as reported to them by the Audit, Risk and Assurance Committee.

In line with the Financial Reporting Council Guidance on Audit Committees, the Audit, Risk and Assurance Committee carried out a separate exercise to review its independence, performance and effectiveness, and agreed actions to further improve its effectiveness.

BOARD MEMBERS' RESPONSIBILITIES

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

Co-operative and Community Benefit Society and social housing legislation require the Board to prepare financial statements for each financial year for the Group and Association in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers 2014 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 Association will continue in business.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Association's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Association and enable the Board to ensure that 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 Board is also responsible for safeguarding the assets of the Group and Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that the Report of the Board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2014.

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Board. The Board's responsibility also extends to the on-going integrity of the financial statements contained therein.

GOING CONCERN

After making enquiries, the Board has a reasonable expectation that the Group has adequate financial resources to continue in operational existence for the foreseeable future, being a period of 12 months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

ANNUAL GENERAL MEETING

The Annual General Meeting has been held on 25 July 2018 at The Point, 37 North Wharf Road, London, W2 1BD.

DISCLOSURE OF INFORMATION TO AUDITORS

At the date of making this report each of the Group's board members, as set out on pages 50-51, confirm the following:

- so far as each board member is aware, there is no relevant information needed by the Group's auditors in connection with preparing their report 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 in order to make themselves aware of any relevant information needed by the Group's auditors in connection with preparing their report and to establish that the Group's auditors are aware of that information.

EXTERNAL AUDITORS

BDO LLP have been the external auditors of the Group since 2008. A full re-tender exercise for the external audit service will be undertaken in 2018. A resolution to appoint the successful tender applicant will be proposed following the completion of the procurement exercise.

The Report of the Board was approved by the Board on 25 July 2018 and signed on its behalf by:

I Cox	**D Coates**	**Z Ollerearnshaw**
Chair	Board Member	Company Secretary

Independent auditor's report to the members of A2Dominion Housing Group Limited

OPINION

We have audited the financial statements of A2Dominion Housing Group Limited ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2018, which comprise the consolidated and Association Statement of comprehensive income, the consolidated and Association Statement of financial position, the consolidated and Association Statement of changes in equity, the consolidated Statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

BASIS FOR OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

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

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

KEY AUDIT MATTERS

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

NET REALISABLE VALUE OF HOUSING PROPERTIES DEVELOPED FOR SALE

A number of housing properties developed for sale were under construction at the year-end. For all housing properties developed for sale, management performed a review of their net realisable value at the year end.

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

Our response to the risks identified:

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

The expected proceeds are based on either known amounts from exchanges and reservations for units or from valuation estimates, depending on the status of the development. For a sample of the expected proceeds from the sale of such properties we have agreed the amounts involved to supporting documentation or by comparing the expected proceeds to similar developments in the same locality.

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

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

Our testing included one scheme for which management had recognised a provision to write off abortive costs relating to strategic land (see note 4 to the financial statements) and a related impairment against investment property (see note 16 to the financial statements). Our testing included verification of the valuation attributed to the investment property (including identification of the third party valuer and checking that their expertise and work was suitable for our purposes) and a review of the alternative uses of the land to ensure that the carrying values at the year end reflected the current intention in relation to the land.

OUR APPLICATION OF MATERIALITY

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

We determined materiality for the financial statements as a whole to be £56,200,000 (2017 – £72,700,000) which represents 1.5% of total assets (2017 – 1.5% of total assets).

We also apply a specific materiality level for all items comprising operating profit (including related disclosures) as that term is defined for the purposes of the entities lending covenants. This therefore involves adjusting operating profit for depreciation, amortisation, impairment and the net profit/loss on first tranche sale properties. The specific materiality level that we applied was £5,555,000 (2017 - £7,600,000), which is 5% of adjusted operating profit. (2017 - 5%).

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

Materiality for the parent Association was set at £930,000 (2017 - £610,000), which is 2% of turnover (2017 – 1.5% of turnover). We used turnover as our chosen benchmark to determine materiality for the Association as this entity generates income only from the processing of the majority of expenses for the group (including payroll) and recharging them to the rest of the group.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at 70% (2017 – 70%) of materiality or specific materiality depending on the financial statement area being audited. In setting the level of performance materiality, we considered a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.

We agreed with the Audit Committee that misstatements in excess of £1,125,000 for areas considered using financial statement materiality and £110,000 for areas considered using specific materiality (2017 - £1,450,000 / £150,000), which were identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

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

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

CLASSIFICATION OF COMPONENTS

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

Audit work on all significant components was performed by BDO UK both for the purposes of reporting on the individual financial statements and for group/consolidation purposes. Individual component audits were carried out using component materiality levels appropriate to each particular entity and the materiality levels used ranged from 2% to 45% of overall financial statement materiality.

OTHER INFORMATION

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

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

We have nothing to report in this regard.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

RESPONSIBILITIES OF THE BOARD

As explained more fully in the board members responsibilities statement set out on page 56, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

OTHER MATTERS

Following the recommendation of the audit committee, we were first appointed to audit the financial statements of A2Dominion Housing Group Limited for the year ended 31 March 2009 and subsequent financial periods. In respect of the year ended 31 March 2018 we were reappointed as auditor by the members of the Association at the annual general meeting held on 26 July 2017. The period of total uninterrupted engagement for A2Dominion Housing Group Limited is 10 years, covering the financial year ending 31 March 2018.

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

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

USE OF OUR REPORT

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

BDO LLP

Phil Cliftlands, Senior Statutory Auditor
For and on behalf of BDO LLP, Statutory Auditor
London, United Kingdom

26 July 2018

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

Financial Statements

Financial Statements

Rathbone, Westminster

Consolidated statement of comprehensive income

For the year ending 31 March 2018

	NOTE	2018 £M	2017 £M
Turnover	4	**300.7**	**371.9**
Cost of sales	4	(55.7)	(99.3)
Operating costs	4	(158.2)	(166.4)
Surplus on sale of fixed assets	10	13.4	13.7
Operating surplus	4,6	**100.2**	**119.9**
Share of jointly controlled entity operating profit/(loss)	18	41.2	(1.2)
Interest receivable and other income	11	2.9	6.4
Interest payable and similar charges	12	(55.8)	(55.0)
Other finance costs	31	(0.8)	(0.8)
Change in fair value of investments	18	-	0.5
Movement in fair value of financial instruments		3.2	(3.4)
Movement in fair value of investment properties	16	1.6	18.7
Surplus on ordinary activities before taxation		**92.5**	**85.1**
Tax on surplus on ordinary activities	13	1.1	(0.2)
Surplus on ordinary activities after taxation		**93.6**	**84.9**
Non-controlling interest		(1.1)	(0.8)
Surplus for the financial year		**92.5**	**84.1**
Actuarial gains/(losses) on defined benefit pension scheme	31	0.7	(0.8)
Movement in fair value of hedged financial instrument		9.4	3.5
Total comprehensive income for year		**102.6**	**86.8**

	NOTE	2018 £M	2017 £M
Surplus for the year attributable to:			
Non-controlling interest		1.1	0.8
Parent association		92.5	84.1
		93.6	**84.9**
Total comprehensive income attributable to:			
Non-controlling interest		1.1	0.8
Parent association		101.5	86.0
		102.6	**86.8**

All amounts relate to continuing activities.

The notes on page 70 to 103 form part of these financial statements.

Association statement of comprehensive income

For the year ending 31 March 2018

	NOTE	2018 £M	2017 £M
Turnover	4	**44.2**	**41.4**
Operating costs	4	(45.9)	(40.8)
Operating (deficit)/ surplus	4, 6	**(1.7)**	**0.6**
Interest receivable and other income	11	16.3	10.4
Interest payable and similar charges	12	(15.7)	(10.1)
Other finance costs	31	(0.7)	(0.8)
(Deficit)/ surplus on ordinary activities before taxation		**(1.8)**	**0.1**
Tax on surplus on ordinary activities	13	-	-
(Deficit)/ surplus for the financial year		**(1.8)**	**0.1**
Actuarial gains / (losses) on defined benefit pension scheme	31	0.1	(0.2)
Total comprehensive loss for the year		**(1.7)**	**(0.1)**

All amounts relate to continuing activities.

The notes on pages 70 to 103 form part of these financial statements.

Consolidated statement of financial position

At 31 March 2018

	NOTE	2018 £M	2017 £M
Fixed assets			
Tangible fixed assets – housing properties	14	2,593.0	2,534.8
Tangible fixed assets – other	15	22.9	20.8
Investment properties	16	488.9	427.9
Investments – Homebuy loans	17	2.6	2.6
Investments – other	18	19.5	19.8
Investments – jointly controlled entities	18	47.7	54.8
		3,174.6	3,060.7
Current assets			
Properties for sale	19	310.0	221.9
Debtors less than one year	20	66.4	79.7
Debtors more than one year	20	65.7	58.4
Investments	21	-	70.0
Cash and cash equivalents	22	126.1	148.1
		568.2	578.1
Creditors: Amounts falling due within one year	23	(188.7)	(134.4)
Net current assets		379.5	443.7
Total assets less current liabilities		**3,554.1**	**3,504.4**
Creditors: Amounts falling due after more than one year	24	(2,602.3)	(2,657.9)
Provision for liabilities and charges	30	(7.4)	(4.5)
Net assets excluding pension liability		944.4	842.0
Pension liability	31	(5.1)	(5.7)
Net assets		**939.3**	**836.3**

	NOTE	2018 £M	2017 £M
Capital and reserves			
Non-equity share capital		-	-
Cash flow hedge reserve		(34.5)	(43.9)
Income and expenditure reserve		932.6	833.8
Designated reserve		39.5	45.1
Restricted reserve		0.5	0.5
Consolidated funds		938.1	835.5
Non-controlling interest		1.2	0.8
		939.3	**836.3**

Co-operative and Community Benefit Society (FCA) 28985R.

The financial statements were approved by the Board and authorised for issue on 25 July 2018 and signed on its behalf by:

I Cox
Chair

D Coates
Board Member

Z Ollerearnshaw
Company Secretary

The notes on pages 70 to 103 form part of these financial statements.

Association statement of financial position

At 31 March 2018

	NOTE	2018 £M	2017 £M
Current assets			
Debtors due within one year	20	15.1	16.3
Debtors due after one year	20	370.6	376.7
Investments	21	-	-
Cash and cash equivalents	22	108.1	114.9
		493.8	507.9
Creditors: Amounts falling due within one year	23	(134.3)	(139.8)
Net current assets		359.5	368.1
Total assets less current liabilities		**359.5**	**368.1**
Creditors: Amounts falling due after more than one year	24	(380.0)	(387.1)
Provision for liabilities and charges	30	(3.6)	(3.2)
Net liabilities excluding pension liability		(24.1)	(22.2)
Pension liability	31	(1.6)	(1.8)
Net liabilities		**(25.7)**	**(24.0)**
Capital and reserves			
Non-equity share capital		-	-
Revenue reserve		(25.7)	(24.0)
Association's deficit		**(25.7)**	**(24.0)**

Co-operative and Community Benefit Society (FCA) 28985R.

The financial statements were approved by the Board and authorised for issue on 25 July 2018 and signed on its behalf by:

I Cox
Chair

D Coates
Board Member

Z Ollerearnshaw
Company Secretary

The notes on pages 70 to 103 form part of these financial statements.

Consolidated statement of changes in equity

For the year ending 31 March 2018

	CASH FLOW HEDGE RESERVE £M	INCOME AND EXPENDITURE RESERVE £M	DESIGNATED AND RESTRICTED RESERVE £M	TOTAL EXCLUDING NON – CONTROLLING INTERESTS £M	NON – CONTROLLING INTERESTS £M	TOTAL INCLUDING NON – CONTROLLING INTERESTS £M
Balance at 1 April 2017	**(43.9)**	**833.8**	**45.6**	**835.5**	**0.8**	**836.3**
Surplus for the year	**-**	**92.5**	**-**	**92.5**	**1.1**	**93.6**
Other comprehensive income:						
Actuarial gains on defined benefit pension scheme	-	0.7	-	0.7	-	0.7
Movement in fair value of hedged financial instrument	9.4	-	-	9.4	-	9.4
Other comprehensive income for the year	**9.4**	**0.7**	**-**	**10.1**	**-**	**10.1**
Reserves transfers:						
Capital contribution and distributions	-	-	-	-	(0.7)	(0.7)
Transfer of designated expenditure from income and expenditure reserve	-	(1.5)	1.5	-	-	-
Transfer of designated expenditure to income and expenditure reserve	-	7.1	(7.1)	-	-	-
Balance at 31 March 2018	**(34.5)**	**932.6**	**40.0**	**938.1**	**1.2**	**939.3**

The notes on pages 70 to 103 form part of these financial statements.

Consolidated statement of changes in equity

For the year ending 31 March 2018

	CASH FLOW HEDGE RESERVE £M	INCOME AND EXPENDITURE RESERVE £M	DESIGNATED AND RESTRICTED RESERVE £M	TOTAL EXCLUDING NON – CONTROLLING INTERESTS £M	NON – CONTROLLING INTERESTS £M	TOTAL INCLUDING NON – CONTROLLING INTERESTS £M
Balance at 1 April 2016	**(47.4)**	**749.9**	**46.3**	**748.8**	**0.8**	**749.6**
Surplus for the year	**-**	**84.1**	**-**	**84.1**	**0.8**	**84.9**
Movement in restricted reserve	**-**	**-**	**(0.1)**	**(0.1)**	**-**	**(0.1)**
Other comprehensive income:						
Actuarial losses on defined benefit pension scheme	-	(0.8)	-	(0.8)	-	(0.8)
Movement in fair value of hedged financial instrument	3.5	-	-	3.5	-	3.5
Other comprehensive income for the year	**3.5**	**(0.8)**	**-**	**2.7**	**-**	**2.7**
Reserves transfers:						
Capital contribution and distributions	-	-	-	-	(0.8)	(0.8)
Transfer of designated expenditure from income and expenditure reserve	-	(13.7)	13.7	-	-	-
Transfer of designated expenditure to income and expenditure reserve	-	14.3	(14.3)	-	-	-
Balance at 31 March 2017	**(43.9)**	**833.8**	**45.6**	**835.5**	**0.8**	**836.3**

The notes on pages 70 to 103 form part of these financial statements.

Association statement of changes in equity

FOR THE YEAR ENDED 31 MARCH 2018

	INCOME AND EXPENDITURE RESERVE £M
Balance at 1 April 2017	**(24.0)**
Deficit for the year	**(1.8)**
Other comprehensive income:	
Actuarial gains on defined benefit pension scheme	0.1
Other comprehensive income for the year	**0.1**
Balance at 31 March 2018	**(25.7)**

FOR THE YEAR ENDED 31 MARCH 2017

	INCOME AND EXPENDITURE RESERVE £M
Balance at 1 April 2016	**(23.9)**
Surplus for the year	**0.1**
Other comprehensive income:	
Actuarial losses on defined benefit pension scheme	(0.2)
Other comprehensive income for the year	**(0.2)**
Balance at 31 March 2017	**(24.0)**

The notes on pages 70 to 103 form part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 March 2018

	2018 £M	2017 £M
Cash flows from operating activities		
Surplus for the financial year	92.5	84.1
Adjustments for:		
Depreciation of fixed assets – housing properties	28.3	29.3
Depreciation of fixed assets – other	2.7	3.1
Accelerated depreciation on replaced components	0.6	4.1
Impairment reversal of fixed assets – housing properties	(1.5)	-
Amortised grant	(15.6)	(16.9)
Share of (surplus) / deficit in jointly controlled entities	(41.2)	1.2
Net fair value gains recognised in statement of comprehensive income	(4.8)	(15.8)
Interest and finance costs	56.6	55.8
Interest received	(2.9)	(6.4)
Surplus on the sale of fixed assets – housing properties	(13.4)	(13.7)
Taxation	(1.1)	0.2
Non-controlling interest	1.1	0.8
(Increase) / decrease in trade and other debtors	(5.5)	3.2
Increase in stocks	(89.1)	(12.4)
Increase in creditors	28.6	16.6
Increase / (decrease) in provisions	2.9	(0.4)
Cash from operations	**38.2**	**132.8**
Tax paid	(0.1)	-
Net cash generated from operating activities	**38.1**	**132.8**

	2018 £M	2017 £M
Cash flows from investing activities		
Purchase of fixed assets – housing properties	(79.9)	(51.9)
Receipt of grant	8.6	4.9
Purchase of fixed assets – other	(4.9)	(2.6)
Purchase of fixed asset investments	(61.7)	(54.0)
Sale of fixed asset investments	3.1	5.2
Sale of current asset investments	70.0	-
Purchase of current asset investments	-	(62.0)
Investment in jointly controlled entities	(13.3)	-
Repayment of jointly controlled entities capital	20.9	2.2
Distribution of jointly controlled entities profits	40.7	0.1
Proceeds from sale of fixed assets – housing properties	35.8	40.2
Loans advanced to jointly controlled entities	-	(38.4)
Loans payment by jointly controlled entities	8.2	-
Interest received	2.9	6.4
Net cash from investing activities	**30.4**	**(149.9)**
Cash flows used in financing activities		
Interest paid	(73.2)	(69.4)
New loans – bank	15.0	70.0
New loans – other	-	248.5
Repayment of loans – bank	(32.3)	(121.2)
Net cash from financing activities	**(90.5)**	**127.9**
Net increase in cash and cash equivalents	**(22.0)**	**110.8**
Cash and cash equivalents at the beginning of year	148.1	37.3
Cash and cash equivalents at end of year	**126.1**	**148.1**

The notes on pages 70 to 103 form part of these financial statements.

Notes to the financial statements

1. LEGAL STATUS

The Association is registered in England with the Financial Conduct Authority under the Co-operative and Community Benefits Societies Act 2014 and is registered with the Regulator of Social Housing (RSH) in England as a social landlord. The Association is a Public Benefit Entity.

2. ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which for the Group includes the Cooperative and Community Benefit Societies Act 2014 (and related group accounts regulations), the Housing and Regeneration Act 2008, FRS 102 "the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2014, "Accounting by registered social housing providers" 2014, the Accounting Direction for Private Registered Providers of Social Housing 2015.

These financial statements are the prepared under FRS102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies.

GOING CONCERN

The Group and Association's financial statements have been prepared on the going concern basis. The Association is supported by its asset owning subsidiaries. A2Dominion Housing Group Limited's Board has effective control over these subsidiaries and their assets. These subsidiaries provide ongoing support to their parent which will continue to allow A2Dominion Housing Group Limited to meet its liabilities as they fall due.

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 FRS 102:

- only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent company would be identical;
- no cash flow statement has been presented for the parent company; and
- no disclosure has been given for the aggregate remuneration of the key management personnel of the company as their remuneration is included in the totals for the Group as a whole.

BASIS OF CONSOLIDATION

As required by the Statement of Recommended Practice: Accounting by registered social housing providers 2014, the Group has prepared consolidated financial statements. The Group consolidated financial statements present the results of the Association and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

As required by FRS102 section 9 paragraph 11 Special Purpose Entities (SPE) are fully consolidated in the Group's financial statements where the Group controls that entity. An entity is controlled by the Group where the Group retains the risks, receives the majority of the benefits, has ultimate decision making powers and the activities of the SPE are being conducted on behalf of the Group.

In the consolidated financial statements, the items of subsidiaries are recognised in full. On initial recognition, non-controlling interests are measured at the proportionate share of the acquired business' identified assets and liabilities. The minority interests' proportionate shares of the subsidiaries' results and equity are recognised separately in the statement of comprehensive income and statement of financial position, respectively.

BUSINESS COMBINATIONS THAT ARE GIFTS

Where there is a business combination that is in substance a gift, any excess of fair value over the assets received over the fair value of the liabilities assumed is recognised as a gain in statement of comprehensive income. This gain represents the gift of the value of one entity to another and shall be recognised as income. Where the fair value of the liabilities exceeds the fair value of the assets, the loss represents net obligations assumed and shall be recognised as an expense.

JOINTLY CONTROLLED ENTITIES

An entity is treated as a jointly controlled entity where the group is party to a contractual agreement with one or more parties from outside the group to undertake an economic activity that is subject to joint control.

In the consolidated accounts, interests in jointly controlled entities are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investor's share of the profit or loss, other comprehensive income and equity of the jointly controlled entities. The consolidated statement of comprehensive income includes the Group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the group. In the consolidated statement of financial position, the interests in jointly controlled entity undertakings are shown as the Group's share of the identifiable net assets, including any unamortised premium paid on acquisition.

2. ACCOUNTING POLICIES CONTINUED

TURNOVER

Turnover comprises rental income receivable in the year, income from property developed for sale including shared ownership first tranche sales, other services included at the invoiced value (excluding VAT) of goods and services supplied in the year, donations received and revenue grants receivable in the year. Rental income is recognised at the point properties become available for letting and income from first tranche sales and developed for sale properties are recognised at the point of legal completion. Other income is recognised in the period it is receivable.

OPERATING SEGMENTS

There are publically traded securities within the Group and therefore a requirement to disclose information about the Group operating segments under IFRS 8. Segmental information is disclosed in note 4 and as part of the analysis of housing properties in note 13. Information about income, expenditure and assets attributable to material operating segments are presented on the basis of the nature and function of housing assets held by the group rather than geographical location. As permitted by IFRS 8 this is appropriate on the basis of the similarity of the services provided, the nature of the risks associated, the type and class of customer and the nature of the regulatory environment across all of the geographical locations in which the group operates. The Group Board do not routinely receive segmental information disaggregated by geographical location.

LONG TERM CONTRACTS

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Income earned from such contracts is stated at the amount appropriate to their stage of completion calculated using the percentage of completion method plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the statement of comprehensive income, after deducting foreseeable losses and payments on account not matched with turnover. Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

SUPPORTING PEOPLE INCOME AND EXPENDITURE

Income receivable and costs incurred from contracts are recognised in the period they relate to on a receivable basis and included within other social housing activities in the statement of comprehensive income. Any excess of cost over the grant received is borne by the Group where it is not recoverable from tenants.

SUPPORTED HOUSING MANAGED BY AGENCIES

Social Housing Grants and other revenue grants for supported housing claimed by the Group are included in the statement of comprehensive income. The treatment of other income and expenditure in respect of supported housing depends on whether the Group or its partner carries the financial risk.

Where the Group carries the financial risk, all the supported housing schemes' income and expenditure is included in the statement of comprehensive income.

SERVICE CHARGES

Service charges receivable are recognised in turnover. Expenditure is recorded when a service is provided and charged to the relevant service charge account or to a sinking fund. Income is recorded based on the estimated amounts chargeable. The Group adopts the variable method for calculating and charging service charges to its leaseholders and shared owners. Tenants are charged a fixed service charge.

MANAGEMENT OF UNITS OWNED BY OTHERS

Management fees receivable and reimbursed expenses are shown as income and included in management fees receivable. Costs of carrying out the management contracts and rechargeable expenses are included in operating costs.

SCHEMES MANAGED BY AGENTS

Income is shown as rent receivable and management fees payable to agents are included in operating costs.

CURRENT AND DEFERRED TAXATION

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively. The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiaries operate and generate taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits,
- any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met, and
- where timing differences relate to interests in subsidiaries, associates and joint ventures and the group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

VALUE ADDED TAX

The Group charges value added tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The statement of comprehensive income includes VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. Recoverable VAT arises from partially exempt activities and is credited to the statement of comprehensive income. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset in the statement of financial position.

2. ACCOUNTING POLICIES CONTINUED

FINANCE COSTS

FRS102 requires finance costs to be charged to the profit or loss over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount after initially recognising issue costs as a reduction in the proceeds of the associated capital instrument.

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

- interest on borrowings specifically financing the development programme after deduction of interest on social housing grant (SHG) in advance
- interest on borrowings of the Group as a whole after deduction of interest on SHG in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to the statement of comprehensive income in the year.

PENSIONS

Contributions to the Group's defined contribution pension schemes are charged to the statement of comprehensive income in the year in which they become payable.

The Group participates in three funded multi-employer defined benefit schemes, the Social Housing Pension Scheme (SHPS), the Surrey County Council Scheme and the Oxfordshire County Council Scheme.

For the SHPS, it has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers and therefore SHPS has been accounted for under FRS102 as if it were a defined contribution pension scheme. The deficit repayments of SHPS have been measured at the present value of the contributions payable discounted at a rate with reference to market yields on high quality corporate bonds at the reporting date.

For the Surrey and Oxfordshire County Council Schemes, the operating costs of providing retirement benefits to participating employees are recognised in the accounting periods in which the benefits are earned. The related finance costs and any other changes in fair value of the assets and liabilities are recognised in the accounting period in which they arise. The operating costs and finance costs with any actuarial gains and losses are recognised in the consolidated statement of comprehensive income. The difference between the fair value of the assets held in the Group's defined benefit pension scheme and the scheme's liabilities are recognised in the Group's statement of financial position.

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.

HOUSING PROPERTIES

Housing properties are principally properties available for rent and shared ownership.

Housing properties under construction are stated at cost. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

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

General needs housing properties for rent are split between their land and structure costs and a specific set of major components which require periodic replacement. On replacement the new major works component is capitalised with the related net book value of replaced components expensed through the statement of comprehensive income as accelerated depreciation. Component accounting is not applicable to shared ownership housing properties.

Improvements to existing properties which are outside the normal capitalisation policy of component additions, are works which result in an increase in the net rental income, such as a housing properties reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business and that provide an enhancement to the economic benefits in excess of the standard of performance anticipated when the asset was first acquired, constructed or last replaced.

Only the directly attributable overhead costs associated with new developments or improvements are capitalised.

DEPRECIATION OF HOUSING PROPERTIES

Freehold land is not depreciated. Depreciation is charged so as to write down the cost of freehold housing properties other than freehold land to their estimated residual value on a straight line basis over their estimated useful economic lives at the following annual rates:

Major components:

Building	75 Years	Kitchens	20 years
Bathrooms	30 years	Heating	15 years
Roofs	50 years	Windows and doors	30 years
Lifts	20 years	Electrical	30 years

During the year the estimated useful economic lives for bathrooms were revised from 25 years to 30 years, kitchens from 15 years to 20 years and windows and doors from 25 years to 30 years. The impact of these changes in the estimated useful economic lives has led to a reduction of £1.2 million in the annual depreciation charge.

The portion of shared ownership property retained or expected to be retained is not depreciated on account of the high residual value. Neither the depreciable amount nor the annual expected depreciation charge for such assets is considered material, individually or in aggregate.

Assets in the course of construction are not depreciated until they are completed and ready for use to ensure that they are depreciated only in periods in which economic benefits are expected to be consumed.

Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

2. ACCOUNTING POLICIES CONTINUED

DONATED LAND

Land donated by local authorities and others is added to cost at the fair value of the land at the time of the donation, taking into account any restrictions on the use of the land.

LAND OPTIONS

The premium payable on an option to acquire land at a future date is amortised over the life of the option. The options are regularly reviewed to assess the likelihood of the option being exercised and at the early stages the majority of the associated expenses are charged to the statement of comprehensive income.

SHARED OWNERSHIP AND STAIRCASING

Under shared ownership arrangements, the Group disposes of a long lease of shared ownership housing units to persons who occupy them, for an amount of between 25% and 75% of the open market value (the "first tranche"). The occupier has the right to purchase further proportions at the current valuation at that time up to 100% ("staircasing").

A shared ownership property comprises two assets: that to be disposed of in the first tranche sale, which is recorded as a current asset; and that retained by the Group, which is recorded as a fixed asset in the same manner as for general needs housing properties.

Proceeds of sale of first tranches are accounted for as turnover in the statement of comprehensive income, with the apportioned cost being shown within operating results as the cost of sale.

Subsequent tranches sold ("staircasing sales") are disclosed in the statement of comprehensive income as a surplus or deficit on sale of fixed assets. Such staircasing sales may result in capital grant being recycled, deferred or abated and this is credited in the statement of comprehensive income in arriving at the surplus or deficit.

MIXED TENURE DEVELOPMENTS

Costs are allocated to the appropriate tenure where it is possible to specify which tenure the expense relates to. Where it is not possible to relate costs to a specific tenure costs are allocated on a floor area or unit basis depending on appropriateness for each scheme.

OTHER TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less accumulated depreciation.

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

Furniture, fixtures and fittings	20% - 25% per annum
Freehold offices	2% per annum
Freehold alterations	10% per annum
Leasehold offices	Length of the lease
Computers, office equipment and motor vehicles	Between 14 1/3% and 33 1/3% per annum

Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

SOCIAL HOUSING GRANT (SHG)

Grant received in relation to newly acquired or existing housing properties is accounted for using the accrual model set out in FRS 102 and the SORP for Registered Social Housing Providers 2014. Grant is carried as deferred income in the statement of financial position and released to the statement of comprehensive income on a systematic basis over the useful economic lives of the asset for which it was received. In accordance with SORP for Registered Social Housing Providers 2014 the useful economic life of the housing property structure has been selected (see table of useful economic lives above).

Where SHG funded property is sold, the grant becomes recyclable and is transferred to a recycled capital grant fund until it is reinvested in a qualifying new development and moved to work in progress. When the new development is completed the SHG is moved back into deferred income and amortised. If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within creditors is released and recognised as income within the statement of comprehensive income.

Grants relating to revenue are recognised in the statement of comprehensive income over the same period as the expenditure to which they relate once performance related conditions have been met.

OTHER GRANTS

Other grants are receivable from local authorities and other organisations. Capital grants are carried as deferred income in the statement of financial position and released to the statement of comprehensive income on a systematic basis over the useful economic lives of the asset for which it was received. Grants in respect of revenue expenditure are credited to the statement of comprehensive income in the same period as the expenditure to which they relate.

RECYCLED CAPITAL GRANT FUND

Following certain relevant events, primarily the sale of dwellings, the RSH can direct the Group to recycle the capital grant (SHG) or to repay the recoverable capital grant back to the RSH. Where the grant is recycled the recoverable capital grant is credited to a Recycled Capital Grant Fund which is included as a creditor due within one year or due after more than one year as appropriate.

DISPOSAL PROCEEDS FUND

Receipts from Right to Acquire sales are required to be retained in a ring fenced fund that can only be used for providing replacement housing. These sales receipts less eligible expenses are credited to the Disposal Proceeds Fund.

SALES UNDER RIGHT TO BUY

Surpluses and deficits arising from the disposal of properties under the Right to Buy legislation are included within surplus on sale of fixed assets on the face of the statement of comprehensive income. The surpluses or deficits are calculated by reference to the carrying value of the properties. On the occurrence of a sale of properties that were originally transferred to Spelthorne Housing Association (now owned by A2Dominion South Limited), a relevant proportion of the proceeds is payable back to Spelthorne Borough Council.

2. ACCOUNTING POLICIES CONTINUED

INVESTMENT PROPERTIES
Investment properties consist of commercial, student accommodation and market rent properties not held for social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised as part of the surplus for the year.

Investment properties under construction are carried at cost.

VALUATION OF INVESTMENTS
Investments in subsidiaries are measured at cost, less any provision for impairment.

Cash and unlisted investments classified as fixed asset investments are measured at cost.

Listed investments classified as fixed asset investments are remeasured to fair value at each balance sheet date. Gains and losses on remeasurement are recognised as part of the surplus for the year.

IMPAIRMENT
The housing property portfolio for the Group is assessed for indicators of impairment at each balance sheet date. Where indicators are identified then a detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which impairment is indicated to their recoverable amounts. The recoverable amount is taken to be the higher of the fair value less costs to sell or value in use of an asset or cash generating unit. The assessment of value in use may involve considerations of the service potential of the assets or cash generating units concerned or the present value of future cash flows to be derived from them appropriately adjusted to account for any restrictions on their use.

The Group defines cash generating units as schemes except where its schemes are not sufficiently large in size or where it is geographically sensible to group schemes into larger cash generating units. Where the recoverable amount of an asset or cash generating unit is lower than its carrying value an impairment is recorded through a charge to income and expenditure.

PROPERTIES FOR SALE
Housing properties that are built with the intention that they are to be transferred to another association are dealt with in current assets and are carried at cost and described as agency schemes for sale.

Shared ownership first tranche and commercial outright sale developments, both completed and under construction, are carried on the statement of financial position at the lower of cost and net realisable value. Cost comprises materials, direct labour, interest charges incurred during the development period and direct development overheads. Net realisable value is based on estimated sales price obtained from independent valuers and after allowing for all further costs of completion and disposal.

DEBTORS AND CREDITORS
Debtors and creditors with no stated interest rate and receivable and payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the statement of comprehensive income in operating costs.

RECOVERABLE AMOUNT OF RENTAL AND OTHER TRADE RECEIVABLES
The Group estimates the recoverable value of rental and other receivables and impairs the debtor based on the age profile of the debt, historical collection rates and the class of debt.

CONCESSIONARY LOANS
Concessionary loans are those loans made or received by the Group that are made:

- to further its public benefit objectives
- at a rate of interest which is below the prevailing market rate of interest
- not repayable on demand.

These loans are measured at the amount advanced at the inception of the loan less amounts received and any provisions for impairment. Any associated grant is recognised as deferred income until the loan is redeemed.

The Group has a number of arrangements that are considered concessionary loans:

Equity loans, Homebuy loans and grant
Under these arrangements the Group receives Social Housing Grant (Homebuy only) representing a maximum of 30% of the open market purchase price of a property in order to advance interest free loans of the same amount to a homebuyer. The buyer meets the balance of the purchase price from a combination of personal mortgage and savings. Loans advanced by the Group under these arrangements are disclosed in the investments section of the statement of financial position.

In the event that the property is sold on, the Group recovers the equivalent loaned percentage value of the property at the time of the sale. The grant becomes recyclable when the loans are repaid and the amount of grant to be recycled is capped at the amount received when the loan was first advanced. If there is a fall in the value of the property, the shortfall of proceeds is offset against the recycled grant. There are no circumstances in which the Group will suffer any capital loss.

LOANS
All loans, investments and short term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost), and subsequently measured at amortised cost. Loans and investments that are payable or receivable within one year are not discounted.

CASH AND CASH EQUIVALENTS
Cash and cash equivalents consist of cash at bank and in hand, deposits and short term investments with an original maturity date of three months or less.

DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING
The Group holds floating rate loans which expose the Group to interest rate risk, to mitigate against this risk the Group uses interest rate swaps. These instruments are measured at fair value (mark-to-market) at each reporting date. Each instrument's mark-to-market value is calculated with reference to mid-market rates. They are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group has designated each of the swaps against either existing drawn floating rate debt or against highly probable future floating rate debt. Hedge effectiveness is assessed using the hypothetical derivative method. To the extent the hedge is effective movements in fair value adjustments (other than adjustments for Group or counter party credit risk) are recognised in other comprehensive income and presented in a separate cash flow hedge reserve.

2. ACCOUNTING POLICIES CONTINUED

LEASED ASSETS
Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term.

LEASEHOLD SINKING FUNDS
Unexpended amounts collected from leaseholders for major repairs on leasehold schemes and any interest received are included in creditors.

PROVISIONS
The Group recognises provisions for liabilities of uncertain timing or amounts. Provision is made for specific and quantifiable liabilities, measured at the best estimate of expenditure required to settle the obligation at the balance sheet date.

Where the time value of money is material the amount expected to be required to settle the obligation is recognised at the present value using a discount rate. The unwinding of the discount is recognised as finance cost in the statement of comprehensive income in the year it arises.

CONTINGENT LIABILITIES
A contingent liability is disclosed for a possible obligation, for which it is not yet confirmed that a present obligation exists that could lead to an outflow of resources; or for a present obligation that does not meet the definitions of a provision or a liability as it is not probable that an outflow of resources will be required to settle the obligation or when a sufficiently reliable estimate of the amount cannot be made. This includes a contingent liability reflecting the potential future obligation to repay SHG where properties are disposed of.

DESIGNATED RESERVES
Designated reserves are held to provide reserves in respect of future major repairs spend. The Group maintains a reserve that covers the next three years forecasted major repairs expenditure. Annually a transfer from designated reserves directly to the income and expenditure reserve is made for the value of the repairs expenditure incurred during that year.

RESTRICTED FUNDS
Restricted funds are funds that can only be used for particular restricted purposes within the objects of the Group. Restrictions arise when specified by a donor or grant maker or when funds are raised for particular restricted purposes.

3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing these financial statements, the key judgements have been made in respect of the following:

- whether there are indicators of impairment of the Group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. The members have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on EUV-SH or depreciated replacement cost. The members have also considered impairment based on their assumptions to define cash or asset generating units
- the categorisation of housing properties as investment properties or property, plant and equipment based on the use of the asset
- the categorisation of financial instruments as basic or other
- what constitutes a cash generating unit when indicators of impairment require there to be an impairment review.

OTHER KEY SOURCES OF ESTIMATION UNCERTAINTY

Tangible fixed assets (see note 13 and 15)
Tangible fixed assets, other than investment properties, 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 economic conditions are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

For housing property assets, the assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components.

Market Rent investment properties are professionally valued annually using a discounted cash flow method, in nominal terms, in line with the traditional approach used by private investors when appraising an opportunity. In each case, a 10 year holding period has been used, with reversion of an exit value defined by the type of asset. Appropriate assumptions have been used as set as below, and have had regard for the investors' target rates of return and appropriate costs of servicing the buildings and tenancies. In each model the assumption for rent and house price growth is either 1.5% (in London) or 3.0% (everywhere else).

- Discount rate – 7.25% - 8.25%
- Average cost per unit per annum (% of the gross rental income) – 21.5% - 30.0%
- Sales rate – 12% - 17%
- Exit yield – 4.25% - 5.0%

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

Fair value measurement of derivatives
These instruments are measured at fair value (mark-to-market) at each reporting date. Each instrument's mark-to-market is calculated with reference to mid-market rates.

4. TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

GROUP	2018				
	TURNOVER	COST OF SALES	OPERATING COSTS	OTHER OPERATING ITEMS	OPERATING SURPLUS/ (DEFICIT)
	£M	£M	£M	£M	£M
Social housing lettings	212.1	-	(125.8)	-	86.3
Other social housing activities					
Supporting people	2.4	-	(3.3)	-	(0.9)
Management services	-	-	(1.7)	-	(1.7)
First tranche sales	11.7	(6.5)	-	-	5.2
Agency sale	-	-	-	-	-
Development costs not capitalised	-	-	(0.6)	-	(0.6)
Surplus on sale of fixed assets	-	-	-	13.4	13.4
Other	2.9	-	(7.5)	-	(4.6)
	17.0	(6.5)	(13.1)	13.4	10.8
Non-social housing activities					
Lettings	24.3	-	(9.8)	-	14.5
Developments for sale	45.9	(42.2)	-	-	3.7
Pension provision	-	-	(1.3)	-	(1.3)
Development costs not capitalised	-	-	(7.6)	-	(7.6)
Strategic land abortive costs	-	(7.0)	-	-	(7.0)
Other	1.4	-	(0.6)	-	0.8
	71.6	(49.2)	(19.3)	-	3.1
	300.7	(55.7)	(158.2)	13.4	100.2

GROUP	2017				
	TURNOVER	COST OF SALES	OPERATING COSTS	OTHER OPERATING ITEMS	OPERATING SURPLUS/ (DEFICIT)
	£M	£M	£M	£M	£M
Social housing lettings	211.7	-	(138.3)	-	73.4
Other social housing activities					
Supporting people	2.2	-	(2.4)	-	(0.2)
Management services	0.8	-	(0.2)	-	0.6
First tranche sales	15.6	(9.5)	-	-	6.1
Agency sale	2.0	(2.0)	-	-	-
Surplus on sale of fixed assets	-	-	-	13.7	13.7
Other	3.1	-	(8.4)	-	(5.3)
	23.7	(11.5)	(11.0)	13.7	14.9
Non-social housing activities					
Lettings	21.1	-	(9.4)	-	11.7
Developments for sale	114.2	(87.8)	-	-	26.4
Development costs not capitalised	-	-	(7.4)	-	(7.4)
Pension provision	-	-	(0.3)	-	(0.3)
Other	1.2	-	-	-	1.2
	136.5	(87.8)	(17.1)	-	31.6
	371.9	(99.3)	(166.4)	13.7	119.9

4. TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS CONTINUED

PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS GROUP

	2018						2017
	GENERAL NEEDS HOUSING	SUPPORTED HOUSING	TEMPORARY HOUSING	KEY WORKER	LOW COST HOME OWNERSHIP	TOTAL	TOTAL
	£M	£M	£M	£M	£M	£M	£M
Turnover from social housing lettings							
Rent receivable net of identifiable service charges	118.5	11.4	10.9	16.5	15.3	172.6	171.5
Service charges income	7.1	4.9	-	0.9	8.3	21.2	20.7
Amortised government grants	12.1	1.2	0.3	0.4	1.6	15.6	16.7
Net rental income	137.7	17.5	11.2	17.8	25.2	209.4	208.9
Nomination fees	-	-	0.5	-	-	0.5	1.0
Other income	0.5	0.1	-	0.2	1.4	2.2	1.8
Turnover from social housing lettings	138.2	17.6	11.7	18.0	26.6	212.1	211.7
Expenditure on social housing lettings							
Management	(16.6)	(11.1)	(1.1)	(6.4)	(4.8)	(40.0)	(37.2)
Service charge costs	(13.0)	(4.2)	(0.3)	(0.7)	(7.4)	(25.6)	(25.7)
Routine maintenance	(12.3)	(2.1)	(0.8)	(1.0)	(0.7)	(16.9)	(17.3)
Planned maintenance and major repairs expenditure	(10.6)	(0.9)	(0.2)	(0.7)	(0.3)	(12.7)	(20.8)
Bad debts	(0.4)	-	(0.1)	-	(0.1)	(0.6)	(1.0)
Property lease charges	(0.1)	(0.2)	(2.3)	-	-	(2.6)	(2.9)
Depreciation of housing properties	(22.8)	(2.2)	(1.3)	(2.0)	-	(28.3)	(29.3)
Accelerated depreciation on replaced components	(0.4)	(0.2)	-	-	-	(0.6)	(4.1)
Housing property impairment reversal[1]	1.5	-	-	-	-	1.5	-
Operating costs on social housing lettings	(74.7)	(20.9)	(6.1)	(10.8)	(13.3)	(125.8)	(138.3)
Operating surplus / (deficit) on social housing lettings	63.5	(3.3)	5.6	7.2	13.3	86.3	73.4
Void losses	(0.8)	(0.6)	(0.3)	(1.1)	(0.2)	(3.0)	(2.3)

[1] The impairment reversal relates to a scheme where the outturn had improved resulting in a reversal of impairment at a Group level.

4. TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS CONTINUED

PARTICULARS OF TURNOVER FROM NON-SOCIAL HOUSING LETTINGS

	GROUP	
	2018 £M	2017 £M
Market rental	13.9	11.8
Student accommodation	9.0	8.5
Other	1.4	0.8
	24.3	21.1

ASSOCIATION

	2018		
	TURNOVER £M	OPERATING COSTS £M	OPERATING SURPLUS/ (DEFICIT) £M
Other social housing activities			
Management services	42.8	(45.9)	(3.1)
Other	1.4	-	1.4
	44.2	(45.9)	(1.7)

	2017		
	TURNOVER £M	OPERATING COSTS £M	OPERATING SURPLUS/ (DEFICIT) £M
Other social housing activities			
Management services	40.3	(40.8)	(0.5)
Other	1.1	-	1.1
	41.4	(40.8)	0.6

5. ACCOMMODATION IN MANAGEMENT AND DEVELOPMENT

GROUP

At the end of the year accommodation in management for each class of accommodation was as follows:

	2018 NO.	2017 NO.
Social housing		
General needs housing	17,491	17,522
Affordable housing	849	737
Supported housing and housing for older people	2,287	2,293
Shared ownership	3,761	3,835
Key worker accommodation	2,698	2,697
Temporary accommodation	451	452
Other	1,255	1,248
Total owned	28,792	28,784
Accommodation managed for others	5,809	5,475
Total owned and managed	34,601	34,259
Non-social housing		
Student accommodation	1,456	1,378
Market rent	1,101	1,009
Other – commercial	90	93
Total owned	2,647	2,480
Overall		
Total owned	31,439	31,264
Total managed for others	5,809	5,475
Total owned and managed	37,248	36,739
Accommodation in development	7,817	5,402

The Association does not own or manage any accommodation.

6. OPERATING SURPLUS

THIS IS ARRIVED AT AFTER CHARGING/ (CREDITING):

	GROUP		ASSOCIATION	
	2018 £M	2017 £M	2018 £M	2017 £M
Depreciation of housing properties	28.3	29.3	-	-
Accelerated depreciation on replaced components	0.6	4.1	-	-
Depreciation of other tangible fixed assets	2.7	3.0	-	-
Reversal of Impairment of housing properties	(1.5)	-	-	-
Operating lease rentals				
- land and buildings	5.3	5.5	1.6	1.6
- office equipment, computers and vehicles	0.2	0.2	0.2	0.2
Auditor's remuneration (exclusive of VAT)				
- fees payable for the audit of the group's accounts	0.2	0.2	-	-
- fees for other non-audit services	-	0.1	-	0.1

7. EMPLOYEES

AVERAGE MONTHLY NUMBER OF EMPLOYEES EXPRESSED IN FULL TIME EQUIVALENTS:

A full time equivalent is based on a 35 hour week.

	GROUP		ASSOCIATION	
	2018 NO.	2017 NO.	2018 NO.	2017 NO.
Administration	250	243	199	190
Development and sales	84	86	84	86
Housing, support and care	637	661	529	535
	971	990	812	811

EMPLOYEE COSTS:

	GROUP		ASSOCIATION	
	2018 £M	2017 £M	2018 £M	2017 £M
Wages and salaries	38.2	36.9	33.1	31.6
Social security costs	4.0	3.9	3.5	3.3
Pension costs	1.5	1.5	1.4	1.4
Pension provision (note 31)[1]	1.4	1.1	1.4	1.1
	45.1	43.4	39.4	37.4

[1] The current year includes a £1.2 million (2017: £0.6 million) movement on the present value of future SHPS pension deficit payments and £0.2 million (2017: £0.5 million) provision for the local government pension schemes.

8. DIRECTORS AND SENIOR EXECUTIVE REMUNERATION

	GROUP	
	2018 £'000	2017 £'000
Salary and other benefits[1]	2,245	1,755
Compensation for loss of office	542	-
Contractual pension contribution	174	-
Pension contributions, or pay in lieu thereof, in respect of services as Directors	141	131
Total emoluments paid to executive officers	3,102	1,886
Emoluments of the highest paid executive officer[1] (excluding pension contributions and pay in lieu thereof[2] but including performance related pay and benefits in kind)	331	266

[1] A three year performance incentive scheme has been in operation for the Group's executive and operational management team since 1 April 2015. This scheme accrued the incentives earnt in the first two years until the final year and as the scheme has now matured the payments for each of the three years are included in the total salary and emoluments for employees and directors above and within the salary bandings overleaf.

[2] The chief executive is not a member of a pension scheme and received a payment in lieu of £18,649 (2017: £17,960), the equivalent of the employer's contribution.

8. DIRECTORS AND SENIOR EXECUTIVE REMUNERATION CONTINUED

Salary banding for all employees earning over £60,000 (includes salary and performance related pay[1] and pension contributions paid by the Group and compensation for loss of office).

SALARY BANDING	2018 NO.	2017 NO.
£60,000 to £70,000	27	31
£70,001 to £80,000	25	20
£80,001 to £90,000	11	7
£90,001 to £100,000	8	9
£100,001 to £110,000	2	5
£110,001 to £120,000	2	7
£120,001 to £130,000	3	2
£130,001 to £140,000	4	-
£140,001 to £150,000	5	1
£150,001 to £160,000	3	1
£160,001 to £170,000	1	-
£170,001 to £180,000	-	1
£180,001 to £190,000	-	1
£200,001 to £210,000	-	4
£240,001 to £250,000	2	-
£250,001 to £260,000	2	-
£260,001 to £270,000	1	-
£270,001 to £280,000	-	1
£280,001 to £290,000	-	1
£340,001 to £350,000*	2	-
£390,001 to £400,000*	1	-
£570,001 to £580,000*	1	-
	100	91

* These bands include compensation for the loss of office.

9. BOARD MEMBERS

Fees of £165,887 (2017: £171,840) were paid to non-executive board members during the year. Taxable travel allowances paid during the year to board members amounted to £11,988 (2017: £12,840). Non-executive board members during the year ended 31 March 2018 were paid as follows:

BOARD/COMMITTEE MEMBER		MEMBER OF					
	MEMBERSHIP PAY	AUDIT, RISK & ASSURANCE COMMITTEE	CUSTOMER INSIGHT PANEL	DEVELOPMENT AND PROPERTY PANEL	TREASURY COMMITTEE	GOVERNANCE & REMUNERATION COMMITTEE	GROUP BOARD
Suzanne Avery [1]	5,260			●	●		
Peter Braithwaite	7,500			●			
Jane Clarke	4,167		●				
David Coates	16,000	●	●				●
Terence Cook [1]	4,638						●
Ian Cox (Chair)	24,000					●	●
Sara Dickinson	14,000					●	●
Mark Gallagher	9,500	●		●			
Martin Huckerby	6,000	●			●		
Derek Joseph [1]	11,000					●	●
Pauline McMichael	4,000		●				
Carl Rudd	4,167		●				
Richard Smith-Ainsley	-		●				
Ingrid Temmerman	4,167		●				
Caroline Tiller	14,000	●	●				●
Caroline Tolhurst	16,000			●		●	●
Peter Walker	5,333	●			●		
Peter Wyeth [1]	4,167		●				

[1] These board members resigned during the year ended 31 March 2018.

10. SURPLUS ON SALE OF FIXED ASSETS

GROUP	2018					2017
	SHARED OWNERSHIP £M	SALES TO OTHER REGISTERED PROVIDERS £M	OTHER HOUSING PROPERTIES £M	INVESTMENTS (HOMEBUY AND EQUITY LOANS) £M	TOTAL £M	TOTAL £M
Housing properties						
Disposal proceeds	26.8	6.3	2.1	0.6	35.8	40.2
Cost of disposals	(14.7)	(2.9)	(2.3)	(0.4)	(20.3)	(24.0)
Selling costs	(0.1)	(0.1)	(0.1)	-	(0.3)	(0.2)
Grant recycled	(0.6)	(0.2)	(1.0)	-	(1.8)	(2.3)
Surplus / (deficit) on sale of fixed assets	11.4	3.1	(1.3)	0.2	13.4	13.7

11. INTEREST RECEIVABLE AND OTHER INCOME

	GROUP		ASSOCIATION	
	2018 £M	2017 £M	2018 £M	2017 £M
Interest receivable and similar income	2.9	6.4	0.4	0.3
Received from other Group entities	-	-	15.9	10.1
	2.9	6.4	16.3	10.4

12. INTEREST PAYABLE AND SIMILAR CHARGES

	GROUP		ASSOCIATION	
	2018 £M	2017 £M	2018 £M	2017 £M
Loans and bank overdrafts (on liabilities at amortised cost)	71.3	66.8	15.3	10.0
Finance related costs	2.2	2.2	0.4	0.1
Recycled capital grant fund	0.1	0.2	-	-
	73.6	69.2	15.7	10.1
Interest payable capitalised on housing properties under construction	(17.8)	(14.2)	-	-
	55.8	55.0	15.7	10.1
Capitalisation rates used to determine the finance costs capitalised during the year	4.8%-5.7%	4.8%-5.8%	-	-
Other financing costs through other comprehensive income				
Gain on fair value of hedged derivative instruments	9.4	3.5	-	-

13. TAX ON SURPLUS ON ORDINARY ACTIVITIES

	GROUP		ASSOCIATION	
	2018 £M	2017 £M	2018 £M	2017 £M
Current tax				
UK corporation tax on surplus for the year	-	-	-	-
Adjustments in respect of prior years	-	(0.1)	-	-
Total current tax charge	-	(0.1)	-	-
Deferred tax				
Adjustment in respect of prior periods	0.1	-	-	-
Origination and reversal of timing differences	(1.2)	0.3	-	-
Total deferred tax (credit) / charge	(1.1)	0.3	-	-
Total (credit) / charge in the year	(1.1)	0.2	-	-
Movement in deferred tax charge				
Provision at start of year	3.8	3.5	-	-
Deferred tax charged in the income and expenditure account for the year	(1.1)	0.3	-	-
Provision at end of year	2.7	3.8	-	-

A reconciliation of the tax charge to the surplus on ordinary activities before tax is provided below:

	GROUP		ASSOCIATION	
	2018 £M	2017 £M	2018 £M	2017 £M
Surplus on ordinary activities before tax:	92.5	85.1	(1.8)	0.1
UK corporation tax at 19% (2017: 20%)	17.6	17.0	(0.3)	0.0
Effects of:				
Other tax adjustments, reliefs and transfers	-	(0.4)	-	-
Tax rate changes	0.1	-	-	-
Deferred tax not recognised	-	(0.2)	-	-
Effect of indexation of deferred tax provision	(0.7)	(0.9)	-	-
Adjust closing deferred tax to average rate	-	(0.2)	-	-
Expenses not deductible for tax purposes	54.1	57.2	11.8	10.3
Income not taxable for tax purposes	(72.2)	(72.2)	(11.5)	(10.3)
Fixed asset differences	-	(0.1)	-	-
Current tax (credit) / charge for year	(1.1)	0.2	-	-

14. TANGIBLE FIXED ASSETS – PROPERTIES

HOUSING PROPERTIES	SOCIAL HOUSING COMPLETED £M	SOCIAL HOUSING UNDER CONSTRUCTION £M	SHARED OWNERSHIP COMPLETED £M	SHARED OWNERSHIP UNDER CONSTRUCTION £M	KEYWORKER COMPLETED £M	TOTAL £M
Cost or valuation						
At 1 April 2017	2,307.2	83.4	310.8	17.7	126.6	**2,845.7**
Reclassification	-	5.6	(0.3)	(5.0)	(0.3)	**-**
Additions at cost						
Construction works	-	49.6	-	39.8	-	**89.4**
Works to existing properties	11.5	-	-	-	0.5	**12.0**
Transfer to investment properties	(0.4)	-	-	-	-	**(0.4)**
Transfer to current assets	-	0.5	2.5	(2.3)	0.1	**0.8**
Schemes completed	54.0	(54.0)	6.0	(6.0)	-	**-**
Disposals						
Planned disposals	(1.9)	-	-	-	-	**(1.9)**
Replaced components	(6.2)	-	-	-	(0.4)	**(6.6)**
Sales to other registered providers	(0.1)	-	-	-	-	**(0.1)**
Staircasing sales	-	-	(14.4)	-	-	**(14.4)**
Right to buy sales	(0.2)	-	-	-	-	**(0.2)**
At 31 March 2018	**2,363.9**	**85.1**	**304.6**	**44.2**	**126.5**	**2,924.3**
Depreciation and impairment						
At 1 April 2017	286.3	2.6	0.4	-	21.6	**310.9**
Charge for the year	26.3	-	-	-	2.0	**28.3**
Impairment reversal	-	(1.5)	-	-	-	**(1.5)**
Disposals						
Planned disposals	(0.4)	-	-	-	-	**(0.4)**
Replaced components	(5.6)	-	-	-	(0.4)	**(6.0)**
At 31 March 2018	**306.6**	**1.1**	**0.4**	**-**	**23.2**	**331.3**
Net book value						
At 31 March 2018	**2,057.3**	**84.0**	**304.2**	**44.2**	**103.3**	**2,593.0**
At 31 March 2017	2,020.9	80.8	310.4	17.7	105.0	2,534.8

The amount of cumulative interest capitalised in housing properties since 2009 is £41.6 million (2017: £37.9 million). Reclassifications represent the reapportionment of base costs between tenures. Prior to the adoption of FRS 102 Social Housing grant was classified within fixed assets; under those accounting rules Social Housing and Keyworker accumulated depreciation would have been £187.7 million (2017: £168.5m).

14. TANGIBLE FIXED ASSETS – PROPERTIES CONTINUED

HOUSING PROPERTIES BOOK VALUE, NET OF DEPRECIATION COMPRISES:

	GROUP 2018 £M	GROUP 2017 £M
Freehold land and buildings	1,774.4	1,756.7
Long leasehold land and buildings	797.8	757.2
Short leasehold land and buildings	20.8	20.9
	2,593.0	2,534.8

EXPENDITURE ON WORKS TO EXISTING PROPERTIES

	GROUP 2018 £M	GROUP 2017 £M
Amounts capitalised	12.0	9.3
Amounts charged to income and expenditure account	12.7	20.8
Total	24.7	30.1

The amount of assets given as security (EUV basis of valuation) as at 31 March 2018 is £1.7 billion (2017: £1.7 billion).

VALUATION FOR DISCLOSURE ONLY

	2018 £M
Completed housing properties at valuation	**2,860.0**
Revaluation reserve – completed housing properties	**1,124.3**

The completed housing properties at valuation disclosed above includes housing properties held as investment properties (note 16).

For information purposes only, completed housing properties are valued at 31 March 2018 by Jones Lang LaSalle Limited and Savills (L&P), qualified professional independent external valuers.

The valuation of the properties was undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. Properties are valued either at Existing Use Value for Social Housing (EUV-SH), for all Social Housing and Shared Ownership properties, or Market Value Tenanted (MV- T) for all non-social housing.

In valuing housing properties, discounted cash flow methodology was adopted with key assumptions:

SOCIAL HOUSING AND SHARED OWNERSHIP ONLY

Discount rate	5.0% -8.0%
Rent Assumptions	
Social rented (including supported housing and housing for older people)	Current rent minus 1% for the next two years and CPI + 1.0% thereafter
Shared ownership	RPI +0.5%
Other rents	RPI +1.0% or in accordance with any relevant lease or nominations agreements.

15. OTHER TANGIBLE FIXED ASSETS

GROUP

	FURNITURE, FIXTURES AND FITTINGS £M	LEASEHOLD OFFICES £M	FREEHOLD ALTERATIONS £M	COMPUTERS, OFFICE EQUIPMENT AND MOTOR VEHICLES £M	FREEHOLD OFFICES £M	TOTAL £M
Cost						
At 1 April 2017	4.9	2.0	0.6	10.1	17.6	35.2
Additions	0.2	-	-	1.7	2.9	4.8
Disposals	-	-	-	(3.5)	-	(3.5)
At 31 March 2018	5.1	2.0	0.6	8.3	20.5	36.5
Depreciation						
At 1 April 2017	3.0	1.2	0.6	7.2	2.4	14.4
Charged in year	0.7	0.1	-	1.8	0.1	2.7
Disposals	-	-	-	(3.5)	-	(3.5)
At 31 March 2018	3.7	1.3	0.6	5.5	2.5	13.6
Net book value						
At 31 March 2018	**1.4**	**0.7**	**-**	**2.8**	**18.0**	**22.9**
Net book value						
At 31 March 2017	1.9	0.8	-	2.9	15.2	20.8

16. INVESTMENT PROPERTIES

GROUP

	STUDENT ACCOMMODATION £M	MARKET RENT £M	COMMERCIAL £M	PROPERTIES UNDER CONSTRUCTION AT COST £M	TOTAL £M
At 1 April 2017	100.5	267.3	19.3	40.8	427.9
Additions	-	8.6	-	53.0	61.6
Disposals	-	(2.6)	-	-	(2.6)
Schemes completed	8.1	36.6	-	(44.7)	-
Transfer from fixed asset properties	-	0.4	-	-	0.4
Revaluation	5.1	(2.0)	(1.5)	-	1.6
At 31 March 2018	113.7	308.3	17.8	49.1	488.9

The Group's investment properties are valued annually on 31 March at fair value, determined by Jones Lang LaSalle Limited, qualified professional independent external valuers. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual.

16. INVESTMENT PROPERTIES CONTINUED

In valuing investment properties, a discounted cash flow methodology was adopted with the following key assumptions:

Discount rate	7.25% - 8.25%
Level of annual rent increase	3.00%

Commercial properties have been valued using a term and reversion method (where the current rental stream has been capitalised for the term certain of the lease and thereafter the market rent has been capitalised into perpetuity).

Full vacant possession value for the market rent properties at 31 March 2018 is £356.1 million. This gives an indication of the worth of these if they were to be sold individually in the open property market.

Student accommodation has been valued using a market based approach, where each asset has been valued on an individual basis.

The surplus on revaluation of investment property of £1.6 million (2017: £18.7 million) has been credited to the statement of comprehensive income for the year. This includes a reduction of £7.9 million in value for a development site that has been revalued on the basis of its existing use as agricultural land.

If investment properties had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	STUDENT ACCOMMODATION £M	MARKET RENT £M	COMMERCIAL £M	2018 £M	2017 £M
Historic cost	72.0	232.6	12.2	316.8	273.8
Accumulated depreciation	(12.1)	(7.0)	(0.8)	(19.9)	(17.8)
	59.9	225.6	11.4	296.9	256.0

17 INVESTMENTS – HOMEBUY LOANS

GROUP	2018 £M	2017 £M
At 1 April	2.6	2.9
Loans redeemed	-	(0.3)
At 31 March	2.6	2.6

18. FIXED ASSET INVESTMENTS

GROUP	EQUITY LOANS £M	OTHER £M	TOTAL £M
At 1 April 2017	5.5	14.3	19.8
Additions	0.1	0.1	0.2
Disposal/redeemed	(0.5)	-	(0.5)
At 31 March 2018	5.1	14.4	19.5

Other investments relate to the following, representing fair value remeasurements:

	31 MARCH 2018		31 MARCH 2017	
	COST £M	MARKET VALUE £M	COST £M	MARKET VALUE £M
Investments listed on a recognised stock exchange	1.0	0.9	1.0	1.0
British government securities	3.2	5.5	3.2	5.4
Cash and similar investments	7.6	7.7	7.5	7.6
Other	0.1	0.3	0.2	0.3
	11.9	14.4	11.9	14.3

GROUP	JOINTLY CONTROLLED ENTITIES £M
Cost	
At 1 April 2017	60.1
Additions	13.3
Disposal/redeemed	(20.9)
At 31 March 2018	52.5
Share of retained profits	
At 1 April 2017	(5.3)
Profit for the year	41.2
Distributions	(40.7)
31 March 2018	(4.8)
Net book value	
At 31 March 2018	47.7
At 31 March 2017	54.8

There was no premium on acquisition relating to the jointly controlled entities.

18. FIXED ASSET INVESTMENTS CONTINUED

The Group holds an interest in ten jointly controlled entities through A2Dominion Developments Limited:

COMPANY	COUNTRY OF INCORPORATION OR REGISTRATION	PARTNER	GROUP INTEREST	GROUP VOTING RIGHTS	NATURE OF BUSINESS	NATURE OF ENTITY
Elmsbrook (Crest A2D) LLP	England	Crest Nicholson Operations Limited	50%	50%	Develops and sell properties	Limited Liability Partnership
Green Man Lane LLP	England	Real (Ealing) Limited	50%	50%	Develops and sell properties	Limited Liability Partnership
Queens Wharf Riverside LLP	England	Hammersmith Developments Holdco Limited	50%	50%	Develops and sell properties	Limited Liability Partnership
Keybridge House LLP	England	Mount Anvil (Keybridge House) Limited	50%	50%	Develops and sell properties	Limited Liability Partnership
Crest A2D (Walton Court) LLP	England	Crest Nicholson Operations Limited	50%	50%	Develops and sell properties	Limited Liability Partnership
Keybridge House 2 LLP	England	Mount Anvil (Keybridge House 2) Limited	50%	50%	Develops and sell propertie	Limited Liability Partnership
A2D NK Homes LLP	England	Nicholas King Homes PLC	80%	50%	Develops and sell properties	Limited Liability Partnership
New Cross Gate Phase 1 LLP	England	Mount Anvil (New Cross Gate) 1 Limited	50%	50%	Develops and sell properties	Limited Liability Partnership
New Cross Gate Phase 2 LLP	England	Mount Anvil (New Cross Gate) 2 Limited	50%	50%	Develops and sell properties	Limited Liability Partnership
New Cross Gate Phase 3 LLP	England	Mount Anvil (New Cross Gate) 3 Limited	50%	50%	Develops and sell properties	Limited Liability Partnership

The amount included in respect of jointly controlled entities includes the following:

	NK HOMES LLP £M	GREEN MAN LANE LLP £M	QUEENS WHARF RIVERSIDE LLP £M	KEYBRIDGE HOUSE LLP £M	KEYBRIDGE HOUSE 2 LLP £M	CREST A2D (WALTON COURT) LLP £M	ELMSBROOK (CREST A2D) LLP £M	NEW CROSS GATE PHASE 1 LLP £M	NEW CROSS GATE PHASE 2 LLP £M	NEW CROSS GATE PHASE 3 LLP £M	TOTAL £M
Turnover	-	9.6	108.9	11.7	-	-	-	-	-	-	130.2
Cost of sales and administration expenses	-	(8.4)	(69.4)	(11.0)	-	-	-	-	-	-	(88.8)
Other finance costs	-	-	(0.3)	0.1	-	-	-	-	-	-	(0.2)
Surplus for the year	-	1.2	39.2	0.8	-	-	-	-	-	-	41.2
Share of:											
Current assets	5.0	3.0	4.9	101.9	3.1	11.5	8.1	1.2	-	-	138.7
Liabilities due within one year	(3.8)	(3.8)	(6.4)	(73.8)	(3.1)	(0.1)	-	-	-	-	(91.0)
Net assets	1.2	(0.8)	(1.5)	28.1	-	11.4	8.1	1.2	-	-	47.7
Share of capital commitments	12.6	35.6	-	-	18.3	37.1	8.5	29.4	4.2	0.7	146.4

During the year Green Man Lane LLP completed and sold 37 units, Queens Wharf Riverside LLP 156 units and Keybridge House LLP 31 units.

18. FIXED ASSET INVESTMENTS CONTINUED

The principal undertakings in which the Association has an interest are as follows:

COMPANY	COUNTRY OF INCORPORATION OR REGISTRATION	GROUP'S SHARE OF ORDINARY SHARE CAPITAL	NATURE OF BUSINESS	NATURE OF ENTITY
A2Dominion Homes Limited	England	100%	Rents properties for social housing	Registered provider of social housing
A2Dominion South Limited	England	100%	Rents properties for social housing	Registered provider of social housing
A2Dominion Housing Options Limited	England	100%	Rents properties for affordable housing	Non-charitable registered provider of social housing
A2Dominion Residential Limited	England	100%	Rents properties at market rents	Incorporated Company
A2Dominion Developments Limited	England	100%	Develops and sells properties	Incorporated Company
A2Dominion Housing Finance Limited	England	100%	Raise funds for the operational business	Non-charitable Co-operative and Benefit Society
A2Dominion Treasury Limited	England	100%	Raise funds for the operational business	Incorporated Company
Pyramid Plus London LLP	England	70%	Property maintenance services	Limited Liability Partnership
Pyramid Plus South LLP	England	70%	Property maintenance services	Limited Liability Partnership
A2D Funding PLC[1]	England	-	Issue retail bonds and lend proceeds	Public Limited Company
A2D Funding II PLC[1]	England	-	Issue retail bonds and lend proceeds	Public Limited Company
A2Dominion Enterprises Limited	England	100%	Dormant Company	Incorporated Company
A2Dominion Investments Limited	England	100%	Dormant Company	Incorporated Company
Affordable Property Management Limited	England	100%	Dormant Company	Incorporated Company
Home Farm Exemplar Limited	England	100%	Non Trading	Incorporated Company
Westland Close Management Limited	England	100%	Dormant Company	Incorporated Company
Kingsbridge Residential Limited	England	100%	Dormant Company	Incorporated Company
Upper Richmond Buildings Limited	England	100%	Non Trading	Incorporated Company

[1] The Group guarantees the bond issue principal and interest within A2D Funding PLC and A2D Funding II PLC.

19. PROPERTIES FOR SALE

	GROUP	
	2018 £M	2017 £M
Open market sale - completed properties	1.4	2.1
Open market sale - under construction	289.9	203.8
Shared ownership - completed properties	1.8	4.1
Shared ownership - under construction	13.0	5.0
Land held for development	-	6.9
Private Rented Sector - under construction	3.9	-
	310.0	221.9

Capitalised interest included in the stock balances is £28.5 million (2017: £19.2million).

20. DEBTORS

	GROUP		ASSOCIATION	
	2018 £M	2017 £M	2018 £M	2017 £M
Due within one year				
Rent and service charges receivable	11.9	12.1	-	-
Less: Provision for bad and doubtful debts	(6.5)	(6.4)	-	-
Net arrears	5.4	5.7	-	-
Trade debtors	0.9	0.2	0.9	0.2
Other debtors	17.1	9.3	2.8	2.4
VAT recoverable	0.2	3.2	0.2	-
Deposits on purchased schemes	23.0	0.8	-	-
Prepayments and accrued income	10.6	10.4	1.8	1.5
Loans due from joint venture	-	40.3	-	-
Amounts due from Group entities	-	-	9.4	12.2
Capital and agency debtors	9.2	9.8	-	-
	66.4	79.7	15.1	16.3
Due after more than one year				
Loans due from subsidiary undertakings under on-lending arrangements	-	-	370.6	376.7
Deposits on purchased schemes	-	23.0	-	-
Loans due from joint ventures	64.9	32.8	-	-
Capital and agency debtors	-	1.9	-	-
Other debtors	0.8	0.7	-	-
	65.7	58.4	370.6	376.7
	132.1	138.1	385.7	393.0

21. CURRENT ASSET INVESTMENTS

	GROUP		ASSOCIATION	
	2018 £M	2017 £M	2018 £M	2017 £M
Other investments	-	70.0	-	-
	-	70.0	-	-

22. CASH AT BANK AND IN HAND

	GROUP		ASSOCIATION	
	2018 £M	2017 £M	2018 £M	2017 £M
Cash at bank	118.1	140.7	108.1	114.9
Cash held in relation to sinking funds	8.0	7.4	-	-
	126.1	148.1	108.1	114.9

23. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		ASSOCIATION	
	2018 £M	2017 £M	2018 £M	2017 £M
Loans and borrowings (note 28)	52.5	33.9	6.1	5.9
Trade creditors	9.2	11.0	6.2	6.7
Rent and service charges received in advance	11.5	11.1	-	-
Deferred capital grant (note 25)	15.9	15.5	-	-
Interest rate swap - cash flow hedge	0.6	-	-	-
Recycled capital grant fund (note 26)	7.2	7.6	-	-
Disposal proceeds fund (note 27)	1.8	1.3	-	-
Amounts owed to Group entities	-	-	108.8	115.3
Other taxation and social security	1.1	1.6	0.9	1.4
Other creditors	6.3	6.6	1.8	2.0
SHPS pension (note 31)	2.0	1.7	2.0	1.7
Accruals and deferred income	66.3	33.6	8.5	6.8
Interest accrued	5.8	5.4	-	-
Capital creditors	8.5	5.1	-	-
	188.7	134.4	134.3	139.8

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

	GROUP		ASSOCIATION	
	2018 £M	2017 £M	2018 £M	2017 £M
Loans and borrowings (note 28)	1,492.2	1,527.7	368.1	373.8
Deferred capital grant (note 25)	992.1	996.3	-	-
Interest rate SWAP – cash flow hedge	71.5	84.7	-	-
Recycled capital grant fund (note 26)	13.5	14.4	-	-
Sinking funds	8.1	7.5	-	-
Disposal proceeds fund (note 27)	2.7	3.2	-	-
SHPS pension (note 31)	11.9	13.3	11.9	13.3
Capital creditors	7.6	7.0	-	-
Deferred tax (note 32)	2.7	3.8	-	-
	2,602.3	2,657.9	380.0	387.1

25. DEFERRED CAPITAL GRANT

	2018 HOUSING PROPERTY £M	2018 HOMEBUY £M	2018 TOTAL £M	2017 HOUSING PROPERTY £M	2017 HOMEBUY £M	2017 TOTAL £M
At 1 April	1,009.2	2.6	1,011.8	1,023.1	2.9	1,026.0
Grants received during the year:						
- Housing properties	8.6	-	8.6	4.9	-	4.9
- Recycled capital grant fund	7.6	-	7.6	6.6	-	6.6
- Disposal proceeds fund	1.4	-	1.4	0.5	-	0.5
Grants recycled during the year:						
- Recycled capital grant fund	(5.4)	-	(5.4)	(6.1)	(0.3)	(6.4)
- Disposal proceeds fund	(0.4)	-	(0.4)	(0.4)	-	(0.4)
Amortised grant	(15.6)	-	(15.6)	(16.9)	-	(16.9)
Transfer on asset disposal to other registered provider	-	-	-	(2.5)	-	(2.5)
At 31 March	1,005.4	2.6	1,008.0	1,009.2	2.6	1,011.8
Due within one year	15.9	-	15.9	15.5	-	15.5
Due in more than one year	989.5	2.6	992.1	993.7	2.6	996.3

Without the amortisation of grant introduced under FRS102, the amount of grant as at 31 March 2018 would have been £1,204.9 million (2017: £1,191.4 million).

	GROUP 2018 £M	GROUP 2017 £M
Work in progress grant	35.6	28.5
Completed grant	1,169.3	1,162.9
	1,204.9	1,191.4

26. RECYCLED CAPITAL GRANT FUND

GROUP	2018 HE £M	2018 GLA £M	2018 TOTAL £M	2017 HE £M	2017 GLA £M	2017 TOTAL £M
At 1 April	4.4	17.6	22.0	3.6	17.4	21.0
Inputs to fund:						
Grants recycled from deferred capital grants	1.5	3.9	5.4	1.6	4.8	6.4
Grants recycled from statement of comprehensive income	0.4	0.4	0.8	0.1	0.9	1.0
Interest accrued	-	0.1	0.1	-	0.2	0.2
Recycling of grant:						
New build properties	(2.1)	(5.5)	(7.6)	(0.9)	(5.7)	(6.6)
At 31 March	4.2	16.5	20.7	4.4	17.6	22.0
Due within one year	1.2	6.0	7.2	2.1	5.5	7.6
Due in more than one year	3.0	10.5	13.5	2.3	12.1	14.4

Withdrawals from the recycled capital grant fund were used for the purchase and development of new housing schemes for letting and for approved works to existing properties.

There are no amounts of three years or older where payment may be required. (HE: Homes England, GLA: Greater London Authority)

27. DISPOSAL PROCEEDS FUND

GROUP	2018 HE £M	2018 GLA £M	2018 TOTAL £M	2017 HE £M	2017 GLA £M	2017 TOTAL £M
At 1 April	1.1	3.4	4.5	0.6	3.0	3.6
Inputs to fund:						
Funds recycled from deferred capital grants	0.2	0.2	0.4	0.2	0.2	0.4
Funds recycled from statement of comprehensive income	0.5	0.5	1.0	0.5	0.5	1.0
New build properties	(0.2)	(1.2)	(1.4)	(0.2)	(0.3)	(0.5)
At 31 March	1.6	2.9	4.5	1.1	3.4	4.5
Due within one year	0.4	1.4	1.8	0.3	1.0	1.3
Due in more than one year	1.2	1.5	2.7	0.8	2.4	3.2

Withdrawals from the disposal proceeds fund were used for approved works to existing properties.

There are no amounts of three years or older where payment may be required.

28. LOANS AND BORROWINGS

	GROUP 2018 £M	GROUP 2017 £M	ASSOCIATION 2018 £M	ASSOCIATION 2017 £M
Due within one year				
Bank loans	51.2	32.6	6.1	5.9
Other loans	1.3	1.3	-	-
	52.5	33.9	6.1	5.9

	2018 £M	2017 £M	2018 £M	2017 £M
Due after more than one year				
Bank loans	934.9	969.9	120.7	126.7
Other loans	564.7	565.9	248.6	248.4
Loan issue costs	(7.4)	(8.1)	(1.2)	(1.3)
	1,492.2	1,527.7	368.1	373.8

	2018 £M	2017 £M	2018 £M	2017 £M
Within one year	52.5	33.9	6.1	5.9
Between one and two years	32.2	51.5	6.4	6.1
Between two and five years	404.9	91.3	20.9	19.9
After five years	1,062.5	1,393.0	342.0	349.1
Loan issue costs	(7.4)	(8.1)	(1.2)	(1.3)
	1,544.7	1,561.6	374.2	379.7

Loans and borrowings consist of bank loans secured by fixed charges on individual properties and the proceeds from retail and wholesale bonds.

	LOAN BALANCE £M	PREMIUM/(DISCOUNT) £M	INTEREST RATE LOWEST	INTEREST RATE HIGHEST	INTEREST RATE WEIGHTED AVERAGE	MARGIN LOWEST	MARGIN HIGHEST
Loans on floating rates	109.9	-	LIBOR	LIBOR	LIBOR	0.23%	0.75%
Floating rate loans hedged with interest rate swaps	220.5	-	4.04%	4.96%	4.62%	0.22%	1.35%
Non-cancellable floating rate loans hedged with embedded fixes	498.9	-	3.45%	5.97%	4.74%	0.23%	0.75%
Index linked loans	2.6	-	4.50%	5.50%	5.19%	0.00%	0.00%
Bond issue	688.5	(1.2)	1.96%	11.3%	4.70%	0.00%	0.00%
Unmatched standalone swap	15.5	-	4.46%	4.46%	4.46%	0.00%	0.00%
Total	1,535.9	(1.2)					

28. LOANS AND BORROWINGS CONTINUED

The bank and other loans are repaid by bullet payments or in half-yearly and quarterly instalments and are fixed and variable rates of interest ranging from 0.93% (LIBOR + margin) to 11.33%. The final instalments fall to be repaid in the period 2019 to 2045 as tabulated below:

	INTEREST RATE	LOAN REPAYMENTS	
	MATURITY LADDER1 £M	BULLET £M	INSTALMENT £M
Within 1 year	223.3	23.5	27.7
2 to 5 years	203.4	150.0	131.8
6 to 10 years	213.4	150.0	227.7
11 to 15 years	342.0	278.7	240.7
16 to 20 years	275.9	26.1	172.7
21 to 25 years	272.7	50.0	50.7
More than 25 years	4.0	-	5.1
Total	1,534.7	678.3	856.4

[1] The interest rate maturity ladder indicates the timeline of when periods of fixed interest rates within the Group's loan portfolio end which is not necessarily the same timeline as the underlying borrowing.

At 31 March 2018 the Group had undrawn loan facilities of £330.4 million (2017: £358.3 million) which carry margins between 0.3% and 1.4%.

As at 31 March 2018, debtors include £1.6 million cash (2017: £1.3 million) charged to lenders.

LOAN SECURITY

Borrowings consist of secured loan and club bond facilities totalling £986.1 million and unsecured retail and wholesale bonds totalling £548.6 million (net of discount).

Loan facilities are secured by fixed charges over properties. Properties are charged to lenders on the basis of either Market Value – Tenanted (MV-T) or Existing Use Value – Social Housing (EUV-SH), with asset cover ratios ranging between 105% to 150%. As at 31 March 2018, the overall charged value of properties was £2.6 billion, with an equivalent EUV-SH value of £1.7 billion.

Retail and wholesale bonds, while unsecured, carry a pledge to bond holders to retain unencumbered assets to the value of 130% of all unsecured borrowings. As at 31 March 2018, unencumbered assets consist of:

	VALUATION BASIS	£M	ASSET COVER
Development work in progress	Cost	537.1	
Fixed asset investments	Fair Value	344.3	
Social housing properties	EUV-SH	772.9	
		1,654.3	301%

All completed properties are revalued annually by JLL LLP using the appropriate accounting valuation method; EUV-SH for social housing stock and fair value for fixed asset investments. As at 31 March 2018, the accounting value of all completed stock was £2.9 billion, compared with an open market value of £8.8 billion.

29. FINANCIAL INSTRUMENTS

	GROUP		ASSOCIATION	
	2018 £M	2017 £M	2018 £M	2017 £M
Financial assets				
Financial assets that are debt instruments measured at amortised cost:				
- Loans receivable	64.9	73.1	-	-
Total financial assets	64.9	73.1	-	-
Financial liabilities				
Derivative financial instruments designated as standalone interest rate swaps without options measured at fair value	72.1	84.7	-	-
Financial liabilities measured at amortised cost:				
- Loans payable	1,544.7	1,561.6	374.2	379.7
Total financial liabilities	1,616.8	1,646.3	374.2	379.7

The measurement of financial instruments held at fair value, in accordance with FRS102 paragraph 34.22, are categorised as Level Two: Inputs that are observable for the asset or liability, either directly or indirectly.

The Board have considered the sensitivity for the interest rate risk it is exposed to and have determined that there is no material impact on the surplus for the year or the reserves.

The Group holds floating rate loans which expose the Group to interest rate risk, to mitigate this risk the Group uses interest rate swaps. These are interest rate swaps without options to receive floating/pay fixed rates for a fixed period:

ENTITY	PROFILE	NOTIONAL £M	SWAP FIXED RATE	START DATE	END DATE	PAYMENTS	LIBOR BASIS
A2Dominion South	Bullet	35.0	4.570%	30/05/2013	30/11/2037	Quarterly	3 Month
A2Dominion South	Bullet	25.0	4.450%	01/04/2009	01/07/2035	Quarterly	3 Month
A2Dominion South	Bullet	25.0	4.520%	21/05/2013	21/05/2038	Quarterly	3 Month
A2Dominion South	Amortising	40.0	4.760%	30/06/2011	05/09/2030	Quarterly	3 Month
A2Dominion South	Amortising	19.5	4.250%	30/06/2011	30/12/2022	Quarterly	3 Month
A2Dominion Homes	Bullet	16.0	4.040%	01/01/2009	22/09/2036	Quarterly	3 Month
A2Dominion Homes	Bullet	30.0	4.960%	30/09/2009	30/09/2018	Quarterly	3 Month
A2Dominion Homes	Bullet	30.0	4.930%	30/09/2009	30/09/2019	Quarterly	3 Month
A2Dominion Housing Options	Bullet	15.5	4.460%	01/07/2005	02/07/2035	Quarterly	3 Month

During the year the change in fair value of the interest rate swaps was a £12.6 million profit (2017: £0.1 million profit).

Of the total notional value, £59.5 million are amortising in line with the underlying debt.

29. FINANCIAL INSTRUMENTS CONTINUED

The Group has extended a loan facility to one LLP which is a joint venture between A2Dominion Developments Limited and a third party. This is financed with proceeds of a retail bond issued by the Group (note 28). Any interest and other fees receivable are added to the loan and will be paid when the facility matures. Loan interest payable on monies borrowed to on-lend are paid as they fall due. At 31 March, amounts due and payable in respect of this loan is as follows:

	2018 £M	2017 £M
Financial assets		
Loan to joint venture, measured at amortised cost	64.6	66.2
Financial liabilities		
Loan from external lenders, measured at amortised cost	(58.2)	(56.0)

Turnover and costs relating to these loans are as follows:

	2018 £M	2017 £M
Turnover		
Loan to joint venture, measured at amortised cost	2.9	6.2
Costs		
Loan from external lenders, measured at amortised cost	(2.5)	(1.7)

The loan is for use by the LLP to develop units for sale in London.

The risks associated with this loan are as follows:

- Credit risk

The risk of default from a borrower failing to make required payments. The Group shares control of the LLPs and monitors their performance to assess that the loan obligations can be met. The loans are secured against the projects being developed under the LLP agreements and the market value of these projects is in excess of the value of the loans.

- Liquidity risk

Delays to the developments and associated income from the sales could impact on the LLP's ability to meet the loan terms. The Group manages this risk by careful monitoring of cashflow requirements (both of the Group and of the joint ventures) which are updated to reflect sales expectations including sales delay scenarios, ensuring that it always has sufficient cash to meet obligations as they fall due. Further, Group policy requires it to have spare committed facilities to draw on in the event of a sales downturn.

- Market risk

The loans receivable are linked to LIBOR whilst those payable are fixed, therefore there is a risk that were LIBOR to fall further interest receivable may not cover interest payable on monies borrowed to on-lend. However, the Group receives other income related to the loans (setup and exit fees and commitment fees on undrawn facility) which result in the all-in turnover from loans receivable exceeding costs. Conversely, an increase in LIBOR would increase the interest receivable without affecting costs.

30. PROVISIONS FOR LIABILITIES

GROUP	PENSION £M	MAJOR WORKS & DEFECTS £M	LEGAL & CONTRACTUAL £M	HOLIDAY PAY £M	TOTAL £M
At 1 April 2017	2.4	0.3	1.5	0.3	4.5
Additions	0.2	3.4	0.1	-	3.7
Utilised in the year	-	-	(0.8)	-	(0.8)
At 31 March 2018	2.6	3.7	0.8	0.3	7.4

The pension provision relates to the provision for any future cessation events of the Oxford and Surrey LGPS schemes.

The major works & defects provision reflects the latent defect work contractually required by the company but yet to be completed. The provision relates to a number of schemes with work expected to be completed within 18 months and reflects the total cost the company expects to incur on its contractual liability.

The legal and contractual provision relates to an ongoing dispute and future contractual obligations.

ASSOCIATION	PENSION £M	CONTRACTUAL £M	HOLIDAY PAY £M	TOTAL £M
At 1 April 2017	2.4	0.5	0.3	3.2
Additions	0.2	0.2	-	0.4
At 31 March 2018	2.6	0.7	0.3	3.6

31. PENSION

The Group's employees are members of the SHPS or the Surrey and Oxfordshire County Council Schemes or the Scottish Widows schemes. There are two Scottish Widows schemes which are defined contribution schemes. One scheme is operated by A2Dominion Housing Group Limited and has 1 member which is now closed to new entrants. The second Scottish Widows scheme is operated by Pyramid Plus London LLP and Pyramid Plus South LLP and has a total of 136 members. Further information on the other schemes is given below.

SOCIAL HOUSING PENSION SCHEME (GROUP AND ASSOCIATION)

A2Dominion Housing Group Limited participates in both the SHPS defined benefit scheme (DB) and defined contribution scheme (DC). As at the balance sheet date there were 121 active members of the DB scheme employed by A2Dominion Housing Group Limited and 665 active members of the DC scheme.

During the year A2Dominion Housing Group Limited paid contributions at the rate of 8.7% into the DB scheme with member contributions varying between 8.0% and 11.9% depending on their age. The Group and members contributed between a range of 2% and 8% into the DC scheme. The defined contribution cost for the year totalled £0.8 million (2017: £0.8 million) of which £0.1 million (2017: £0.1 million) was outstanding at the year end.

31. PENSION CONTINUED

The long-term joint contribution rates that will apply from April 2017 required from the employers and members to meet the cost of future benefit accruals were assessed at:

BENEFIT STRUCTURE	LONG-TERM JOINT CONTRIBUTION RATE (% OF PENSIONABLE SALARIES)
Final salary with a 1/60th accrual rate	20.6
Career average revalued earnings with a 1/60th accrual rate	16.7

The DB scheme is a multi-employer scheme which provides benefits to some 500 non-associated 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 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

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

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123 million, liabilities of £4,446 million and a deficit of £1,323 million. 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 1 April 2017 to September 2020	£40.6m per annum	Payable monthly and increasing by 4.7% each year on 1st April
Tier 2	From 1 April 2017 to September 2023	£28.6m per annum	Payable monthly and increasing by 4.7% each year on 1st April
Tier 3	From 1 April 2017 to September 2026	£32.7m per annum	Payable monthly and increasing by 3.0% each year on 1st April
Tier 4	From 1 April 2017 to September 2026	£31.7m per annum	Payable monthly and increasing by 3.0% each year on 1st April

Note: the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062 million, liabilities of £3,097 million and a deficit of £1,035 million. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions. The financial assumptions underlying the valuation as at 30 September 2014 were as follows:

	% PA
Valuation discount rates:	
- Pre-retirement	5.9
- Non-pensioner post retirement	3.3
- Pensioner post retirement	3.3
Pensionable earnings growth	4.2
Price inflation	3.1

Where the scheme is in deficit and where the association 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.

PRESENT VALUES OF PROVISION

	2018 £M	2017 £M	2016 £M
Present value of provision	(13.9)	(15.0)	(16.4)

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	2018 £M	2017 £M
Provision at start of period	(15.0)	(16.4)
Unwinding of the discount factor (interest expense)	(0.6)	(0.6)
Deficit contribution	2.3	2.0
Remeasurements – impact of change in assumptions	(0.6)	-
Provision at the end of period	(13.9)	(15.0)

INCOME AND EXPENDITURE IMPACT

	2018 £M	2017 £M
Interest expense	(0.6)	(0.6)
Remeasurements – impact of change in assumptions	(0.6)	-

ASSUMPTIONS

	2018 %	2017 %	2016 %
Rate of discount	2.58	4.10	4.10

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.

31. PENSION CONTINUED

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

DEFICIT CONTRIBUTIONS SCHEDULE

	2018 £M	2017 £M	2016 £M
Year 1	2.4	2.3	2.2
Year 2	2.5	2.4	2.3
Year 3	2.1	2.5	2.4
Year 4	1.8	2.1	2.5
Year 5	1.9	1.8	2.1
Year 6	1.6	1.9	1.8
Year 7	1.3	1.6	1.9
Year 8	1.3	1.3	1.6
Year 9	0.7	1.3	1.3
Year 10	-	0.7	1.3
Year 11	-	-	0.7

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 statement of comprehensive income 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 statement of financial position liability. Employer participation in the scheme is subject to adherence with the employer responsibilities and obligations as set out in the "SHPS House Policies and Rules Employer Guide".

The DB scheme operated a single benefit structure, final salary with a 1/60th accrual rate, to March 2007. From April 2007 there are three benefit structures available, namely:

- final salary with a 1/60th accrual rate.
- final salary with a 1/70 th accrual rate.
- career average revalued earnings with a 1/60th accrual rate.

From April 2010 there are a further two benefits structures available, namely:

- final salary with a 1/80th accrual rate
- career average revalued earnings with a 1/80th accrual rate

The DC scheme was made available from 1 October 2010 which is the only scheme open to all new employees, as the Group closed its DB scheme to new entrants in 2010.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

A2Dominion Housing Group Limited has operated the final salary structure with a 1/60th accrual rate and career average revalued earnings with a 1/60th accrual rate benefit structure for active members as at 31 March 2018.

The Trustee commissions an actuarial valuation of the scheme every three years. The main purpose of the valuation is to determine the financial position of the scheme in order to determine the level of future contributions required, in respect of each benefit structure, so that the scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution. From 1 April 2010 the requirement for the employer to pay at least 50% of the total contributions no longer applied.

The actuarial valuation assesses whether the scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

Employers that participate in the scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate).

Employers that have closed the scheme to new entrants are required to pay an additional employer contribution loading of 2.5% to reflect the higher costs of a closed arrangement.

A small number of employers are required to contribute at a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past service liabilities from another pension scheme into the scheme.

Employers joining the scheme after 1 October 2002 that do not transfer any past service liabilities to the scheme pay contributions at the on-going future service contribution rate. This rate is reviewed at each valuation and applies until the second valuation after the date of joining the scheme, at which point the standard employer contribution rate is payable. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.

A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the scheme (which would effectively amend the terms of the recovery plan).

31. PENSION CONTINUED

As a result of pension scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the scheme winding up. The debt for the scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the scheme. If the liabilities exceed assets there is a buy-out debt.

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

A2Dominion Housing Group Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme based on the financial position of the scheme as at 30 September 2016. As of that date the estimated employer debt for A2Dominion Housing Group Limited was £137.5million.

LOCAL GOVERNMENT PENSION SCHEMES

The Group participates in two local government pension schemes: Surrey County Council Pension Fund and Oxfordshire County Council Local Government Pension Fund.

SURREY COUNTY COUNCIL PENSION FUND (SCCPF) (ASSOCIATION)

The SCCPF is a multi-employer scheme, administered by Surrey County Council under regulations governing the Local Government Pension Scheme, a defined benefit scheme. The most recent formal actuarial valuation was completed on 31 March 2018. The employer's contributions to the SCCPF by the Association for the year ended 31 March 2018 were £236,000 at a contribution rate of 27.0% of pensionable salaries, set until the next funding valuation. This scheme has 3 members and is closed to new entrants.

OXFORDSHIRE COUNTY COUNCIL LOCAL GOVERNMENT PENSION SCHEME (OCCLGPS) (GROUP)

The Group also has nine employees who participate in OCCLGPS. The scheme is a defined benefit scheme based on final salary. Pension benefits depend generally upon age, length of service and salary level. The Group also provides retirees with at least five years of service and who are at least 55 with other post-retirement benefits which include life insurance. This scheme is closed to new entrants.

RECONCILIATION OF PRESENT VALUE LIABILITIES

	2018			2017		
	SCCPF £M	OCCLGPS £M	TOTAL £M	SCCPF £M	OCCLGPS £M	TOTAL £M
At the beginning of the year	(10.1)	(13.5)	(23.6)	(8.9)	(10.8)	(19.7)
Current service cost	-	(0.2)	(0.2)	-	(0.2)	(0.2)
Interest cost	(0.2)	(0.4)	(0.6)	(0.4)	(0.4)	(0.8)
Actuarial gains/(losses)	0.2	0.5	0.7	(1.1)	(2.3)	(3.4)
Benefits paid	0.2	0.3	0.5	0.3	0.2	0.5
At the end of the year	(9.9)	(13.3)	(23.2)	(10.1)	(13.5)	(23.6)

RECONCILIATION OF FAIR VALUE OF PLAN ASSETS

	2018			2017		
	SCCPF £M	OCCLGPS £M	TOTAL £M	SCCPF £M	OCCLGPS £M	TOTAL £M
At the beginning of the year	8.3	9.6	17.9	7.2	7.6	14.8
Interest income on plan assets	0.2	0.3	0.5	0.3	0.3	0.6
Actuarial gains/(losses)	(0.1)	0.1	-	0.9	1.7	2.6
Contributions by Group	0.2	0.1	0.3	0.2	0.2	0.4
Benefits paid	(0.3)	(0.3)	(0.6)	(0.3)	(0.2)	(0.5)
At the end of the year	8.3	9.8	18.1	8.3	9.6	17.9

	2018			2017		
	SCCPF £M	OCCLGPS £M	TOTAL £M	SCCPF £M	OCCLGPS £M	TOTAL £M
Fair value of plan assets	8.3	9.8	18.1	8.3	9.6	17.9
Present value of plan liabilities	(9.9)	(13.3)	(23.2)	(10.1)	(13.5)	(23.6)
Net pension scheme liability	(1.6)	(3.5)	(5.1)	(1.8)	(3.9)	(5.7)

AMOUNTS RECOGNISED IN INCOME AND EXPENDITURE ARE AS FOLLOWS:

	2018			2017		
	SCCPF £M	OCCLGPS £M	TOTAL £M	SCCPF £M	OCCLGPS £M	TOTAL £M
Included in administrative expenses:						
Current service cost	-	(0.2)	(0.2)	-	(0.2)	(0.2)
	-	(0.2)	(0.2)	-	(0.2)	(0.2)
Amounts included in other finance costs	(0.1)	(0.1)	(0.2)	(0.1)	(0.1)	(0.2)
Net interest cost	(0.1)	(0.1)	(0.2)	(0.1)	(0.1)	(0.2)

31. PENSION CONTINUED

ANALYSIS OF ACTUARIAL GAIN / (LOSS) RECOGNISED IN OTHER COMPREHENSIVE INCOME

	2018			2017		
	SCCPF £M	OCCLGPS £M	TOTAL £M	SCCPF £M	OCCLGPS £M	TOTAL £M
Actual return less interest income included in net interest income	(0.1)	0.1	-	0.9	1.7	2.6
Experience gains and losses arising on the scheme liabilities	-	-	-	0.2	0.5	0.7
Changes in assumptions underlying the present value of the scheme liabilities	0.2	0.5	0.7	(1.3)	(2.8)	(4.1)
	0.1	0.6	0.7	(0.2)	(0.6)	(0.8)

COMPOSITION OF PLAN ASSETS

	2018			2017		
	SCCPF £M	OCCLGPS £M	TOTAL £M	SCCPF £M	OCCLGPS £M	TOTAL £M
Equities	6.5	6.1	12.6	6.2	6.4	12.6
Bonds and gilts	0.8	1.9	2.7	1.3	1.4	2.7
Property	0.7	0.7	1.4	0.4	0.6	1.0
Cash	0.3	0.4	0.7	0.4	0.4	0.8
LLP's	-	0.3	0.3	-	0.3	0.3
Diversified Growth Fund	-	0.4	0.4	-	0.5	0.5
Total plan assets	8.3	9.8	18.1	8.3	9.6	17.9

PRINCIPAL ACTUARIAL ASSUMPTIONS USED AT THE BALANCE SHEET DATE

	2018		2017	
	SCCPF %	OCCLGPS %	SCCPF %	OCCLGPS %
Discount rates	2.6	2.7	2.5	2.8
Future salary increases	2.7	2.4	2.7	4.2
Future pension increases	2.4	2.4	2.4	2.7
Inflation assumption	2.4	2.4	2.1	2.7
Mortality rates	**Years**	**Years**	**Years**	**Years**
For a male aged 65 now	22.5	23.4	22.5	23.4
At 65 for a male member aged 45 now	24.1	25.6	24.1	25.6
For a female aged 65 now	24.6	25.5	24.6	25.5
At 65 for a female member aged 45 now	26.4	27.8	26.4	27.8

32. DEFERRED TAX

	GROUP	
	2018 £M	2017 £M
Deferred tax liabilities		
Investment property revaluations	2.7	3.8
	2.7	3.8

The net reversal of deferred tax assets and liabilities expected in 2019 is not possible to estimate. Further reversals or increases in deferred tax balance may arise as a result of revaluations of investment property and financial instruments. As the future deferred tax balances, if any, will be dependent on future changes in fair values of assets and liabilities, it is not possible to estimate any further future reversals.

33. NON-EQUITY SHARE CAPITAL

	2018 £	2017 £
Shares of £1 each issued and fully paid		
At 1 April	5	5
At 31 March	5	5

The shares provide members with the right to vote at general meetings, but do not provide any rights to dividends or distributions on a winding up.

34. CONTINGENT LIABILITIES

The Group receives grant from the Regulator of Social Housing and from the Greater London Authority, which is used to fund the acquisition and development of housing properties and their components. The Group has a future obligation to recycle such grant once the properties are disposed of. At 31 March 2018, the value of grant amortised in respect of these properties that had not been disposed of was £195.8 million (2017: £181.0 million).

As the timing of any future disposal is uncertain, no provision has been recognised in these financial statements.

35. OPERATING LEASES

The payments which the Group and Association are committed to make under operating leases are as follows:

	GROUP		ASSOCIATION	
	2018 £M	2017 £M	2018 £M	2017 £M
Land and buildings				
Within one year	3.7	3.7	1.8	1.6
Two to five years	12.3	10.5	7.1	5.5
Over five years	5.1	13.4	1.1	8.5
	21.1	27.6	10.0	15.6
Vehicles and other equipment	0.2	0.3	0.2	0.3

The Group had lease receivables under non-cancellable operating leases as set out below:

	GROUP	
	2018 £M	2017 £M
Amounts receivable as lessor:		
Not later than one year	16.7	15.8
Later than 1 year and not later than 5 years	36.4	36.0
Later than 5 years	111.3	106.9
	164.4	158.7

2017 figures have been restated due to the inclusion of non-social commercial income streams.

Amounts receivable as a lessor include only non-cancellable leases and exclude any lease that can be cancelled within a month by either party.

36. CAPITAL COMMITMENTS

	GROUP 2018 £M	2017 £M
Capital expenditure		
Expenditure contracted for but not provided in the financial statements	79.8	376.7
Expenditure authorised by the Board, but not contracted	660.5	493.0
Maintenance expenditure contracted and authorised by the Board	32.6	38.2
	772.9	907.9

The Group expects to meet the above commitments from the following sources:

- Undrawn loan facilities totalling £330.4 million (2017: £358.3 million)
- Social housing grants and projected proceeds from first tranche sales of shared ownership dwellings and build for sale properties of £814.3million (2017: £1,097.4 million).

37. RELATED PARTY TRANSACTIONS

The ultimate controlling party of the Group is A2Dominion Housing Group Limited. There is no ultimate controlling party of A2Dominion Housing Group Limited.

A2Dominion Housing Group consists of the companies listed in note 18. The Group also has interests in ten joint ventures detailed in note 18.

A2Dominion Housing Group Limited provides management and administration services to the companies within the Group. The most significant element of this is staff costs as the subsidiaries within the Group do not have their own employees apart from A2Dominion Homes Limited which has a small number of employees. The management costs are apportioned on salary basis. During the year A2Dominion Housing Group Limited provided management services to other Group entities and charged £42.8 million (2017: £40.4 million). At 31 March 2018 A2Dominion Housing Group owed £99.4 million to its subsidiaries (2017: £103.1 million). This was in relation to working capital balances and management services.

Pyramid Plus London LLP and Pyramid Plus South LLP are apportioned management and administration services costs based on agreed values representing actual services provided.

The Group owns a 70% share in Pyramid Plus London LLP. The remaining 30% share is owned by Breyer Group PLC. The minority share of £0.3 million (2017: £0.2 million) relates to Breyer Group PLC's 30% share of the LLP's profit.

The Group owns a 70% share in Pyramid Plus South LLP. The remaining 30% share is owned by MITIE Property Services (UK) Limited. The minority share of £0.8 million (2017: £0.6 million) relates to MITIE Property Services (UK) Limited's 30% share of the LLP's profit.

The total management and administration costs apportioned in the year were:

	2018 £M	2017 £M
A2Dominion South Limited	12.8	13.8
A2Dominion Homes Limited	15.5	12.9
A2Dominion Housing Options Limited	2.3	0.7
A2Dominion Residential Limited	0.4	1.1
A2Dominion Developments Limited	10.4	10.4
Pyramid Plus London LLP	0.7	0.8
Pyramid Plus South LLP	0.7	0.7
	42.8	40.4

37. RELATED PARTY TRANSACTIONS CONTINUED

Intra-group transactions between the Group's registered providers and its non-regulated subsidiaries for the year ended 31 March 2018 are summarised as follows:

2018	SERVICES PROVIDED £M	GIFT AID £M	LOAN INTEREST PAYABLE £M	LOAN INTEREST RECEIVABLE £M	LOANS CREDITORS £M	LOANS DEBTORS £M	OTHER CREDITORS £M	OTHER DEBTORS £M
A2Dominion Developments Limited								
A2Dominion Homes Limited	23.8	(14.2)	(8.9)	-	(132.3)	-	-	-
A2Dominion South Limited	35.4	(9.4)	(8.9)	-	(137.9)	-	-	-
A2Dominion Treasury Limited								
A2Dominion Homes Limited	-	-	-	1.7	-	21.1	-	-
A2Dominion South Limited	-	-	-	1.8	-	38.6	-	-
A2Dominion Housing Group Limited	-	-	-	-	-	-	(1.8)	-
A2Dominion Housing Finance Limited								
A2Dominion South Limited	-	-	-	0.2	-	25.0	-	-
A2Dominion Residential Limited								
A2Dominion Homes Limited	-	(1.8)	-	-	-	-	-	-
Pyramid Plus London LLP								
A2Dominion Housing Group Limited	9.6	-	-	-	-	-	-	1.0
Pyramid Plus South LLP								
A2Dominion Housing Group Limited	12.2	-	-	-	-	-	-	1.1

A2Dominion Homes Limited and A2Dominion South Limited lend to A2Dominion Developments Limited at a fixed rate of 6% on a three year revolving facility. The loans are secured with floating charges.

A2Dominion Housing Finance Limited lends to A2Dominion South Limited at Libor + 0.4% - the facility is revolving until 2022 thereafter the drawn loan balance converts to term and is payable by instalments until 2033.

A2Dominion Treasury Limited lends to A2Dominion Homes Limited and A2Dominion South Limited at an all-in rate of 4.5875%. These are the proceeds of retail bond 2 which matures in 2026 and must be repaid in full on that date. Any company may repay any part of their loan prior to that date, in such a case another company in the group must borrow the funds to ensure that £150 million remains due to A2Dominion Treasury Limited at all times. The loans are not secured.

Transactions between Group entities and other related parties are summarised as follows:

A2Dominion Developments Limited is a 50% joint venture partner of Green Man Lane LLP. A2Dominion Developments Limited provided a loan facility of £15.0 million to Green Man Lane LLP. As at 31 March 2018, the loan was fully repaid and £nil (2017: £6.6 million) was due to A2Dominion Developments Limited.

Rydon Construction Limited provided a loan facility of £15.0 million to Green Man Lane LLP. As at 31 March 2018, the loan was fully repaid and £nil (2017: £6.6 million) was due to Rydon Construction Limited. Rydon Construction Limited is a wholly owned subsidiary of Rydon Holdings Limited.

A2Dominion Developments Limited and Rydon Construction Limited are in the process of finalising £30 million joint funding for Green Man Lane LLP in relation to phase 3.

37. RELATED PARTY TRANSACTIONS CONTINUED

Green Man Lane LLP entered into lease agreements with A2Dominion Homes Limited for the lease of housing blocks and a car park at premiums totalling £10.0 million (2017: £10.0 million). The contractual term of the lease is 250 years and the premium for each lease is to be paid in 30 monthly instalments until paid in full. As at 31 March 2018, the total amount due has been paid in full.

Green Man Lane LLP and A2Dominion Homes entered into a joint arrangement with Rydon Constructions Limited to provide construction services, with the LLP's share of contract being to the value of £30.7 million. As at 31 March 2018, £30.3 million has been paid to Rydon Construction Limited with a balance of £0.4 million due across the next two financial years.

Green Man Lane LLP leases a ground floor office are Sinclair House London W13 from A2Dominion Homes at a rent of £50,814 per annum. The contract ends on 24 June 2020.

A2Dominion Developments Limited is a 50% joint venture partner of Crest A2D (Walton Court) LLP. During the year, capital contributions of £0.7 million (2017: £10.7 million) were made to Crest A2D (Walton Court) LLP.

A2Dominion Developments Limited is a 50% joint venture partner of Keybridge House 2 LLP. During the year capital contributions of £1.7 million (2017: nil) were made to Keybridge House 2 LLP.

A2Dominion Developments Limited is a 50% joint venture partner of Queens Wharf Riverside LLP. During the year capital repayments of £20.7 million (2017: nil) were made by Queens Wharf Riverside LLP.

A2Dominion Developments Limited is a 50% joint venture partner of Elmsbrook (Crest A2D) LLP. During the year capital contributions of £8.1 million (2017: nil) were made to Elmsbrook (Crest A2D) LLP.

A2Dominion Developments Limited is a 50% joint venture partner of A2D NK Homes LLP with 80% interest. During the year the capital contributions of £1.7 million (2017: nil) were made to A2D NKH (Rowlands Castle) Limited, a wholly owned subsidiary of A2D NK Homes LLP.

A2Dominion Developments Limited entered in to a Members Agreement for A2D NKH Chinnor LLP joint venture on 9 July 2018. An 80% interest is held in A2D NKH Chinnor LLP with Nicholas King Homes PLC.

A2Dominion Developments Limited is a 50% joint venture partner of New Cross Gate Phase 1 LLP. During the year capital contributions of £1.2 million (2017: nil) were made to New Cross Gate Phase 1 LLP.

A2Dominion Treasury Limited has been provided with a loan facility of £150.0 million (2017: £150.0million) by A2D Funding PLC. As at 31 March 2018, £150.0 million (2017: £150.0 million) was owed by A2Dominion Treasury Limited.

A2Dominion Treasury Limited has been provided with a loan facility of £150.0 million (2017: £150.0million) by A2D Funding II PLC. As at 31 March 2018, £150.0 million (2017: £150.0 million) was owed by A2Dominion Treasury Limited.

A2Dominion Housing Group guarantees both bond issues principal and interest in A2D Funding PLC and A2DFunding II PLC.

Pyramid Plus South LLP received services during the year from MITIE Property Services (UK) Limited with a value of £6.1 million (2017: £6.3 million). As at the 31 March 2018 £0.7 million (2017: £0.5 million) was owed by Pyramid Plus South LLP.

Pyramid Plus London LLP received services during the year from Breyer Group PLC with a value of £5.6 million (2017: £5.8 million). As at the 31 March 2018 £0.6 million (2017: £0.7 million) was owed by Pyramid Plus London LLP.

A2Dominion Residential Limited has entered into a funding agreement with Queens Wharf Riverside LLP a joint venture between A2Dominion Developments Limited and Hammersmith Developments Holdco Limited. This has matured as at the 31 March 2018 with £nil (2017: £33.7 million) owed to A2Dominion Residential Limited. The interest and similar income receivable on this loan during the year was £0.9 million (2017: £4.7 million).

A2Dominion Residential Limited has entered into a funding agreement with Keybridge House LLP a joint venture between A2Dominion Developments Limited and Mount Anvil (Keybridge House) Limited. As at the 31 March 2018 £64.6 million (2017: £32.5 million) was owed to A2Dominion Residential Limited. The interest and similar income receivable on this loan during the year was £2.0 million (2017: £1.5 million). Additionally A2Dominion Residential Limited has paid a deposit of £23.0 million (2017: £23.0 million) for the purchase of 159 properties to be held and used for market rent to Keybridge House LLP.

37. RELATED PARTY TRANSACTIONS CONTINUED

Intra-group transactions between the Group's registered providers and its non-regulated subsidiaries for the year ended 31 March 2017 are summarised as follows:

2017	SERVICES PROVIDED £M	GIFT AID £M	LOAN INTEREST PAYABLE £M	LOAN INTEREST RECEIVABLE £M	LOANS CREDITORS £M	LOANS DEBTORS £M	OTHER CREDITORS £M	OTHER DEBTORS £M
A2Dominion Developments Limited								
A2Dominion Homes Limited	17.8	(25.0)	(6.8)	-	(129.5)	-	-	-
A2Dominion South Limited	9.3	-	(6.8)	-	(129.5)	-	-	-
A2Dominion Treasury Limited								
A2Dominion Homes Limited	-	-	-	2.7	-	38.7	-	-
A2Dominion South Limited	-	-	-	2.2	-	38.6	-	-
A2Dominion Housing Group Limited	-	-	-	-	-	-	(1.8)	-
A2Dominion Housing Finance Limited								
A2Dominion South Limited	-	-	-	0.2	-	25.0	-	-
Pyramid Plus London LLP								
A2Dominion Housing Group Limited	9.1	-	-	-	-	-	-	0.8
Pyramid Plus South LLP								
A2Dominion Housing Group Limited	11.7	-	-	-	-	-	-	1.0