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a2dominion group

Annual Report &
Accounts 2019

INVESTORS IN PEOPLE | Gold

CO-0719-0165

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

a2dominion group

Annual Report & Accounts 2019

Carlton House, Putney

Contents

Chair's report

Welcome to A2Dominion's Annual Report & Accounts. Over the past year, we have continued to focus on developing high-quality new homes, investing in the services we provide our customers and the communities they live in, and ensuring our business remains strong.

PUTTING CUSTOMERS FIRST

I'm pleased to report we achieved a 89.9% customer satisfaction rating with our responsive repairs service. This has increased by 12% over the last three years, bucking the national downward trend. We also achieved 80.8% satisfaction with our customer contact centre.

A key priority for us over the coming year is to ensure that we work more effectively with the companies that provide services to our customers and buildings. Together, we want to be more responsive to our customers' needs, regardless of whether they own or rent, or whether we or another company manage their buildings.

CREATING NEW HOMES AND PLACES

In 2018/19, we completed 875 new homes across a range of tenures, and secured 650 new plots of land to ensure future supply. The Group now has over 7,600 homes in its development pipeline, with a flexible approach to the volume, type and range of accommodation we deliver each year.

ENSURING FIRE SAFETY

The tragic events of Grenfell have not been forgotten, and we are committed to keeping our residents safe and providing secure and well-maintained homes. Last year, we set up a tall buildings project team to independently verify the structure of our buildings and prepare plans for any repair work that may be required. We have been undertaking all priority work on these buildings and have set aside £13.5 million to fund a three-year programme of upgrade work.

INVESTING IN OUR PEOPLE

The commitment and talent of our employees is an essential part of our business.

Our recent employee survey showed a high engagement score of 84%, demonstrating a strong commitment to our vision and goals. In addition our new leadership development programme continues to demonstrate our investment in existing talent and future leaders.

This year, we also saw a reduction in our mean gender pay gap of 1.3% and we have been working hard to understand what it means for our employees and to enable this, we have launched a Diversity & Inclusion Steering Board.

THE FUTURE

We know that there are challenges ahead in the housing sector, in particular how we continue to provide subsidised affordable housing in an uncertain property market. If we are to build more affordable housing then it is essential that there is a significant increase in Government grants.

Our business transformation programme, Fit for the Future, is central to helping us become more responsive to our customers' needs, making us more efficient and profitable, and significantly improving the services we provide.

Last year, the first phase of the programme went live, bringing customer data into one place, improving customer insight and delivering a more efficient complaints process. This work will continue as we roll-out further phases of the programme over the next year and beyond.

I would like to take the opportunity to thank our customers and partners, the Board and committee members, and our executives and employees. I look forward to working together to do even more in the next 12 months.

IAN COX
Chair

Our highlights

PROVIDING NEW HIGH-QUALITY HOMES AND PLACES

875
new homes built

7,601
homes in the pipeline

DELIVERING CUSTOMER-LED SERVICES

89.9%
repairs service satisfaction rating

£6.5M
secured for residents through advice, benefits and grants

INVESTING IN HOMES AND LOCAL COMMUNITIES

£32.9M
investment in upgrading homes

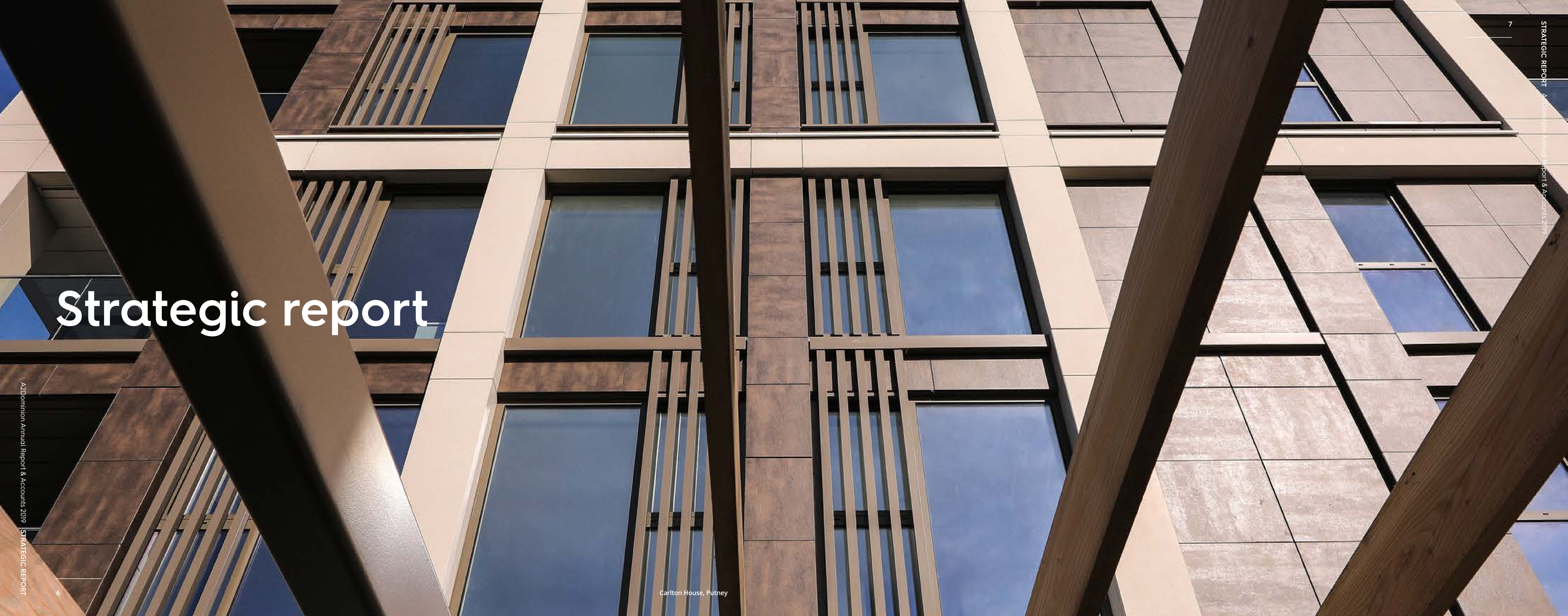
£13.5M
allocated for fire safety works

STRENGTHENING OUR BUSINESS

£465M
new funding secured

£9BN
asset base at vacant possession market value

"I'm very pleased with my A2Dominion home. It's in an excellent location; minutes away from the local town, but we live in a scenic residential area in the middle of Hackney. We're also lucky to have amazing views of the local park from our balcony – the one I take my sons to so we can feed the ducks. I get the best of both worlds."
Jade



Strategic report

Carlton House, Putney

Business overview

KEY FACTS

38,000
homes

67,000
customers

£372.2M
turnover

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

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.

We have over 38,000 homes across London and southern England and our property portfolio is diverse. We build award-winning affordable, 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.

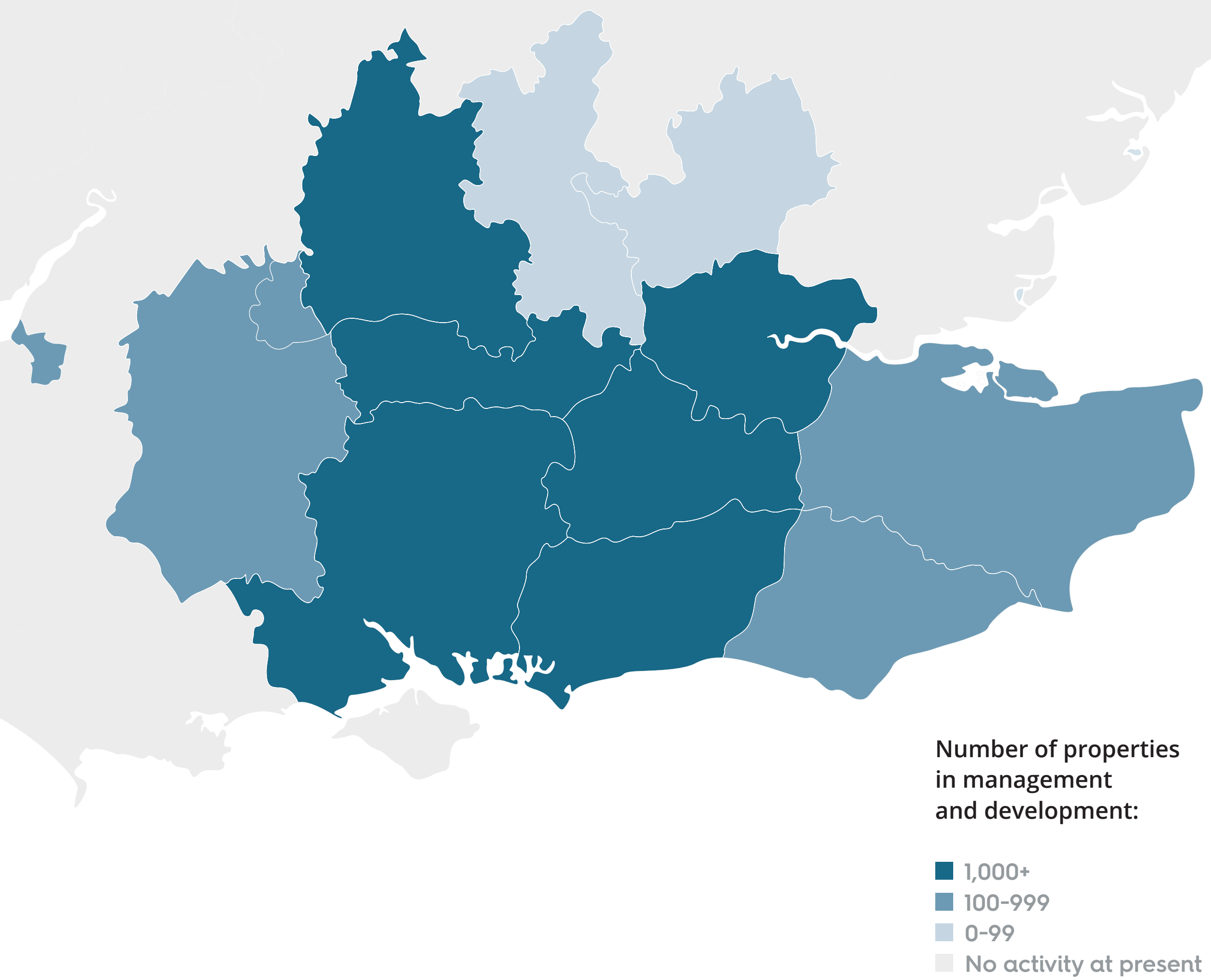
We're also part of the g15, a group of the largest housing providers in London.

OUR BRANDS
There are three main brands within the Group:

- A2Dominion is used for our wide range of homes for rent and resales, day-to-day property management and community investment services.
- FABRICA by A2Dominion is our brand for marketing our new homes available for private sale and shared ownership.
- Pyramid Plus is the name of our asset management companies that provide repairs and maintenance services to the private, public and not-for-profit sectors.

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

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



Our structure

A2Dominion Housing Group Limited, as the parent association, provides strategic direction for the organisation, along with central, financial and development services. During the year (ended 31 March 2019) the Group consisted of three social landlords:

A2Dominion Homes and **A2Dominion South**, which 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;
- older people 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 and 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 two companies.

A2Dominion Developments Limited, develops 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 we re-invested into affordable housing, enabling the Group to grow organically through the development of mixed tenure schemes.

A2Dominion Developments Limited also has 11 joint ventures developments (see page 102).

A2Dominion Residential Limited provides private rental homes to the open market with an ongoing management service for residents. An active asset management approach is also incorporated for these homes.

Fellows Square, Cricklewood

Strategic objectives

Our purpose is to provide as many good quality homes as we can at a price people can afford. We reinvest all of our profits back into our business, helping to deliver more new homes, better services and support to local communities.

We continue to work towards our four key business objectives to achieve the business strategy to 2020, which are:

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

OUR APPROACH

Over the last decade, we have been known as a traditional housing association, providing homes at a social rent for families on low incomes, accommodation for students and key workers, and helping people onto the housing ladder through shared ownership.

We have since extended our range to include homes for private rent and sale, leading to our repositioning as a residential property group with a diverse portfolio of products and business streams, allowing us to optimise our investments.

This helps us fund our social purpose; the creation of new affordable homes and housing services for the people who need them most. Private sale enables us to bridge the diverging subsidy gap felt by the reduction of government grants levels, and to help people of all incomes to live and work in a place of their choosing.

Government grant levels prior to 2011 reached up to £120,000 per home, but as a result of the introduction of the Affordable Homes Programme this fell to between £20,000 to £60,000.

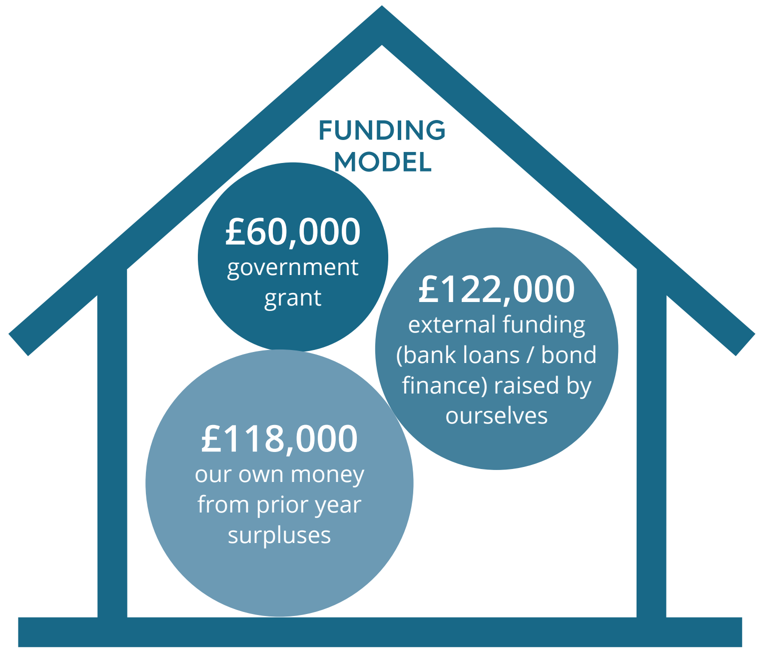
To compensate for this reduction, we, like others within the sector, looked to generate the subsidy needed through the surplus we make each year.

This balance of funding means we need to take a commercial approach to housebuilding, generating surpluses from our private sales to provide new homes for our social purpose. Without doing this, our provision of new properties for people in need of a home would be reduced.

It also allows us to manage our financial risks, ensuring we operate within our means, whilst maintaining the confidence of our investors and the regulator.

Our business model is supported by a strong approach to risk management and a significant asset base, which enables us to attract funding from investors. It is also supported by one of our greatest strengths – the people who work for us. We want our employees to be skilful, innovative and to drive effective customer service, helping us to be a high-performing and results-orientated business.

We build on these strong foundations by strengthening the way we operate, protecting our reputation through effective operations management, optimising our investments, and developing our capability so that we can grow and deliver better services for our customers.



The diagram above shows how we fund a two-bedroom affordable home in London that costs £300,000 to build.

Profit for a social purpose is at the heart of what we do

STRENGTHENING OUR BUSINESS

We generate profits from a wide range of activities, particularly from private sales and landlord services.

- We use our existing assets and portfolio base to attract funding from lenders. In 2018/19, we successfully arranged £465 million of new funding and in July 2019 retained our A+ credit rating from Fitch.
- We are improving value for money and achieving efficiency savings, with savings over £7 million planned for next year.
- We grow our commercial activities, pursuing partnership work and joint ventures to secure new homes provision.

PROVIDING NEW HIGH-QUALITY HOMES AND PLACES

Each year we use our profits to develop around 900 new homes, rising to 1,200 from 2020, across a range of tenures. For every affordable rented home we build, we contribute up to £120,000 of our own profits.

Our profits are also used to help:

- families on low incomes and vulnerable people
- meet the growing demand for privately rented homes
- build shared ownership homes helping new home-owners
- create local communities
- improve existing homes and services
- invest in our Fit for the Future programme.

INVESTING IN HOMES AND LOCAL COMMUNITIES

Providing safe, secure and well-maintained homes for our customers remains a priority. We aim to foster a more predictive, proactive and agile approach to managing our homes and places, resolving issues before they become problems.

- We have set aside £13.5 million towards a three-year programme of fire prevention and upgrade works.
- In 2018/19, £32.9 million was invested in maintaining and upgrading the homes we own and manage.

DELIVERING CUSTOMER-LED SERVICES

We aim to sustain and improve customer satisfaction with our services and continue to develop accessible services based on customers' needs.

- We have launched a £23 million three-year business transformation programme (Fit for the Future) to improve the services we provide.
- We'll be offering more digital services and providing a quicker response to our customers.

Performance summary

The Group's Business Plan 2015/20 outlined a number of specific aspirations against each of our strategic objectives. Our performance against these is set out below.

PROVIDING NEW HIGH-QUALIITY HOMES AND PLACES

Develop up to 1,200 new homes per year by 2020

AS AT 31 MARCH 2019

- 875 delivered in 2018/19

FORECAST TO 2020

- On target: sites identified for 2020-25 to deliver 1,200 new homes per year

37,000 homes in management

AS AT 31 MARCH 2019

- 38,000 in management

FORECAST TO 2020

- Above target

DELIVERING CUSTOMER-LED SERVICES

Develop a clear, simple and consistently well-delivered customer offer regardless of tenure, scheme or location

AS AT 31 MARCH 2019

- Target operating model and updated customer experience strategy in place

FORECAST TO 2020

- On target

Provide more flexible services to suit different customer needs by responding more quickly when things go wrong and offering greater choice

AS AT 31 MARCH 2019

- Delayed: these services will be developed as part of our Fit for the Future programme

FORECAST TO 2020

- Not met: likely to be part achieved by the end of 2021 through the delivery of Phase 3 and 4 of the Fit for the Future programme

Provide subsidised services with wider community benefits by delivering care and support for vulnerable people and investment in local communities

AS AT 31 MARCH 2019

- £1.6 million invested into community investment activities
- Care and support funding model in place
- Community investment programme delivered a social value of more than £4 million

FORECAST TO 2020

- On target

INVESTING IN HOMES AND LOCAL COMMUNITIES

Provide 60% of homes for rent and shared ownership and 40% for sale

AS AT 31 MARCH 2019

- 66% homes are rented / shared ownership, and 34% sale

FORECAST TO 2020

- On target

Focus on building great places to live by providing well-designed larger housing schemes with a strong sense of community regardless of tenure

AS AT 31 MARCH 2019

- Phase 2 of the regeneration scheme at Green Man Lane, Ealing completed

FORECAST TO 2020

- On target

STRENGTHENING OUR BUSINESS

Continue to invest in developing, retaining and attracting great people to create a talented workforce

AS AT 31 MARCH 2019

- Staff engagement score of 84%
- Staff turnover 11.1%, below peer average
- Talent development and leadership programme launched

FORECAST TO 2020

- On target

Continue to enhance our approach to risk management and compliance

AS AT 31 MARCH 2019

- New corporate risk register in place
- Compliance based internal audit service procured
- 'Best Risk Management' winner at Housing Association National Accountancy awards

FORECAST TO 2020

- On target

Investing in technology and improving integration, leading to improved customer experience

AS AT 31 MARCH 2019

- The first part of Phase 1 of our Fit for the Future programme has gone live

FORECAST TO 2020

- Partial: Fit for the Future programme Phase 2 due to be delivered by 2020

Fellows Square, Cricklewood

Providing new high-quality homes and places

Over the past year, we have increased the number of homes under our management to more than 38,000, and have a further 7,601 in the pipeline. For us, developing homes is a vital part of our role to help tackle the housing crisis and support people in need.

KEY FACTS

7,601
homes in development

2,152
affordable homes to be built in London by 2022

Redcliff Quarter, Bristol
Photography by michaelwhitestone.co.uk

OUR PLANS

- Developing up to 1,200 new homes a year from 2020 by leveraging the Group's resources
- Providing affordable housing and market rent, with private sale acting as the enabler for both
- Continued use of an industry-wide assessment survey to monitor customers' feedback on the quality of their new home
- Forming joint ventures with landowners, private developers and complementary organisations, including public bodies, to exploit common skill sets for mutual benefit and a shared social purpose.

PERFORMANCE

New homes

Over the past year, we completed 875 new homes to meet a wide range of housing needs. This included 113 new homes for affordable rent, 24 social rent, 88 shared ownership, 354 private sale and 296 homes for private rent. We also started building 1,837 new homes during 2018/19 for completion in future years.

The development of schemes with multiple tenures is important, enabling our private sale homes to generate surpluses to support the development and ongoing management of affordable homes. We continue to aim to build 40% of homes for private sale and 60% for shared ownership and rent (both affordable and private rent). The Group currently has 7,601 homes in the pipeline, for development over the next eight years.

The Group has also expanded its presence in Bristol with two key schemes. Redcliff Quarter has delivered 128 private rent homes in its first phase and will create a further 118 homes by summer 2020. Subject to planning, Malago Road will create 550 student rooms for the University of Bristol, as well as 40 new affordable rent homes.

Public funding

In the last year, A2Dominion has formed a new strategic partnership with the Greater London Authority, as part of the 2016-2021 London Affordable Homes Programme. Securing £85 million in funding, the Group will provide 2,152 new affordable homes in London, contributing to the Mayor of London's target of 116,000 new starts by March 2022. The Group also secured grant funding of £11.7 million from Homes England for two schemes in the South East; Brooklands in Ashford, Middlesex, which will provide 284 affordable homes and The Boulevard in Crawley, creating 91 affordable homes.

Joint ventures

The Group now has joint venture partnerships in place with four housebuilders, enabling A2Dominion to share expertise and reduce risks in new development activities. This includes new partnerships with Nicholas King Homes to deliver both private and affordable homes in Oxfordshire, and with Mount Anvil at New Cross Gate in Lewisham to deliver hundreds of new homes.

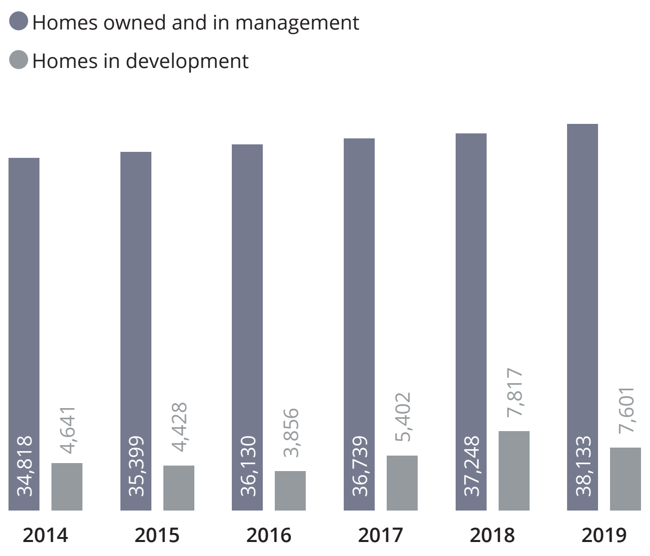
Strategic land

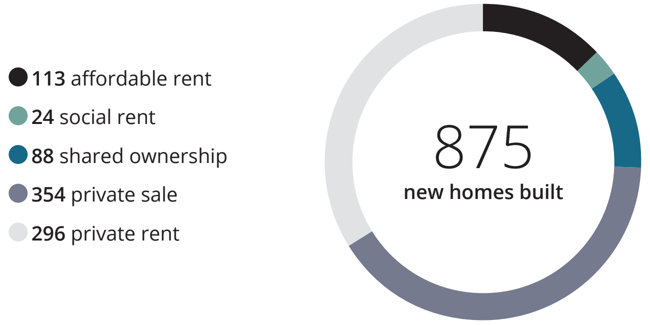
The Group continues to grow its portfolio of strategic land to add to future land supply, with 650 plots added to the portfolio in the last year from three strategic sites in West Sussex and Oxfordshire. We also agreed terms for two further sites with potential for 600 plots in Buckinghamshire and Surrey.

We anticipate around 50% of 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 ten 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.

Private rent

We continue to invest in private rented accommodation and have 1,401 private rent homes in management. This enables us to respond to the increasing demand for high-quality private rented homes, utilising our landlord services.





Development portfolio

We build communities with people in mind, not just properties, providing a range of tenures, from affordable rent, shared ownership, private rent to private sale.

◄ BEECHWOOD GROVE, CAVERSHAM
Beechwood Grove is a development of 43 one and two-bedroom apartments in Reading, designed to offer independent living for over 55s. The mixed tenure scheme, developed in partnership with Reading Borough Council, has 16 affordable rent and 27 private sale apartments. The development provides hotel-style amenities for its residents, including communal spaces, a craft room, landscaped gardens and access to on-site care and support services.

◄ MALAGO ROAD, BRISTOL
Planning permission has been submitted to develop 590 new homes on Malago Road in Bristol. Working with Bristol City Council and Bristol University, we will be developing 550 student rooms and 40 affordable homes.

Photography by michaelwhitestone.co.uk

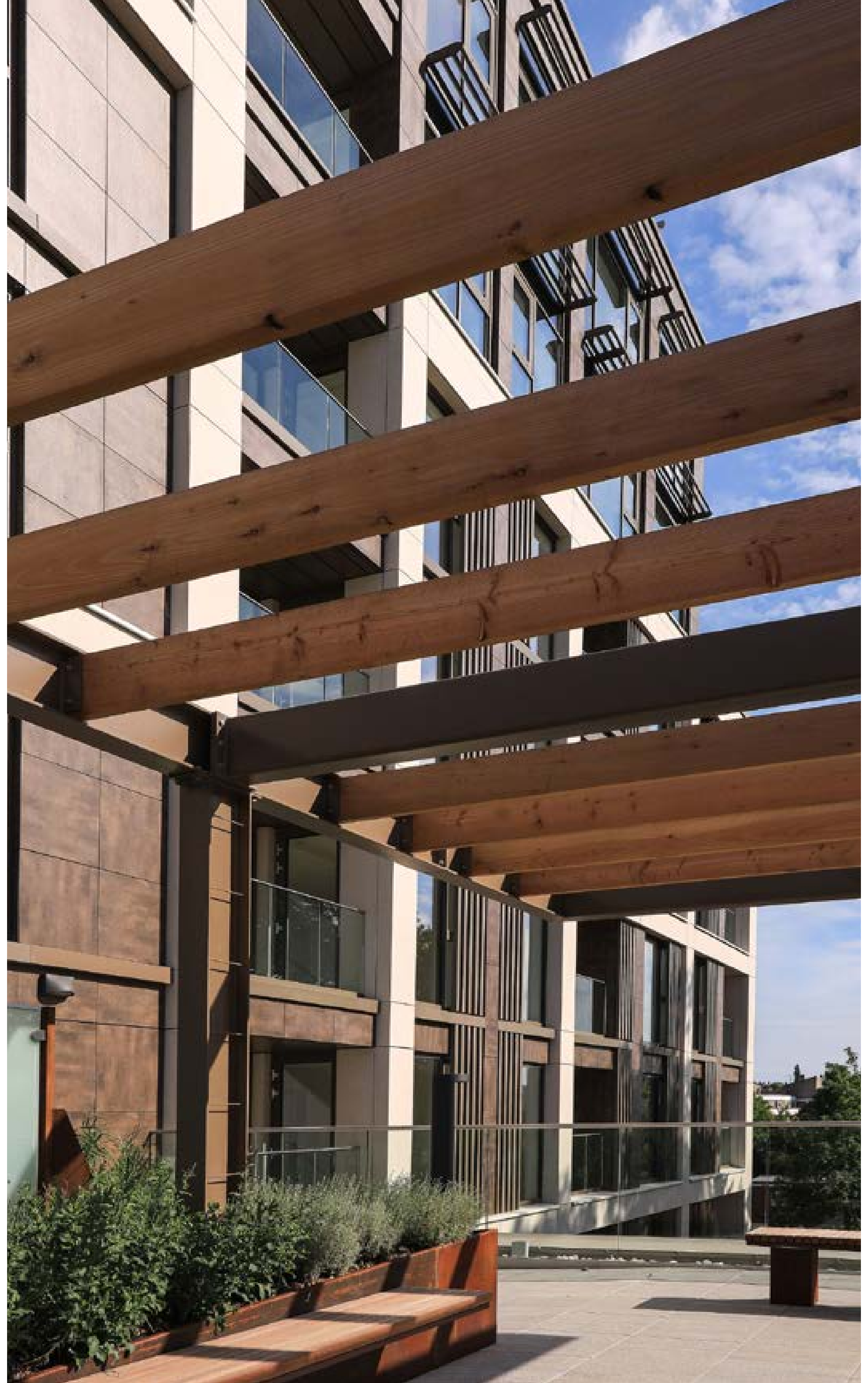
◄ REDCLIFF QUARTER, BRISTOL
Set on 3.3 acres of previously derelict land, Redcliff Quarter is our largest scheme in the South West. It is being developed as a joint venture between Change Real Estate, ICG Longbow and Canon Family Office. Phase one has already provided 128 apartments for private rent and phase two will create a further 118 new homes.

▶ CARLTON HOUSE, PUTNEY

Carlton House is due to be completed in summer 2019 and will create 73 new homes in Putney. Consisting of 58 private sale and 15 shared ownership homes, residents of Carlton House will have access to a concierge service, a residents' lounge as well as a spacious fourth floor roof terrace.

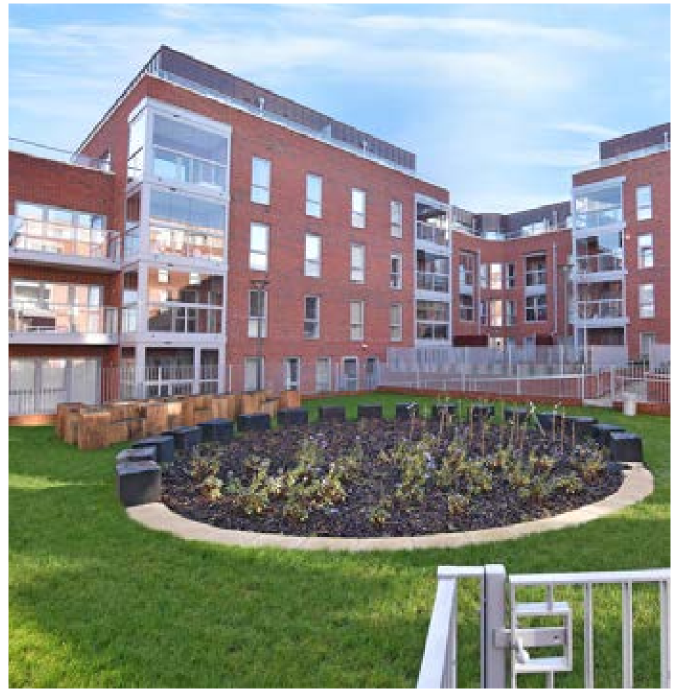
▲ KING STREET, HAMMERSMITH

Working in partnership with Hammersmith & Fulham Council, the redevelopment of the western end of King Street will include the refurbishment of Hammersmith Town Hall, the creation of 204 new homes, a new four-screen cinema and offices, restaurants and, community and art spaces. Demolition work is due to begin in 2019, with construction starting in 2020.



▶ FELLOWS SQUARE, CRICKLEWOOD

Fellows Square delivered 230 new homes for private sale, shared ownership, private rent and affordable rent. Sitting on the border of the £4.5 billion Brent Cross Cricklewood project, the development has commercial space, a residents' gym, crèche and office space.



▲ WESTVALE PARK, HORLEY

Westvale Park is a regeneration scheme in Horley, Surrey, which will create 1,500 two to five-bedroom homes. A2Dominion is working as part of a consortium of developers with Crest Nicholson, Taylor Wimpey and Charles Church. The first phase of the scheme is now complete, creating 134 new homes, a neighbourhood centre and a primary school. The second phase started in May 2019 and will add a further 152 homes.

▼ ARLINGTON LOFTS, CAMDEN

Arlington Lofts, completed in 2018, sits in the heart of Camden and was built to provide 21 apartments, 16 for private sale and five for affordable rent. The development involved the partial refurbishment of the 1930s electrical substation and every effort was made to preserve the historical façade. The inside of each property has a unique layout, turning the previously disused building into brand-new homes for the local community.

◀ MATILDA HOUSE, OXFORD

Matilda House, due to open in autumn 2019, will provide accommodation for homeless people in Oxford and is designed to give them access to the support they need to get back on their feet. The house, on Rymers Lane, is part of Oxford City Council's strategy to tackle homelessness in the city.

Delivering customer-led services

In the last year, we achieved best-ever levels of satisfaction with our repairs services, whilst engaging more than 3,500 residents with our community investment projects. Consistently delivering an excellent customer experience is at the heart of what we do.

OUR PLANS

- Developing a clear, simple and consistently well-delivered customer offer, regardless of tenure, scheme or location.
- Providing more flexible services to suit different customers' needs by responding more quickly 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 local communities.
- Developing a new Customer Advisory Panel (CAP) of industry experts and residents, helping us to better engage customers to shape the way we do things.

PERFORMANCE

Customer satisfaction

The key driver of our contact from customers is requests for responsive repairs to be carried out. Customer satisfaction with the Group's responsive repairs service was above target at 89.9%, and has increased by 12% over the last three years, bucking a national downward trend.

We continued to increase the speed of our repairs service, with standard repairs completed in ten days on average and urgent repairs within 23 hours, ahead of target. Planned repairs satisfaction was 99%, whilst satisfaction with the services received from the contact centre was 80.8%.

We also measure the experience our private sale and shared ownership customers have with their new home using a net promoter score used across the housebuilding sector. We've established our New Homes team who will look after customers from the point of exchange.

Improving customer insight

We launched our CAP at the start of the year, to provide an effective oversight of our customer experience strategy and resident engagement programme. The CAP retains a strong link with the Group Board with two Group Board members serving on the panel.

Our investment into customer insight has given us a better understanding of our customers, helping our service, prioritisation and for us to evaluate a range of initiatives.

"My Neighbourhood Officer has given me and my family the confidence to be happy and comfortable in our temporary accommodation."
Mohamed

Financial support for customers

We secured £6.5 million for residents and the Group through our advice service to customers for how to claim benefits, appeal errors and decisions, and secure grant and charity payments.

More than £5,800 was given to residents to go towards food banks, furniture and general utilities assistance. We approved 26 applications for our donations fund, giving over £60,000 towards older people's schemes, young parent's projects, homeless hostels and domestic abuse services.

Support for vulnerable people

Care and support contracts with a value of £1.3 million were won and retained by the Group in the last year. This includes providing services for people affected by domestic abuse, vulnerable young people and young parents, extra care housing for older residents and supporting homeless people.

We also completed our first mixed-tenure extra care scheme, Beechwood Grove in Reading, which provides independent living for people aged over 55, with on-site care services. Matilda House, due to open in September 2019, will create new homeless accommodation in Oxford.

Supporting the social housing green paper

The government's social housing green paper aims to rebalance the relationship between residents and landlords, tackle stigma, ensuring that social housing supports people when they need it and support social mobility. As part of our role with the g15, the group of London's largest housing providers, we responded to the green paper and reaffirmed our commitment to engage with our residents and involve them in our decision-making to strengthen their trust in us.

KEY FACTS

£1.3M
of care and support contracts won and retained

£6.5M
secured for residents in benefits, grants and other payments

£60,000
towards older people's schemes, young parent's projects, homeless hostels and domestic abuse refuges.

Investing in homes and local communities

Following the Grenfell Tower tragedy, we have invested significantly in fire safety, while continuing our programme of ongoing upgrade works for the homes we manage. This is part of our commitment to developing safe, sustainable communities. At the end of the year all of our social homes had valid gas safety certificates in place.

Keybridge, Vauxhall

KEY FACTS

£13.5M
investment in fire safety

£32.9M
spent on upgrading and improving properties

£4M
social value through community investment programmes

OUR PLANS

- Providing safe, secure and well-maintained homes for our customers.
- Fostering a more predictive, proactive and agile approach to managing our existing homes and places, resolving issues before they become problems.

PERFORMANCE

Fire safety

We have launched a working group to review fire safety in our schemes, following the government's Independent Review of Building Regulations and Fire Safety, known as the Hackitt Review. Key actions included:

- Building surveys: last year we created a tall buildings project team, comprising of staff, consultants and fire engineers, to manage a three-step survey process to independently verify the structure of our buildings and prepare plans for any remediation work that may be required. We have 125 blocks over 18 metres high, usually six storeys, which are classed as tall buildings.
- Upgrade works: We have set aside £13.5 million to fund a three-year programme of upgrade work, to respond to issues with fire breaks and rendered external wall insulation across a number of buildings.
- Fire Risk Assessments: we are increasing the frequency of Fire Risk Assessments (FRA) to ensure risks are managed effectively and to identify any issues with fire door certification. We accelerated our FRA actions programme and introduced new compliance key performance indicators for tall buildings and care and support homes. We are also reviewing electrical safety and other compliance areas to ensure resident safety.
- Responding to the Hackitt Review: the Group created a project team to deliver a remediation programme, and is reviewing the approach to housing management in the light of the Hackitt Review and advice note 14 from the Ministry of Housing Communities & Local Government (MHCLG). The Group is also running two business information modelling (BIM) pilots to model the golden thread methodology within the Hackitt Review.

Upgrading existing homes

We continue to invest in maintaining and upgrading the homes we own and manage. In the last year, we invested £32.9 million in upgrading and replacing kitchens, bathrooms, heating systems and passenger lifts. During 2018/19 we installed 366 new kitchens, 216 new bathrooms, and 2,725 properties received communal redecoration work.

Asset management

The use of the Group's asset assessment tool has driven pro-active interventions enabling the Group to target improving its lower-performing homes. The Group also launched its hidden homes initiative, which identified up to 105 schemes in the London area that could create the potential for additional development to be added or for conversions to be made. Detailed analysis is now being undertaken to prioritise these and commence work.

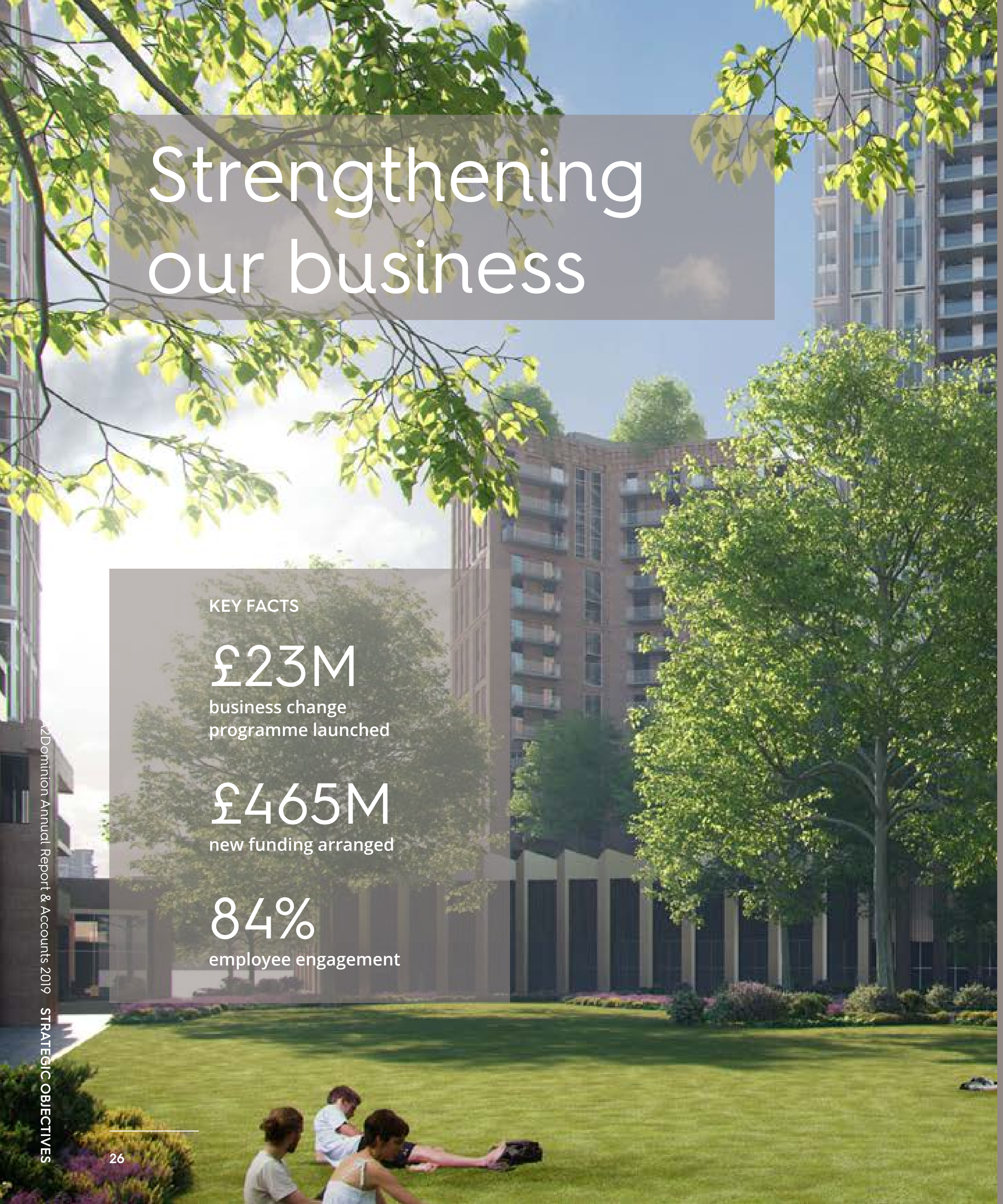
The Group's Asset Management Panel has approved refurbishment works of over £500,000 during the year alongside £6.9 million for extensive refurbishment works at the Group's key worker scheme at Charing Cross Hospital in Hammersmith.

Investing in communities

Our community investment programme is targeted at those most in need, and delivered more than £4 million of social value. Social value measures the success of social intervention by how much it increases people's wellbeing, using large national surveys.

In the last year, the Group secured £500,000 of external funding which went towards delivering essential services in local communities. We offered a range of support services including financial and digital inclusion, health and wellbeing, and employment and enterprise. In total, 3,500 customers took part in these projects in the last year.

We also invested £15,000 into five new business enterprises through our Dragon's Den style programme, supporting budding entrepreneurs with mentoring and grant funding to launch their businesses.



Strengthening our business

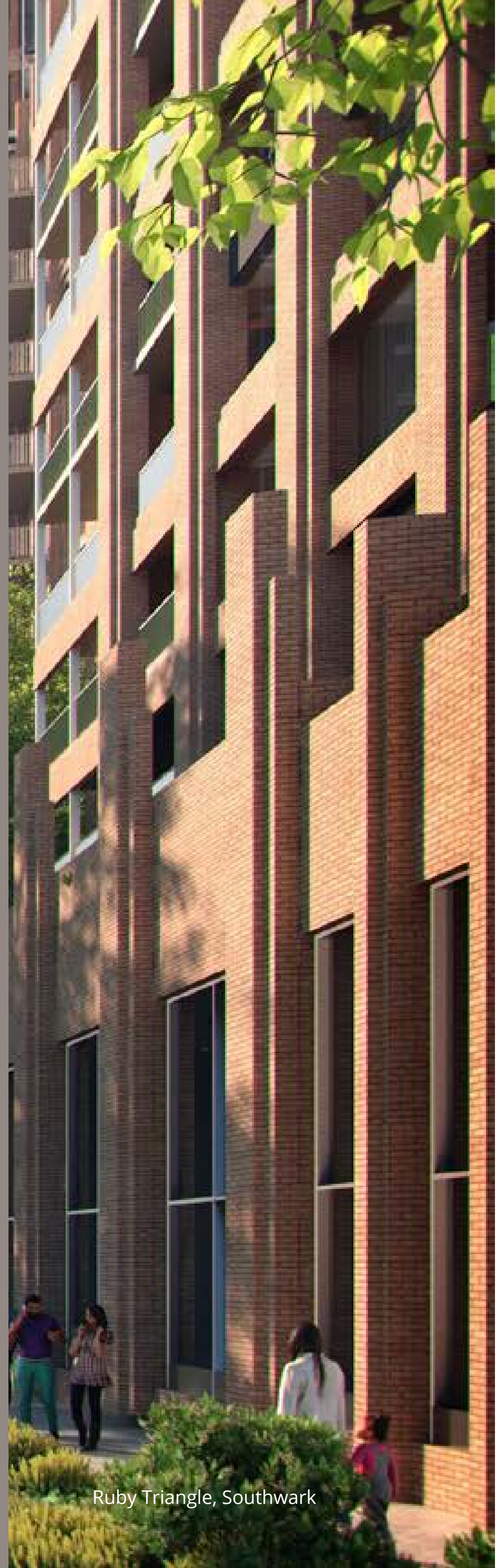
KEY FACTS

£23M
business change programme launched

£465M
new funding arranged

84%
employee engagement

Ensuring our business is well run will enable us to expand our delivery into 2025 and continue to be a major housing provider. In the last year, we launched our £23 million business change programme to transform the way we work and enable us to provide better services for customers, with the first phase going live in December 2018. We retained our A+ credit rating from Fitch, which was reconfirmed in July 2019 and successfully arranged £465 million of new funding. Our strong performance on Value for Money is explained on pages 42 to 45 and our effective approach to risk management is set out on pages 30 to 34.



Ruby Triangle, Southwark

OUR PLANS

- To invest in technology and business processes to improve customer experience and increase efficiency across the business.
- Continuing to invest in attracting, developing and retaining great people to create a talented workforce.
- Enhancing the Group's approach to risk management and compliance, maintaining a strong position by taking a sensible and pragmatic approach to opportunities and threats.

PERFORMANCE

Transforming our business for the future

In 2018, our Fit for the Future transformation programme began to support the business in becoming more responsive to customers' needs and expectations, whilst making it more efficient and sustainable. The first phase for the programme went live in late 2018, bringing customer contact records into one place, improving customer insight and creating an efficient complaints process.

Health and safety

Continued investment in health and safety awareness across the Group enabled us to achieve our lowest accident and incident rates this year. We won the award for best Construction Health and Safety training in the housebuilders category from the Construction Health and Safety Group in March 2019.

Investing in our people

We continue to invest in our stafff and ran a leadership development programme for all managers in the last year. Feedback from the Group's staff survey saw a rise in staff responses to 83% with an engagement rate of 84%. There has also been an average rise of 10% in leadership scores in 12 months, resulting in the Group being on average 14% above the benchmark when compared with other organisations. To support this, a new performance management framework was rolled out helping us to measure the success of our staff.

Diversity and inclusion

We provide housing for a diverse range of people, so it is important that our workforce reflects that too. We launched a Diversity & Inclusion Steering Board following an external audit carried out by diversity and inclusion experts to see how well good practice is embedded in the organisation.

The steering board's aim is to drive forward our commitment to continue to evolve our approach to diversity and inclusion.

Gender pay gap

Our combined Group mean gender pay gap is 15.88% (the gap in our legal parent entity is 24.51% as this excludes two of our subsidiaries). This gap of 15.88% varies within our different business segments, with higher gaps within development, property services and IT teams, but with no gaps within our finance, HR and care and support areas.

We are developing a plan that will help us enhance the things we are doing well and address the areas we may need to do differently. A key part of our future focus is to embed our diversity and inclusion aspirations into our recruitment, talent development and succession planning activities.

Anti-slavery and human trafficking statement

Our anti-slavery and human trafficking statement reflects our commitment to acting ethically and with integrity in all our business relationships. We have a responsibility under the Modern Slavery Act 2015 to ensure transparency in the provision of all our goods and services, and we seek to ensure modern slavery and human trafficking is not taking place anywhere in our business or supply chains.

External funding

In the last year, work to secure additional funding streams has been on going. The Group raised £250 million in revolving credit facilities with leading financial groups, HSBC, MUFG Bank, BNP Paribas and National Australia Bank.

This funding will enable us to continue our growth, take on new development opportunities and replace our maturing existing facilities. We agreed a £60 million unsecured floating rate note, £30 million club bond issue, a forward starting private placement of £50 million (starting March 2020), a forward starting unsecured bond issue from our Euro Medium Term Note programme of £75 million (starting March 2022) and $100 million (£77 million) funding from an uncommitted shelf platform.

This helps us retain high levels of liquidity providing buffers to help mitigate the impact from any of our key risks materialising.

Governance and regulation

BOARD AND COMMITTEE STRUCTURES
Our governance structure, below, has been in place since April 2017.

The Customer Advisory Panel sits outside the formal decision making structure and any key decisions relating to customer strategy or policy changes are made by the Group Board.

COMMITTEE	ROLE	KEY FOCUS DURING 2018/19
Group Board	Leads the Group, oversees its activities, and sets the Group's vision, strategies, plans and resources and directs its business. The Board's primary responsibility is the protection of the Group's assets, ensuring they are used in the fulfilment of the organisation's objectives. The Board exercises effective control across the Group to enable it to achieve its objectives and ensure that it acts lawfully and in accordance with generally accepted standards of governance, performance and probity. The Group Board oversees the work of: • Audit, Risk and Assurance Committee • Treasury Committee • Governance and Remuneration Committee • Development and Property Panel • Customer Advisory Panel The Board approves the strategy and supporting plans where the committees/panel operate. Anything that falls outside a Board approved strategy is brought back to the Board to approve or reject.	• Creation of the Corporate Strategy for 2020/25, using a full PESTLE analysis. • Reviewed the Group's performance against its Value for Money (VfM) strategy and VfM metrics including performance against the peer Group. • Approved the Group Budget for 2019/20 and the Group's Long Term Financial Forecast (LTFF). • Reviewed and updated the risk triggers and financial mitigations following the outputs of the scenario planning work. • Reviewed the achievements from the Group's community investment work and reconfirmed ongoing funding. • Approved new development appraisal assumptions, increasing the hurdle rates for future land purchases. • Completed the annual review of the Group's risk appetite statement. • Received the Audit, Risk and Assurance Committee's effectiveness review and the annual assurance report, and confirmed full compliance with the Group's regulatory and legal obligations.
Audit, Risk and Assurance Committee	Oversees the systems of internal control, risk management, and the external and internal audit functions for the whole Group to ensure that these functions are effective and well managed. This includes responsibility for the oversight of performance of the compliance areas of health and safety, insurance and procurement.	• Reviewed and refined the strategic risks facing the organisation, including risk descriptions and impacts, identifying key risks and related sub-risks. • Introduced a 'deep dive' approach into key strategic risks, including health and safety and delivery of the development programme.
Audit, Risk and Assurance Committee (cont.)	Provides assurance to the Group on performance for all landlord services provided to the Group's homes and residents, ensuring legal, regulatory and performance requirements are met.	• Implemented use of boundary scanning to identify emergent risks, including those associated with Brexit. • Oversaw the internal audit programme, supplemented by spot checks to ensure that previously checked controls are being maintained correctly. • Completed the re-tender of the Group's internal, external and tax services contracts.
Treasury Committee	Responsible for ensuring effective management of the Group's treasury function and ensuring the Group has adequate funding in place to support the delivery of the Group's strategy. The Committee oversees the completion and review of the Group's treasury strategy, treasury policy and LTFF. The Committee acts as the Board for A2Dominion Treasury Limited and A2Dominion Housing Finance Limited.	• Additional new funding raised during the year as set out on page 49. • Introduced an internal borrowing cap following a review of the Group's LTFF. • Set targets for future performance relating to leverage and revised the criteria for the level of cash buffer to be retained to reflect a value that covers the next 12 months' sales income and external funding to the Group's joint ventures.
Governance and Remuneration Committee	Oversees matters relating to governance, ensuring that governance across the Group is robust and complies with regulatory requirements. The Committee also oversees the remuneration of staff, board and committee members within the Group and has responsibility for monitoring, regulating and approving remuneration and pension policies.	• Set performance objectives for the Group's variable pay schemes. • Equality and diversity progress monitoring. • Gender Pay Gap reporting. • Reviewed the pension strategy and following consultation agreed to close the Group's SHPS DB scheme to future accrual (note 30). • Completed the committee self-effectiveness review and considered Board member appraisal comments alongside the skills review and commenced looking at the Board renewal plan.
Development and Property Panel	Responsible for overseeing the delivery of the land and development strategy and the asset management strategy on behalf of the Group Board. This executive-led panel approves development schemes and the stock investment programme and monitors delivery of the development programme in line with the Group Board approved strategy. The members of the panel, which include industry specialist non-executives, also act as the Board for the Group's development subsidiary A2Dominion Developments Limited.	• Delivery of land strategy, identifying schemes to fulfil the Greater London Authority (GLA) programme. • Ongoing monitoring of the Group's development programme, reprofiling schemes to reflect current market conditions. • Recommended changes to the Group's land buying assumptions to reflect higher hurdles, protecting against continued sales price stagnation. • Review of controls relating to build delivery timescales. • Increased the monitoring of construction health and safety resulting in improved controls and an externally-recognised training award.
Customer Advisory Panel	Reviews and comments on the Group's transformation roadmap and customer experience strategy to drive customer experience improvements. The panel acts as a sounding board on the approach to key changes to customer communication to help ensure all written, verbal and digital communication with customers and communities is clear, improves access to services and a positive experience, including the Customer Annual Report. It also maintains and evolves the Group's Resident Involvement Framework, including the monitoring of involved residents to ensure they are representative of the Group's residents and customers.	• Supporting the Fit for Future programme in determining customer testing strategies for new processes and technology. The programme has been built on significant customer insights including more than 2,000 interviews, over 30,000 surveys, including Net Promoter Score (NPS), and regular complaint insight. • Involved in the planning cycle for the Customer Annual Report and overseeing content. • Reviewed and approved funding to support the Group's Great Places to Live initiative. • Considered the Group's risk appetite in relation to its approach to enhancing customer service.

A review of this new structure was carried out in 2018 and concluded it had enabled more time for strategic review by the Group Board, alongside supporting an effective and efficient approach to decision-making within the structure.

Risk management

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

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

The table (right) 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 the 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.	• 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.

As part of our work to evolve the Group's approach to risk management, during the year the Audit, Risk and Assurance Committee refreshed the Group's risk register, which led to the identification of key risks and subordinate or supporting risks. All risks were closely aligned to the objectives in the Group's strategies, and prioritised against risk appetites and themes. In addition the Audit, Risk and Assurance Committee has introduced deep dives to better understand significant risks facing the business.

Through the process of regular review, risks which present a significant threat to the Group are recorded on the Corporate Risk Register and prioritised quarterly by 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. The Audit, Risk and Assurance Committee is made up of members from other committees. 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 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 for 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 while 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 which is reviewed annually by the Board. This identifies the main risk areas for the Group and provides clarity on how much risk we're willing to take.

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.

We strive to maximise our surpluses so that we can invest in the provision of new homes and our existing portfolio, while continuing to support our customers. The Group is anticipating achieving our forecasted surpluses in the coming years. However these surpluses may fluctuate due to the current accounting framework which requires any movement in the value of financial and non-financial investments to be accounted for within the statement of comprehensive income.

We test our resilience to risk by running scenarios on our 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. This leads to a review of the financial mitigations to ensure they remain appropriate to manage the financial impact that the scenarios may have caused. The Board also considers and updates the risk triggers that help monitor the potential onset of the scenarios materialising.

Carlton House, Putney

Risk management continued

The table below shows the key strategic risks within the risk register that the Group considers to pose a threat to its delivery of its objectives:

PROVIDE NEW HIGH-QUALITY HOMES AND PLACES

KEY RISK AREA	KEY CONTROLS IN PLACE	ACTIONS AND PLANS
Lack of understanding and response to changes in the global economic environment could impact on the delivery of corporate strategy and be seen in: • reduced demand for sale and rental properties • increased interest rates and impact on new funding • increased inflation, leading to the rise in cost of services.	• Monthly monitoring of trigger KPIs. • Cash-flow monitoring reports. • Cash reserve buffer. • Covenant and funding thresholds. • Stress-testing of the financial plan. • Loan portfolio with staggered repayment profile and largely fixed.	• Refinement of financial mitigations. • Review and update stress testing scenarios. • Introduce horizon scanning within business planning cycles. • Ongoing quarterly updates of the asset and liability index.
Inability to withstand changes in local and national Government policy on housing, rents and welfare reform including: • change in support for rented and owned properties • failure to access external grants and subsidies.	• Department for Work and Pensions trusted partner status. • GLA strategic partnership. • Annual review of private rented sector portfolio. • Care and support contract hurdle rates.	• Quarterly review of asset and liability index. • Stock rationalisation review and action plan agreed. • Asset assessment tool deployed across all properties. • Complete the care and support contract review project.
Build delivery targets not met in line with the agreed development strategy and programme which could see: • cost of development schemes higher than appraised • lower returns and less profits generated • failure to meet targets and the reduction or removal of funding.	• Monthly monitoring of start on sites. • Monthly end-to-end project monitoring whilst under construction, including work in progress, labour and materials. • Annual review of land acquisition and development assumptions. • Monthly forecast reports against land delivery targets.	• An annual review of the Land and Development plan to ensure the programme operates effectively. • Review of the hurdle rates used for scheme purchases. • Expansion of opportunities for partnership working. • Fully resourced in-house construction contract team in place.

DELIVER CUSTOMER-LED SERVICES – LISTENING TO OUR CUSTOMERS AND THE QUALITY OF OUR SERVICES

KEY RISK AREA	KEY CONTROLS IN PLACE	ACTIONS AND PLANS
Failure to adapt and respond to changing needs of our customers through lack of understanding of customer insight and providing quality services and repairs.	• Monitoring of NPS and complaints. • Satisfaction surveys for all key services. • KPI monthly and quarterly reporting. • CAP: quarterly assessing feedback.	• Rollout new management approach to complex schemes. • Monitor themes of complaints and level of customer contacts. • Scope a methodology to measure customer effort. • Rollout next phases of customer contact system changes.

INVESTING IN HOMES AND LOCAL COMMUNITIES

KEY RISK AREA	KEY CONTROLS IN PLACE	ACTIONS AND PLANS
Failure to maintain the quality of our social housing assets and charitable ethos.	• Quarterly asset management panel review of investment options: based on financial and non-financial criteria, including social value and charitable objects. • Replacement timescales for key components. • Asset management strategy internal audit review. • Decent homes standard compliance KPI. • Void property reviews.	• Delivery of the asset management strategy 2016- 2021. • Review of investment policy and criteria. • Review and implement new repairs approach for our larger complex schemes. • Deliver the lease extension project.

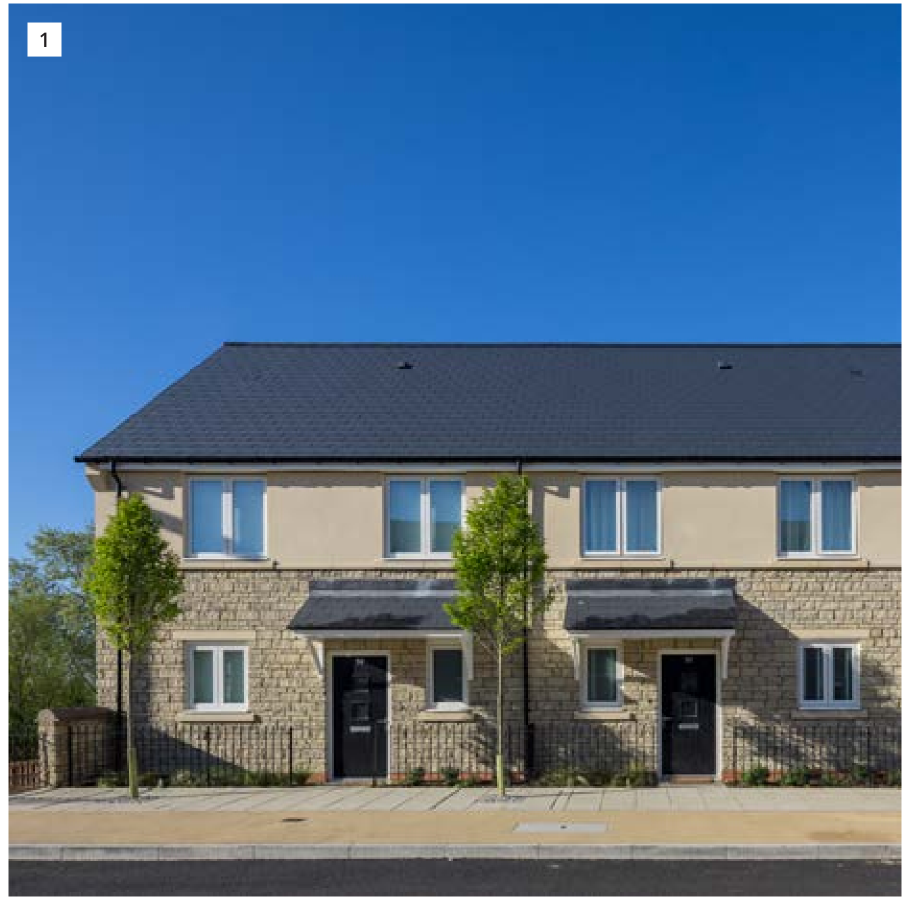
PROTECT AND GROW OUR BUSINESS – THROUGH COMPLIANCE, FINANCE AND FUNDING, AND PEOPLE AND SKILLS

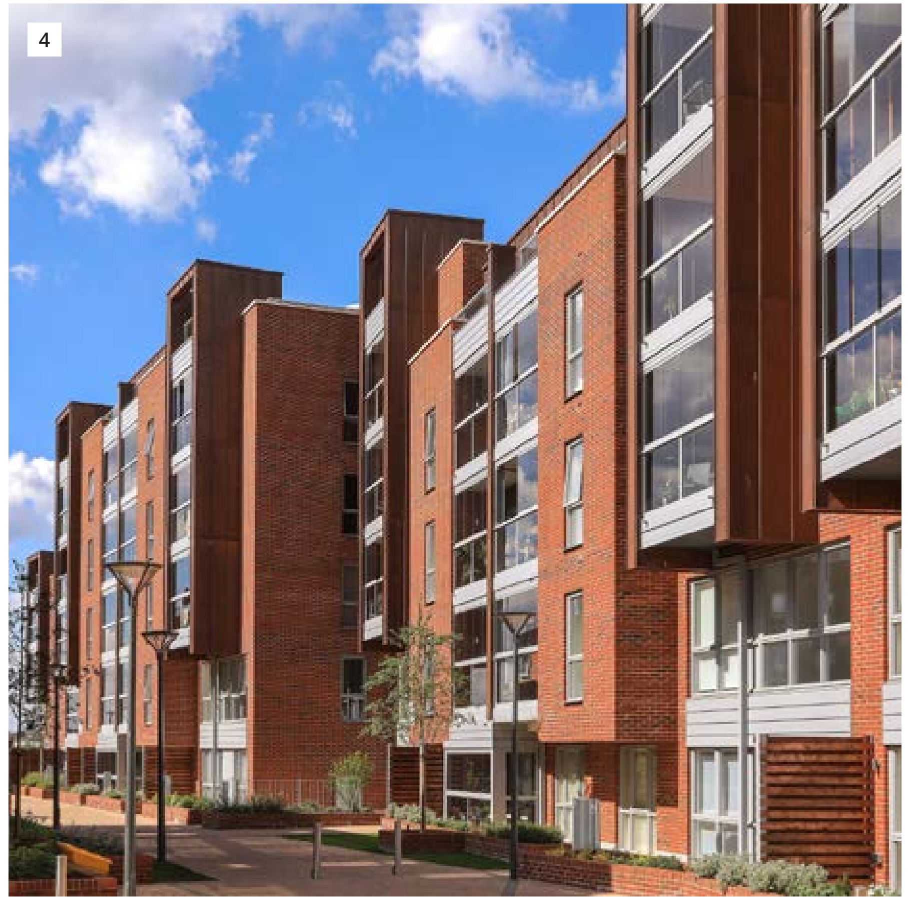
KEY RISK AREA	KEY CONTROLS IN PLACE	ACTIONS AND PLANS
A significant failure to protect our customers, employees and key stakeholders through non-compliance with health and safety or safeguarding regulations or requirements.	• Quarterly Health and Safety Executive Committee reporting to the Audit, Risk and Assurance Committee and Board. • Landlord health and safety internal audit programme. • Priority issue tracker. • Crisis management team for serious incidents. • Site visits and risk assessments completed.	• Appointment of Safeguarding Manager. • Implement safeguarding training. • Deliver the Group-wide training programme. • Benchmark and update the health and safety KPIs. • Scope and develop a health and safety management system.
Failure to prioritise and implement fire safety works through lack of funds or inadequate systems.	• Fire safety review and reporting. • Board approved investment plan. • Fire risk assessment KPIs.	• Deliver year one of the tall building action plan. • Complete the establishment of the fire safety taskforce team. • Revised KPI framework monitoring completion of fire risk assessment actions. • Review of fire risk assessment cycle and programme.

Risk management continued

PROTECT AND GROW OUR BUSINESS – THROUGH COMPLIANCE, FINANCE AND FUNDING, AND PEOPLE AND SKILLS

KEY RISK AREA	KEY CONTROLS IN PLACE	ACTIONS AND PLANS
Compromising our financial viability through: • failure to obtain appropriate funding and utilise security • inaccurate business assumptions • third party, contractor or partner failure • increased contribution and deficits payments to staff pension schemes • failure to demonstrate Value for Money on investment choices • failure to implement effective tax strategies.	• Monthly monitoring of financial earning and debt KPIs • Benchmarking of key business assumptions. • Annual financial risk assessment of partners and key suppliers. • Procurement frameworks in place for key contracts. • Stress testing of financial plan. • Annual joint venture partner risk assessment. • Value for Money (VfM) targets set and annual benchmarking of performance.	• Embed financial metric targets within the planning cycle. • Expand the contractors register to include risk ratings. • Complete the closure of the defined benefit social housing pension scheme. • Rollout of investment criteria within all business cases. • Annual review of Group tax strategy and completion of supporting tax manuals.
Ineffective internal controls, data security and fraud prevention measures resulting in: • financial and data losses • reliance on inaccurate data • fines or sanctions • adverse publicity or reputational damage.	• Independent internal audit programme which tests the control environment. • Privacy notices in place. • Pre-employment checks in place. • Policies for anti-fraud and corruption, bribery, data security and protection. • Network managed threat detection and response service.	• Delivery of the new internal audit plan including regular compliance testing. • Ongoing GDPR training. • Independent assurance for new systems prior to go live. • Achieve cyber essentials plus accreditation.
Failure to ensure the Group has the right skills and experience at Board and Executive level; and inadequate people skills, capacity and systems to deliver the anticipated changes from the Fit For the Future transformation programme	• Annual skills review and appraisal process. • Change Management Team consider and approve programme delivery options. • Change Management Team and Executive Team monitor benefits realisation against target. • "Leading Change" programme to develop management capability and resilience through change.	• Commence board succession planning. • Complete stage one of the future focussed leadership review. • 360 degree appraisals for senior leadership teams to identify and support behaviours required to embed change. • Internal audit reviews on programme delivery. • Ongoing training for subject matter experts and backfill requirements for next phase to be agreed.
Lack of investment returns associated with venturing into new business development plans and partnerships.	• Financial investment hurdles in place. • Merger and acquisition criteria defined. • Annual Board strategy review to assess opportunities.	• Review outturn of new business trials into private care. • Explore partnerships with key local authorities. • Review internal resourcing options to support overseeing opportunities.





1 Elmsbrook, NW Bicester

2 Westvale Park, Surrey

3 Jigsaw, Ealing

4 Fellows Square, Cricklewood

Financial performance summary

In 2018/19, the Group delivered a net surplus of £23.9 million. This is below the level of surplus delivered last year as a result of increased investment in our homes, particularly for additional fire safety prevention works, and a lower number of joint venture sales during the year. Our successful joint venture development at Queen's Wharf Riverside provided £40 million of surplus in 2017/18.

This year and next year are lower output years in terms of where we are in our development cycle. The surpluses from previous years have helped us to secure enough development sites for our target of 6,000 completions during 2020 to 2025. As these sites are in production now, the build and sales completions from these will flow through in 2020/21 onwards. It typically takes an average of three years from identification of a new development site to provide completed homes ready for occupation.

GROUP STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE	2019 £M	2018 £M
Turnover	372.2	300.7
Cost of sales	(128.4)	(55.7)
Operating costs	(190.2)	(158.2)
Surplus on sale of fixed assets	9.7	13.4
Operating surplus	63.3	100.2
Operating margin	17.0%	33.3%
Share of jointly controlled entity operating surplus	2.5	41.2
Net interest charges	(52.5)	(53.7)
Change in fair value of investments	0.3	-
Movement in fair value of financial instruments	2.7	3.2
Movement in fair value of investment properties	9.2	1.6
Taxation	(0.3)	1.1
Non-controlling interest	(1.3)	(1.1)
Net surplus for the year	23.9	92.5

Whilst a lower surplus from 2018 was always forecast, the Group's outturn has been below its targeted budget position.

	ACTUAL 2019 £M	TARGET 2019 £M
Operating surplus	63.3	78.8
Operating margin	17.0%	21.1%
Net surplus	23.9	38.8

The £15.5 million fall in operating surplus from the target is a direct result of the investment set aside for the fire safety works required to the Group's tall buildings (page 25). A total of £13.5 million has been factored in for this three-year programme of works.
In addition, A2Dominion took a decision to sell one development scheme rather than building it out, resulting in a need to write down its value by £10.1 million.

These factors flow into the £14.9 million fall in net surplus from the £38.8 million budgeted target, along with £4.6 million of additional interest payable which had been budgeted to be capitalised. The Group made the decision only to capitalise interest against development schemes at the point of start on site, whereas in previous years this had commenced at the point of acquisition of each scheme.

Without these adjustments the Group would have exceeded its budgeted surplus. Each of these adjustments will help protect the Group's future financial performance. The organisation remains financially robust and continues to deliver a healthy financial performance from its core business, with a social housing margin of 37.2%, above the average achieved in the Group's benchmark group (page 43).

GROUP STATEMENT OF FINANCIAL POSITION	2019 £M	2018 £M
Tangible fixed assets and investments	3,408.8	3,174.6
Current assets	509.4	568.2
Total creditors including loans and borrowings	(2,972.8)	(2,803.5)
Non-controlling interest	(1.4)	(1.2)
Total reserves	944.0	938.1

In preparing the financial statements key judgements have been made as detailed on page 81.

The accounting for SHPS defined benefit pension scheme has changed for the year ending 31 March 2019, from defined contribution accounting to defined benefit accounting (note 30). This has led to an increase in the opening pension liability as compared to the closing position from the prior year by £11.6 million and the recognition of this initial movement in other comprehensive income (page 66).

King Street, Hammersmith

Operational performance summary

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 PERFORMANCE AREA	PERFORMANCE INDICATOR	TARGET PERFORMANCE 2019	ACTUAL PERFORMANCE 2019	ACTUAL PERFORMANCE 2018
Provide new quality homes and places	Sales receipts against projection	£103.4m	£118.0m	£57.6m
	Number of units in development forecast to complete in the next two years	1,800	1,771	1,806
	New homes completed over past two years	1,800	1,829	1,708
Customer-led services	Overall satisfaction with service received from the customer contact centre	>82.5%	80.8%	82.5%
	Overall satisfaction with responsive repairs service	>85%	89.9%	86.2%
	Repair chaser calls	<25%	15.6%	18.5%
	Rental arrears – general needs homes	<3.66%	3.32%	3.35%
	Re-let turnaround times	<15 days	19 days	19 days
Invest in homes and local communities	Number of homes refurbished (planned works)	840	582	622
	Decent Homes compliance	100.0%	99.7%	99.2%
	Number of homes with a valid gas safety record	100.0%	100.0%	99.8%
Strengthen our business	Interest cover (excluding sales and surplus from joint venture)	>120%	137.2%	196.1%
	Results vs. budget – net surplus	>£38.8m	£23.9m	£92.5m
	Staff turnover	<13.0%	11.1%	14.5%
	Staff sickness levels	<6.0 days	5.5 days	4.8 days

Fellows Square, Cricklewood

875 homes were completed in the financial year giving a total of 1,829 homes delivered in the last two years, exceeding target. Despite a more challenging market, sales receipts have exceeded the target by £14.6 million. Our target to end each year with at least two years' supply of homes forecast to be completed has been achieved, exceeding 1,800 homes.

The Group's success at identifying sites to deliver new homes means the focus for future years is on building these to programme.

Customer service satisfaction performance was below target and down on last year. This performance is still above the average achieved of 76.6% by the Group's peers (g15 housing providers, page 44). There has continued to be significant work in the Group's customer contact centre over the last year with the introduction of Phase 1 of the Fit for Future Programme in the last quarter of the year.

This implementation created some pressure on our resourcing, balancing training requirements with call handling volumes. Early signs for 2019 indicate performance is or will be back up to our targeted levels. The Group's responsive repairs joint venture subsidiaries have helped achieve a significant improvement in reducing the levels of repeat contact from customers and chaser calls for repair issues. This is reflected via the overall satisfaction with the Group's repairs service being above target at 89.9% at the end of the year.

As in recent years income management through arrears collection remains strong, despite the continued impact on residents from welfare reform changes relating to the rollout of Universal Credit. Re-let turnaround times remained steady compared with last year but fell just below the Group's target due to delays in tenancy sign ups, however the result remains in the upper quartile of performance when compared with the Group's peers (g15 housing providers).

Gas safety achieved the 100% target and the Group is fully compliant with its legal responsibilities for its homes that require these checks. 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 change in external contractor at the end of last 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. Performance is still below the Group's decent homes target of 100% however the shortfall of 0.3% have all had options appraisals completed and the associated actions are in progress.

Staff sickness levels showed a slight increase during the year but still remain below the target. Despite the ongoing changes within the organisation from the Group's Fit for the Future programme, staff turnover decreased during the year and remains below that of the Group's peers.

Key priorities to 2020

Protecting our social housing assets is fundamental to us and this is at the heart of what we do, making sure these homes are safe and secure for our customers. Attracting continued investment is a key enabler of this, providing the funding to continue to improve our homes and provide new homes. To do this the protection of our organisational strength is critical.

Embedding risk management within the organisation has meant that we have built up significant levels of resilience. Whilst we can't control the market we operate in, we can make sure that we are able to respond to any potential impacts. By the end of March 2019, this resilience translated into having:

- in excess of £300 million of liquidity as a cash buffer above forecasted cash requirements over the next 12 months
- £75 million of non-social housing assets that could be disposed within six months if needed
- full compliance with our landlord health and safety obligations and all relevant legislation
- sites identified and under contract to deliver our future homes target to 2025
- achieved £11.1 million of operating efficiencies
- an engaged workforce, 7% above the benchmark with other organisations.


Ruby Triangle, Southwark

THE TABLE BELOW SETS OUT OUR PRIORITIES FOR THE REMAINING YEAR OF OUR 2015/20 STRATEGY.

STRATEGIC OBJECTIVE	PRIORITIES TO 2020
Provide new high quality homes and places	• Secure and commence development to provide up to 1,200 new homes a year from 2020/21, with a balance of 60% split between rented (affordable and private) and shared ownership and 40% private sale. • Increase our portfolio of private rented homes with a commitment to deliver 500 more over the next two years. • Reduce the number of defects in our new homes.
Deliver customer-led services	• Deliver effective call handling within our customer contact centre, achieving 82.5% satisfaction from our residents. • Minimise complaints and resolve 96% of complaints at the first stage. • Achieve 85% customer satisfaction with our responsive repairs service. • Maximise benefit payments and other resources for customers through our tenancy sustainment teams and financial inclusion strategy.
Investing in homes and local communities	• Deliver the £113.8 million planned and major repairs and maintenance programme for refurbishment and upgrading of homes. • Achieve top quartile performance with 100% of our homes meeting the Decent Homes Standard and having a valid gas safety record. • Resolve anti-social behaviour cases within three months. • Use a bespoke Asset Appraisal Model to understand the causes and where appropriate, identify interventions to improve financial performance, disposals, regeneration, and change of use, improvements or modernisation. • Actively identify and develop external funding opportunities to deliver core services for care and support. • Deliver social value from our community investment activities of £7 million.
Strengthening our business	• Rollout the Fit for the Future programme throughout 2019/20 (and onwards to 2021) to implement new customer relationship management (CRM) and back office enterprise resource planning solutions. • Achieve Cyber Essentials Plus accreditation and continue to maintain full GDPR compliance. • Deliver operating surpluses of £495 million during 2015/20, through rent receivable, service charges, grant receipt and sales. • Maintain a liquidity cash buffer to cover the next 12 months of anticipated sales income and the value of our joint venture external loans. • Meet annual targets ranging from 3.78% in 2017/18 and 5.03% by 2020 for income management. • Deliver our Value for Money strategy with a target of £7.0 million efficiency savings over the next year.

A2Dominion is developing a new corporate strategy for 2020 to 2025. As our operating environment becomes more complex, it is more important than ever to set out our strategy and our vision; what we are doing and why we are doing it. By 2025 we expect to have 45,000 homes in management, ensuring we continue to be one of the major housing providers in the region. This new corporate strategy due to be published in Spring 2020, will continue to focus on customer service, risk management and growth.

KEY FACTS

>£300M
of liquidity as a cash buffer above forecasted cash requirements over the next 12 months

£75M
of non-social housing assets that could be disposed within six months

£11.1M
of operating efficiencies achieved

Value for Money performance

Delivering Value for Money (VfM) is a core goal for the Group. 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. This VfM section of our annual report complies with the requirements of the VfM regulatory standard set out by the Regulator of Social Housing (April 2018) accompanied by the Code of Practice.

APPROACH

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

- 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.

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, reducing the cost of services and improving 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 VfM 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:

- Turnover rose to £372.2 million an increase of 23.8% on the previous year. Excluding private sales, turnover increased to £272.9 million an increase of 7.1%.
- Investment criteria for new homes were all met:
  - affordable rented homes: year one interest cover within subsidy maximum limit of £120,000 was delivered.
  - private rented homes: target net yield delivered.
  - shared ownership: target margin delivered.
- Maintaining the operating investment return in social housing and the shared ownership portfolios. Additional major repairs investment during the year reduced the level of operating return on the Group's non-social housing homes.

PROPERTY PORTFOLIO	NET ASSETS EMPLOYED £M	ANNUAL RENTAL TURNOVER £M	ANNUAL OPERATING SURPLUS £M	OPERATING RETURN 2018/19	OPERATING RETURN 2017/18	OPERATING RETURN 2016/17
Social housing	2,195.9	186.5	63.6	3%	3%	3%
Shared ownership	310.1	21.8	14.3	5%	5%	4%
Non-social housing	429.9	27.4	13.3	3%	5%	4%

Maximising VfM through a range of procurement and joint venture approaches

- Achieving savings of £11.1 million against a target of £9.3 million, by continuing to build on savings in overhead costs, procurement, and benefit realisation of projects within our strategic work programme. Savings across the business since 2015 now total £29.5 million.
- Savings from operating efficiencies and improved performance delivered from our repair and maintenance joint ventures, Pyramid Plus, compared to outsourcing has saved £0.8 million this year with average customer satisfaction exceeding target at 89.9%.
- The Group has worked with third parties to create collaborative development partnerships and form Joint Ventures to deliver new housing schemes. Since 2015 our share of surpluses from these joint ventures have delivered £47.5 million to the Group.
- The Group's Strategic Partnership with the GLA as part of their 2016/21 London Affordable Homes programme, secured additional grant for contracted developments of £82.8 million.

Ensuring efficiency and simplicity across all business activity:

- Following on from the launch of the digital knowledge database last year our customer contact centre was part of the first phase of the Fit for the Future Programme that went live in December 2018. This brought all our customer contact mechanisms onto one platform enabling our staff to access everything they need to resolve a customer's query on one screen. This enables the contact centre to work more efficiently and provide a more consistent response to our customers.

Working with customers to prioritise investment in services and communities:

- We continue to invest time and resources within our local communities, securing £6.5 million for our customers in extra housing benefits, grants and charity payments during the year.
- Key community programmes in health, employment, enterprise and education continue to attract significant attendance from our customers.
- We invested £32.9 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:

- All investment business cases establish criteria setting targets for both financial and non-financial benefits.
- Quarterly VfM reports are 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 further reinforced to all staff through a multi-media campaign.

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 of Social Housing. 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 prior year and the g15 peer group.

BUSINESS HEALTH

INDICATORS	A2DOMINION ACTUALS 2018/19	A2DOMINION ACTUALS 2017/18[2]	G15 AVERAGE 2017/18
Operating margin overall[1] excluding fire safety costs	18.0%	28.9%	29.0%
Operating margin overall[1]	14.4%	28.9%	29.0%
EBITDA MRI interest cover excluding fire safety costs	105.9%	127.3%	182.3%
EBITDA MRI interest cover	87.8%	127.3%	182.3%
Social housing margin	37.2%	42.4%	33.9%

1. Calculation excludes surplus on sale of fixed assets.
2. 2017/18 measure are restated to exclude income and costs relating to leasehold property services.

Current performance

Operating margin and EBITDA MRI interest cover have fallen below both prior year and the average in the benchmark group. This is the result of lower margins achieved on private sales, increased investment in planned repairs and adjustments made to the net realisable value of a development scheme. Social housing margin helps demonstrate the performance of the underlying core social housing business and this remained strong, exceeding the Group's targeted margin of 35% and well above the peer group average.

Future performance

The timing of the completion of new development schemes alongside the investment made into maintaining homes will continue to influence these measures. In the short term the operating margin will remain low, influenced by the nature of the developments providing completions in the next two years, resulting from the impact of higher construction costs and sales price stagnation. Targets for debt to EBITDA MRI have been set by the Group's Treasury Committee for 2020 onwards and pro-active asset management activities to support achieving these are being undertaken. 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 £5.0 million, helping the overall margin increase at that point.

DEVELOPMENT CAPACITY

INDICATORS	A2DOMINION ACTUALS		G15 AVERAGE
	2018/19	2017/18	2017/18
New supply delivered (absolute)	875	954	842
New supply delivered: social housing units (as a % of social units owned)	1.1%	1.7%	1.6%
New supply delivered: non-social housing units (as a % of units owned)	1.9%	1.6%	1.3%
New supply delivered: social, non-social and joint venture units (as a % of units owned)	2.4%	2.7%	N/A
Gearing	55.0%	54.7%	41.8%

Current performance

The measures relating to units in development and units developed as a percentage of homes owned, highlight 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 mix this year saw us deliver a higher number of private rent units due to the purchase of 159 units. The gearing indicator is higher than our peers, reflecting the proportion of borrowing in relation to the size of our historic cost asset base, and our continued investment in development schemes to provide future housing supply.

Future performance

Delivery next year will be lower as referenced on page 36. The Group is targeting to deliver up to 1,200 new homes per year from 2020/21 onwards and has committed schemes that will enable this to be achieved. The potential for higher grant rates to be available will create the opportunity for more rented affordable homes and shared ownership schemes to be developed in the future, and the Group has a number of schemes in the pipeline that will provide 100% affordable provision. 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.

OUTCOMES DELIVERED

INDICATORS	A2DOMINION ACTUALS		G15 AVERAGE
	2018/19	2017/18	2017/18
Customer satisfaction	80.8%	82.5%	76.6%
Investment in communities (absolute)	£3.2m	£4.3m	£2.9m

Current performance

A2Dominion's customer satisfaction measure of 80.8% is a decrease on the previous year and below our target but still remains above its peers. This year on year drop is explained on page 39. The investment in communities represents the running cost to A2Dominion in delivering its community investment projects. The value of this investment is measured through an external social value measurement tool. The £3.2 million invested in 2018/19 reflects the targeted value, whereas the prior year's investment included the costs of a one-off financial responsibility programme delivered in partnership with Catalyst Housing.

Future performance

The Group's target for customer satisfaction is 82.5% which the Group is confident it will achieve this year. The rollout of Phase 1 of the Fit for the Future Programme in December 2018 is providing a positive impact on how our customer contact is being managed.

EFFECTIVE ASSET MANAGEMENT

INDICATORS	A2DOMINION ACTUALS		G15 AVERAGE
	2018/19	2017/18	2017/18
Ratio of responsive repairs to planned maintenance	51.2%	68.8%	63.6%
ROCE excluding fire safety works	2.1%	4.0%	3.7%
ROCE	1.8%	4.0%	3.7%
Reinvestment	3.8%	3.9%	6.1%

Current performance

The movement in the ratio of responsive to planned repairs of 51.2% is underpinned by a consistent level spend on responsive repairs but increased spend on planned maintenance made during the year. The return on capital employed measure indicates how well A2Dominion is using its capital and debt to generate a financial return and it also includes the share of joint venture surpluses. Our 2018/19 fall in ROCE is as a result of the lower surpluses achieved on private sales and joint venture partnerships. This reflects where we are in our development programme compared to the previous year, and as set out on page 36, last year saw a significant surplus from the completion of a successful joint venture partnership in Hammersmith. The reinvestment result of 3.8% is consistent with the prior year, but below our peers as a result of a higher proportion of investment within current asset work-in progress. Once the schemes that are currently accounted for in work-in-progress complete and move into fixed assets they will be included within this metric.

Future performance

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 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 others due to the timing of the replacement of a property's components.

The biggest driver of ROCE is the level of operating surplus made on private sales and from joint venture partnerships. The group will see these levels rise from 2020/21 onwards reflecting the development cycle. The reinvestment measure will also rise once the Group completes the schemes that are currently being constructed.

OPERATING EFFICIENCIES

INDICATORS	A2DOMINION ACTUALS		G15 AVERAGE
	2018/19	2017/18	2017/18
Overall social housing cost per unit (£) excluding fire safety work	4,333	4,011	4,571
Overall social housing cost per unit (£)	4,795	4,011	4,571
Management cost per unit (£)	1,348	1,285	1,411
Service charge cost per unit (£)	755	773	722
Responsive maintenance cost per unit (£)	576	571	1,073
Planned & major repairs cost per unit (£)	1,125	831	880
Other social housing costs per unit (£)	529	551	485
Rent collected	99.7%	99.6%	99.9%

Current performance

The results for 2018/19 remain strong for A2Dominion. The overall cost per unit for the social housing activities, excluding our fire safety work provision, remains below the peer group. The fire safety work set out on page 25 is a provision for work that we will be undertaking in the future. Different approaches to categorising repairs within our peer group means that it is more difficult to compare with our peers. Combining the responsive, and planned and major cost per unit, is a better way for us to assess this. Our outturn of £1,701 is lower than the peer group of £1,953 even though we increased the level of investment in our planned programme from the prior year. Rent collected reflects a performance that is in line with our peers and remain strong. The Group achieved its best performances in arrears levels for General Needs, Affordable Housing, Temporary Accommodation and Key worker during the year.

Future performance

The Group is looking at how it can continue to perform below average cost compared to its peer group, which may lead to specific targets being set, particularly in relation to the largest expenditure areas of planned and major repairs and management costs. Strategic procurement activity will help enable the Group to be certain it is achieving value for money by regularly testing the market. However as income management and tenancy sustainment remains key, this will mean the Group's management costs to support these activities will lead to an increase in our cost per unit in the next two years. The financial benefits from the Group's Fit for the Future programme will then help to bring this management cost per unit down from 2021 onwards.

OUR FUTURE VFM APPROACH

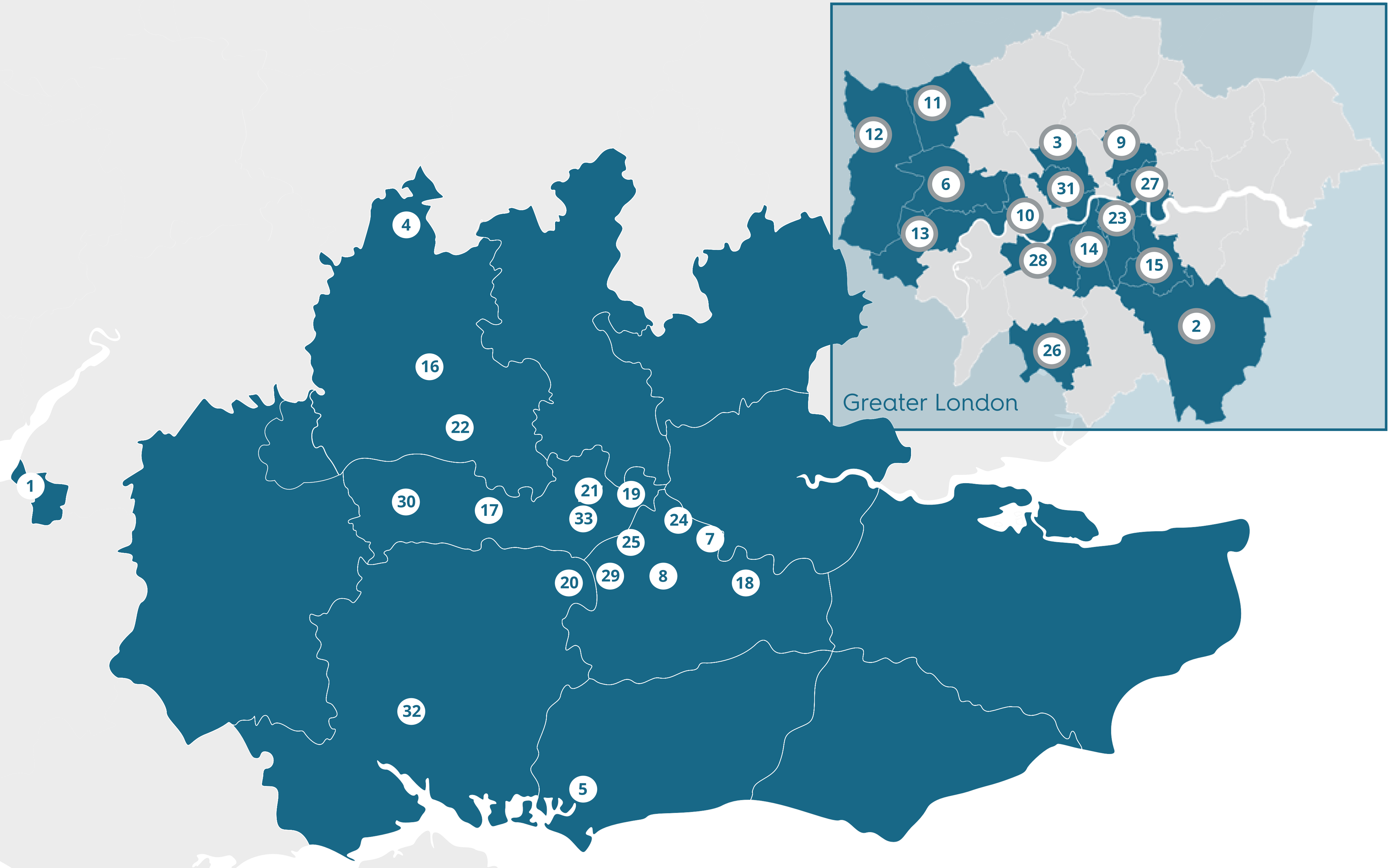
2019/20 will be the last year of our existing VfM strategy. We are targeting to continue our strong performance at delivering efficiencies with a target of £7.0 million set for this final year. Work being undertaken by the Board is also commencing on introducing longer-term targets to move our business health and operating efficiency indicators into the upper quartile of our peer group. Much of this is supported through the outcomes we have identified from our Fit for the Future transformation programme which will start to deliver in 2022.

Our new Corporate Strategy for 2020/25 will incorporate VfM within it recognising that as VfM is embedded into the delivery of all our strategic objectives it can no longer be a standalone aspect. Our plans and actions to achieve and monitor VfM will still be reported separately, ensuring that we are transparent to our key stakeholders and ourselves about our performance and our goals for continuous improvement.

Stock profile

	LOCAL AUTHORITY	PROPERTIES IN MANAGEMENT	PROPERTIES IN DEVELOPMENT	TOTAL
1	Bristol	851	260	1,111
2	Bromley	1,222	0	1,222
3	Camden	215	164	379
4	Cherwell	444	232	676
5	Chichester	559	0	559
6	Ealing	3,588	1,031	4,619
7	Elmbridge	478	533	1,011
8	Guildford	505	143	648
9	Hackney	413	0	413
10	Hammersmith & Fulham	1,271	249	1,520
11	Harrow	938	0	938
12	Hillingdon	2,068	375	2,443
13	Hounslow	2,816	308	3,124
14	Lambeth	192	300	492
15	Lewisham	37	1,396	1,433
16	Oxford City	2,773	316	3,089
17	Reading	533	0	533
18	Reigate & Banstead	374	257	631
19	Runnymede	641	0	641
20	Rushmoor	368	0	368
21	Slough	953	0	953
22	South Oxfordshire	236	78	314
23	Southwark	61	521	582
24	Spelthorne	7,559	357	7,916
25	Surrey Heath	122	248	370
26	Sutton	350	0	350
27	Tower Hamlets	502	0	502
28	Wandsworth	312	230	542
29	Waverley	11	305	316
30	West Berkshire	632	0	632
31	Westminster	1,332	12	1,344
32	Winchester	1,149	0	1,149
33	Windsor & Maidenhead	382	0	382
	Other*	4,246	286	4,532
	Total	38,133	7,601	45,734

We are one of the strongest players in our field, with over 38,000 homes managed by the Group. Once we have built our homes we stay on as landlord, maintaining a long-term relationship with our customers.



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

Treasury review

The Group has a formal treasury management policy, which is regularly reviewed and was last approved by the Group's Treasury Committee in November 2018. 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 118).

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 Housing 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 2019 can be summarised as follows:

	ARRANGED £M	DRAWN £M
A2Dominion Homes Limited[3]	912.6	616.1
A2Dominion South Limited[1, 3]	867.8	632.6
A2Dominion Housing Options Limited	35.8	35.8
A2Dominion Developments Limited	47.3	47.3
A2Dominion Residential Limited	271.4	271.4
Unallocated[2]	152.0	
Total	2,286.9	1,603.2
Fair value adjustment of loans arising on consolidation		16.1
Loan issue costs		(9.3)
Bond discounts		(1.2)
Net debt (note 27)		1,608.8

1. A2Dominion South includes a £50 million private placement which will be drawn in March 2020.
2. The Group has arranged future facilities which are currently not allocated to individual entities: an uncommitted shelf facility (£77 million) and a forward agreement which will be advanced in March 2022 (£75 million).
3. £126.6 million of arranged committed facilities require security to be put in place before they can be drawn.

As at 31 March 2019 the percentage of fixed and index linked loans to variable was as follows:

	FIXED OR INDEX LINKED %
A2Dominion Homes Limited	68.8
A2Dominion South Limited	87.8
A2Dominion Residential Limited	100.0
Average for Group	84.2

CURRENT LIQUIDITY

During the year, the Group completed on a number of funding agreements, including £250 million of revolving credit facilities, £60 million unsecured floating rate note, £30 million club bond issue, a forward starting private placement of £50 million (starting March 2020), a forward starting unsecured bond issue from our Euro Medium Term Note programme of £75 million (starting March 2022) and $100 million (£77 million) funding from an uncommitted shelf platform.

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, the Group is still holding a substantial level of cash due to three main factors; participation in the Club bond issue, the requirement to drawdown a loan under committed agreement prior to the expiry of the availability period, and the receipt of grants; £82.8 million from the Greater London Authority, £7.4 million from Homes England and £0.3 million from Local Authorities. Excess cash 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 £159.5 million (2018: £126.1 million). Net current assets were £314.7 million (2018: £379.5 million). Additionally, as at 31 March 2019, the Group had facilities in place to borrow a further £405.1 million (2018: £330.4 million). The Group's liquidity therefore remains strong and is the cornerstone of the Group's risk management strategy to ensure that the Group remains liquid in a potential market downturn.

Loan covenants are primarily based on interest cover and gearing ratios. Interest cover is after adding back housing property depreciation and impairment and includes surpluses from sales but excludes capitalised interest. Interest cover and gearing covenants only apply to the two largest Group entities, A2Dominion Homes Limited and A2Dominion South Limited and these were comfortably met throughout the year. Both companies derive most of their income from rented social housing. There are no other Group entities with either interest or gearing covenants, nor are there any Group interest or gearing covenants.

FRS102 has had no impact on the Group's loan covenants as the majority of covenants have been migrated at parity to an FRS applicable structure, whilst those awaiting migration contain frozen UK GAAP clauses.

ACCOUNTING POLICIES

The principal accounting policies of the Group are set out on pages 74 to 81.

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 2018".

J.ollerearnshaw

I COX
Chair

D COATES
Board Member

Z OLLEREARNSHAW
Secretary

Report of the board

Fellows Square Cricklewood

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 urban regeneration and property industry for over 35 years. He now has his own development and consultancy company and has worked with Government Agency Local Partnerships and North Solihull Partnership on projects in Essex, Gloucester and the Midlands. Ian's development company specialises in low energy and brown field projects. He is currently leading the master planning of a Garden Village development in Surrey and a self-build development in Oxfordshire.

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 our 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 partnerships business within the Expedia Group.

CAROLINE TILLER
Caroline has over 30 years' housing experience and is Chair of our Customer Advisory Panel. Caroline 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 over 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.

PETER WALKER
Peter has over 35 years' experience in the finance sector, with private and public sector board-level experience centred on change, growth and service delivery. He was previously Interim Director for Strategic Programmes at Lloyds Banking Group and the former COO of The Pension Protection Fund. He currently sits on the Group's Audit, Risk & Assurance and Treasury committees. Peter is the lead from Group Board for A2Dominion's business transformation programme, Fit for the Future.

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.

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
(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.

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 & Director of Governance & Compliance

PREVIOUS EXECUTIVE OFFICERS

KATHRYN BULL
Executive Director
Projects
Retired April 2018

JOHN KNEVETT
Executive Director
New Business
Retired September 2018

NICHOLAS YEELES
Executive Director
Development Initiatives
Retired June 2018

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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 2019.

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 10.

BUSINESS REVIEW

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

HOUSING PROPERTY AND OTHER FIXED ASSETS

Details of changes to the Group's fixed assets are shown in notes 14 to 18 to the financial statements.

RESERVES

After transfer of the surplus for the year of £23.9 million (2018: £92.5 million) and other movements in reserves, the Group's year-end reserves amounted to £944.0 million (2018: £938.1 million).

DONATIONS

A2Dominion Housing Group Limited made no charitable donations during the year (2018: nil) and made no political donations. Entities within the Group donated £52,622 to charitable organisations (2018: £49,480).

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. 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 and 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 52. 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 rating for A2Dominion Housing Group is G1/V2. This rating was effective from October 2018. As a result of their desktop stability review, the Regulator of Social Housing (RSH) reconfirmed the highest grade for Governance and a move from V1 to V2. The revised Viability grading recognised that the Group meets the RSH's viability requirements and that it has the financial capacity to deal with a reasonable range of adverse scenarios, but needs to manage material risks to ensure continued compliance. The judgement identified that the Group has an adequately funded business plan, sufficient security, and is forecast to continue to meet its financial covenants, but that as a consequence of a large and diverse development programme, the Group is facing a range of risks and a high level of exposure to sales, concluding that A2Dominion still retains capacity to deal with downside risk, but this capacity has been reduced.

This judgement covers A2Dominion Housing Group, A2Dominion Homes Limited, A2Dominion Housing Options Limited, and A2Dominion South Limited.

The Board has carried out its annual assessment of compliance against the RSH's regulatory framework for registered providers, and reports full compliance throughout the year and up to 24 July 2019.

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 its regulatory judgement from the RSH, 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, industry experts from other customer-facing organisations 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 2018 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 2018 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 2019. 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 2018.

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 24 July 2019.

DISCLOSURE OF INFORMATION TO AUDITORS

At the date of making this report each of the Group's board members, as set out on page 52, 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 has indicated their willingness to continue in office and a resolution to re-appoint them for the coming year is proposed at the Annual General Meeting.

The Report of the Board was approved by the Board on 24 July 2019 and signed on its behalf by:

I Cox
Chair

D Coates
Board Member

Z Ollerearnshaw
Secretary

Independent auditor's report

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 2019, which comprise the consolidated and Association Statement of comprehensive income, the consolidated and Association Statement of financial position, the consolidated and Association Statement of changes in equity, the consolidated 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 2019 and of the Group's and the Association's surplus/deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

BASIS FOR OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

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

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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. We compared the incurred expenditure to the estimated amount to ensure that the cost to complete estimate reflects actual costs.

Our testing included one scheme for which management had recognised a provision to write off the acquisition cost of land and related costs following a decision to dispose of the site (see note 4 to the financial statements). Our testing included verification of the recoverable amount attributed to the site to ensure that the carrying value at the year end reflected the current intention in relation to the site.

Recognition and measurement of liabilities related to the Social Housing Pension Scheme and related presentation and disclosure

As disclosed in note 30 and in the accounting policies a method for the determination of sufficient information for full defined benefit accounting has been determined and information to facilitate inclusion of the share of assets and liabilities on the balance sheet has been provided to the Association and group. FRS 102 has also been amended to reflect accounting requirements in such an event. The policy and note explain that these changes have been early-adopted and explain the how this change has been reported in respect of:

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

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

Our response to the risks identified: Our specific audit testing in this regard included:

A determination of whether the accounting entries had been made in accordance with the requirements of the revised FRS 102. Our work included specific consideration of the related disclosures. We assessed the following against the requirements of the standard in this respect:

- The updated SHPS-related accounting policies
- The disclosure concerning the early adoption of new requirements
- The reporting of key judgements and estimates and
- The discussion of the accounting implications of the change of approach to calculation of the SHPS liability within the pension note.

Securing appropriate audit evidence in respect of SHPS-related accounting entries and disclosures from a number of key sources including:

- The Scheme Trustee
- Control assurance provider
- An auditor's pension and actuarial expert

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

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

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 £58,600,000 (2018 - £56,200,000) which represents 1.5% of total assets (2018 – 1.5% of total assets).

We also apply a specific materiality level for all items comprising operating profit (including related disclosures) as that term is defined for the purposes of the entities lending covenants. This therefore involves adjusting operating profit for depreciation, amortisation, impairment and the net profit/loss on first tranche sale properties.

The specific materiality level that we applied was £6,360,000 (2018 - £5,555,000), which is 5% of adjusted operating profit (2018 - 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 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 £862,000 (2018 - £930,000), which is 2% 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% (2018 – 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 £1,200,000 for areas considered using financial statement materiality and £127,000 for areas considered using specific materiality (2018 - £1,125,000/£120,000), 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 1% to 45% of overall financial statement materiality.

EXTENT TO WHICH THE AUDIT IS CAPABLE OF DETECTING IRREGULARITIES

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

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

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

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

There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Board that represented a risk of material misstatement due to fraud.

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 28, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board 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 2019 we were reappointed as auditor following a competitive tender process. The period of total uninterrupted engagement for A2D Housing Group Limited is 11 years, covering the financial year ending 31 March 2019.

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

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

USE OF OUR REPORT

This report is made solely to the members of the Association, as a body, in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014.

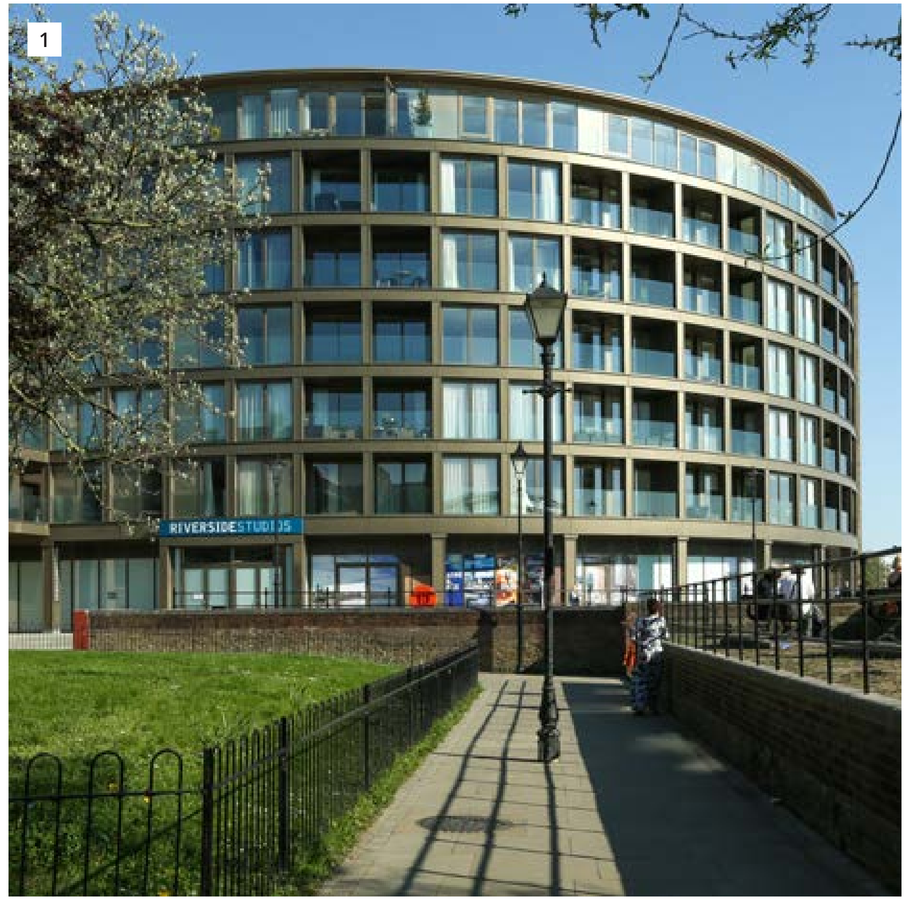
Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the members as a body, for our audit work, for this report, or for the opinions we have formed.

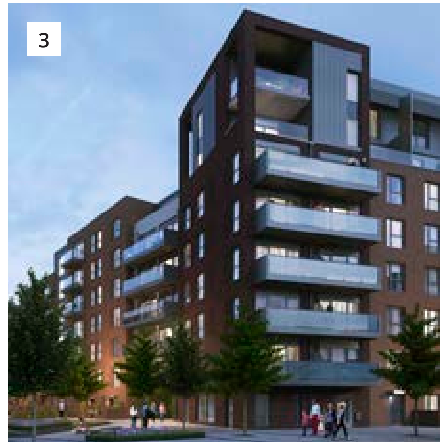
BDO LLP

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

30 July 2019

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





1 Queen's Wharf, Hammersmith

2 Arlington Lofts, Camden

3 Jigsaw, Ealing

4 Broadway, Ealing

Financial statements

Packham Mews, Hounslow

Consolidated statement of comprehensive income

For the year ending 31 March 2019

	NOTE	2019 £M	2018 £M
Turnover	4	372.2	300.7
Cost of sales	4	(128.4)	(55.7)
Operating costs	4	(190.2)	(158.2)
Surplus on sale of fixed assets	4,10	9.7	13.4
Operating surplus	4,6	63.3	100.2
Share of jointly controlled entity operating profit	18	2.5	41.2
Interest receivable and other income	11	7.9	2.9
Interest payable and similar charges	12	(59.6)	(55.8)
Other finance costs	30	(0.8)	(0.8)
Change in fair value of investments	18	0.3	-
Movement in fair value of financial instruments		2.7	3.2
Movement in fair value of investment properties	16	9.2	1.6
Surplus on ordinary activities before taxation		25.5	92.5
Tax on surplus on ordinary activities	13	(0.3)	1.1
Surplus on ordinary activities after taxation		25.2	93.6
Non-controlling interest		(1.3)	(1.1)
Surplus for the financial year		23.9	92.5

	NOTE	2019 £M	2018 £M
Net impact of the initial recognition of multi-employer defined benefit scheme	30	(11.6)	-
Actuarial (losses) / gains on defined benefit pension scheme	30	(3.5)	0.7
Movement in fair value of hedged financial instrument		(3.6)	9.4
Movement in deferred tax		0.7	-
Total comprehensive income for year		5.9	102.6
Surplus for the year attributable to:			
Non-controlling interest		1.3	1.1
Parent association		23.9	92.5
		25.2	93.6
Total comprehensive income attributable to:			
Non-controlling interest		1.3	1.1
Parent association		4.6	101.5
		5.9	102.6

All amounts relate to continuing activities.

The notes on page 74 to 132 form part of these financial statements.

Association statement of comprehensive income

For the year ending 31 March 2019

	NOTE	2019 £M	2018 £M
Turnover	4	44.6	44.2
Operating costs	4	(48.3)	(45.9)
Operating deficit	4, 6	(3.7)	(1.7)
Interest receivable and other income	11	19.6	16.3
Interest payable and similar charges	12	(17.0)	(15.7)
Other finance costs	30	(0.7)	(0.7)
Deficit on ordinary activities before taxation		(1.8)	(1.8)
Tax on deficit on ordinary activities	13	-	-
Deficit for the financial year		(1.8)	(1.8)
Net impact of the initial recognition of multi-employer defined benefit scheme	30	(11.6)	-
Actuarial (losses)/gains on defined benefit pension scheme	30	(2.8)	0.1
Total comprehensive loss for the year		(16.2)	(1.7)

All amounts relate to continuing activities.

The notes on page 74 to 132 form part of these financial statements.

Consolidated statement of financial position

At 31 March 2019

	NOTE	2019 £M	2018 £M
Fixed assets			
Tangible fixed assets – housing properties	14	2,633.3	2,593.0
Tangible fixed assets – other	15	29.4	22.9
Investment properties	16	652.8	488.9
Investments – Homebuy loans	17	2.6	2.6
Investments – other	18	21.6	19.5
Investments – jointly controlled entities	18	69.1	47.7
		3,408.8	3,174.6
Current assets			
Properties for sale	19	276.8	310.0
Debtors receivable within one year	20	68.4	66.4
Debtors receivable after one year	20	4.7	65.7
Cash and cash equivalents	21	159.5	126.1
		509.4	568.2
Creditors: Amounts falling due within one year	22	(194.7)	(188.7)
Net current assets		314.7	379.5
Total assets less current liabilities		3,723.5	3,554.1
Creditors: Amounts falling due after more than one year	23	(2,720.7)	(2,602.3)
Provision for liabilities and charges	29	(23.9)	(7.4)
Net assets excluding pension liability		978.9	944.4
Pension liability	30	(33.5)	(5.1)
Net assets		945.4	939.3

	NOTE	2019 £M	2018 £M
Capital and reserves			
Non-equity share capital		-	-
Cash flow hedge reserve		(38.1)	(34.5)
Income and expenditure reserve		941.1	932.6
Designated reserve		40.5	39.5
Restricted reserve		0.5	0.5
Consolidated funds		944.0	938.1
Non-controlling interest		1.4	1.2
		945.4	939.3

Co-operative and Community Benefit Society (FCA) 28985R.
The financial statements were approved by the Board and authorised for issue on 24 July 2019 and signed on its behalf by:

I Cox
Chair

D Coates
Board Member

Z Ollerearnshaw
Secretary

The notes on page 74 to 132 form part of these financial statements.

Association statement of financial position

At 31 March 2019

	NOTE	2019 £M	2018 £M
Fixed assets			
Tangible fixed assets - other	15	1.1	-
		1.1	-
Current assets			
Debtors receivable within one year	20	14.9	15.1
Debtors receivable after one year	20	424.2	370.6
Cash and cash equivalents	21	110.6	108.1
		549.7	493.8
Creditors: Amounts falling due within one year	22	(138.3)	(134.3)
Net current assets		411.4	359.5
Total assets less current liabilities		412.5	359.5
Creditors: Amounts falling due after more than one year	23	(421.6)	(380.0)
Provision for liabilities and charges	29	(3.7)	(3.6)
Net liabilities excluding pension liability		(12.8)	(24.1)
Pension liability	30	(29.1)	(1.6)
Net liabilities		(41.9)	(25.7)

	NOTE	2019 £M	2018 £M
Capital and reserves			
Non-equity share capital		-	-
Revenue reserve		(41.9)	(25.7)
Association's deficit		(41.9)	(25.7)

Co-operative and Community Benefit Society (FCA) 28985R.
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The notes on page 74 to 132 form part of these financial statements.

Consolidated statement of changes in equity

For the year ending 31 March 2019

	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 2018	(34.5)	932.6	40.0	938.1	1.2	939.3
Surplus for the year	-	23.9	-	23.9	1.3	25.2
Other comprehensive income:						
Net impact of the initial recognition of multi-employer defined benefit scheme	-	(11.6)	-	(11.6)	-	(11.6)
Actuarial loss on defined benefit pension scheme	-	(3.5)	-	(3.5)	-	(3.5)
Movement in fair value of hedged financial instrument	(3.6)	-	-	(3.6)	-	(3.6)
Movement in deferred tax	-	0.7	-	0.7	-	0.7
Other comprehensive income for the year	(3.6)	(14.4)	-	(18.0)	-	(18.0)
Reserves transfers:						
Capital contribution and distributions	-	-	-	-	(1.1)	(1.1)
Transfer of designated expenditure from income and expenditure reserve	-	(13.2)	13.2	-	-	-
Transfer of designated expenditure to income and expenditure reserve	-	12.2	(12.2)	-	-	-
Balance at 31 March 2019	(38.1)	941.1	41.0	944.0	1.4	945.4

The notes on page 74 to 132 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 page 74 to 132 form part of these financial statements.

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Association statement of changes in equity

31 March 2019

FOR THE YEAR ENDED 31 MARCH 2019	INCOME AND EXPENDITURE RESERVE £M
Balance at 1 April 2018	(25.7)
Deficit for the year	(1.8)
Other comprehensive income:	
Net impact of the initial recognition of multi-employer defined benefit scheme	(11.6)
Actuarial loss on defined benefit pension scheme	(2.8)
Other comprehensive loss for the year	(14.4)
Balance at 31 March 2019	(41.9)

FOR THE YEAR ENDED 31 MARCH 2018	INCOME AND EXPENDITURE RESERVE £M
Balance at 1 April 2017	(24.0)
Defecit 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)

The notes on page 74 to 132 form part of these financial statements.

Consolidated statement of cash flows

31 March 2019

FOR THE YEAR ENDED 31 MARCH 2019	NOTE	2019 £M	2018 £M
Cash flows from operating activities			
Operating surplus for the financial year		63.3	100.2
Adjustments for:			
Depreciation of fixed assets – housing properties		30.0	28.3
Depreciation of fixed assets - other		2.7	2.7
Accelerated depreciation on replaced components		1.2	0.6
Impairment of fixed assets – housing properties		0.8	(1.5)
Amortised grant		(16.2)	(15.6)
Cost element of housing property sales in operating surplus		12.7	22.4
Cost element of fixed asset investment properties		2.6	3.1
Increase in trade and other debtors		(1.7)	(5.5)
Decrease / (increase) in stocks		51.1	(89.1)
(Decrease) / increase in creditors		(16.2)	28.6
Increase in provisions		16.5	2.9
Cash from operations		146.8	77.1
Tax paid		-	(0.1)
Net cash generated from operating activities		146.8	77.0

FOR THE YEAR ENDED 31 MARCH 2019	NOTE	2019 £M	2018 £M
Cash flows from investing activities			
Purchase of fixed assets – housing properties		(61.2)	(79.9)
Receipt of grant		91.3	8.6
Purchase of fixed assets - other		(9.2)	(4.9)
Purchase of fixed asset investments properties		(160.4)	(61.7)
Sale of current asset investments		-	70.0
Investment in jointly controlled entities		(25.0)	(13.3)
Repayment of jointly controlled entities capital		1.6	20.9
Distribution of jointly controlled entities profits		4.7	40.7
Loans payment by jointly controlled entities		47.7	8.2
Interest received		7.9	2.9
Net cash from investing activities		(102.6)	(8.5)
Cash flows used in financing activities			
Interest paid		(75.1)	(73.2)
New loans – bank		41.0	15.0
New loans – other		90.0	-
Repayment of loans - bank		(40.3)	(32.3)
Repayment of loans - other		(26.4)	-
Net cash from financing activities		(10.8)	(90.5)
Net increase/(decrease) in cash and cash equivalents	36	33.4	(22.0)
Cash and cash equivalents at the beginning of year		126.1	148.1
Cash and cash equivalents at end of year		159.5	126.1

The notes on page 74 to 132 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 registered address is stated on the back cover. 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 2018, "Accounting by registered social housing providers" 2018, the Accounting Direction for Private Registered Providers of Social Housing 2019.

These financial statements are the prepared under FRS 102.The Group has early adopted the amendments to FRS 102 (Issued December 2017 – Triennial Review).

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.

In the preparation of these financial statements, the requirements set out in: "Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland: Multi-employer defined benefit plans" have been adopted early. This has resulted in changes to the accounting policy for the SHPS multi-employer scheme from the start of the reporting period. This means that accounting for SHPS has not been consistently applied as compared to reporting in prior years. Further information on the impact of early adopting these requirements is set out in note 30.

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 2018, 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 FRS 102 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.

2. ACCOUNTING POLICIES (CONTINUED)

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 undertakings are shown as the Group's share of the identifiable net assets, including any unamortised premium paid on acquisition.

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 14. 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.

Notes to the financial statements

2. ACCOUNTING POLICIES (CONTINUED)

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. 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.

Finance costs

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

The liability recognised for the present value of the deficit agreement has been de-recognised and the net pension deficit at 31 March 2018 has been recognised through other comprehensive income in the year.

Under defined benefit accounting the Scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the Statement of Financial Position. The current service cost and costs from settlements and curtailments are charged to operating surplus. Past service costs are recognised in the current reporting period. Interest is calculated on the net defined benefit liability. Re-measurements are reported in other comprehensive income.

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 provided for 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 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 property's 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

Notes to the financial statements

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.

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 14.33% and 33.33% 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 2018. 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 2018 the useful economic life of the housing property structure has been selected (see table of useful economic lives on page 77).

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.

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.

Notes to the financial statements

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; and
- 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.

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 a legal or constructive 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 14 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.

Notes to the financial statements

- **Investment Properties**

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 3.5% (in London) or 3.0% (everywhere else).

- Discount rate – 7.0% - 8.25%
- Average cost per unit per annum (% of the gross rental income) – 23.0% - 30.0%
- Sales rate – 2.5% - 10%
- 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.

- **Social Housing Pension Scheme**

The SHPS defined benefit valuation liability is calculated based on proposed actuarial assumptions by The Pensions Trust. The Group has used these proposed assumptions apart from the discount rate and salary increase rate which have been estimated by the Group based on rates of high yield corporate bonds maturing in line with the repayment of the pension deficit in 2026 and the profile of the pension membership respectively.

4. Turnover, cost of sales, operating costs and operating surplus

2019

GROUP	TURNOVER £M	COST OF SALES £M	OPERATING COSTS £M	OTHER OPERATING ITEMS £M	OPERATING SURPLUS/(DEFICIT) £M
Social housing lettings	209.5	-	(131.7)	-	77.8
Other social housing activities					
Supporting people	2.0	-	(2.3)	-	(0.3)
Management services	0.4	-	(2.9)	-	(2.5)
First tranche sales	13.2	(8.5)	-	-	4.7
Discount market sales	5.5	(4.0)	-	-	1.5
Development costs not capitalised	-	-	(2.5)	-	(2.5)
Surplus on sale of fixed assets	-	-	-	9.7	9.7
Leasehold property services	6.2	-	(6.5)	-	(0.3)
Community investments	0.3	-	(3.2)	-	(2.9)
Fire safety works provision	-	-	(13.5)	-	(13.5)
Impairment	-	-	(0.8)	-	(0.8)
Other	2.2	-	(1.9)	-	0.3
	29.8	(12.5)	(33.6)	9.7	(6.6)
Non-social housing activities					
Lettings	27.4	-	(14.1)	-	13.3
Developments for sale	99.3	(97.4)	-	-	1.9
Pension provision	-	-	(1.7)	-	(1.7)
Development costs not capitalised	-	-	(9.1)	-	(9.1)
Reduction in net realisable value of development schemes	-	(16.7)	-	-	(16.7)
Other	6.2	(1.8)	-	-	4.4
	132.9	(115.9)	(24.9)	-	(7.9)
	372.2	(128.4)	(190.2)	9.7	63.3

4. Turnover, cost of sales, operating costs and operating surplus

2018 Restated[1]

GROUP	TURNOVER £M	COST OF SALES £M	OPERATING COSTS £M	OTHER OPERATING ITEMS £M	OPERATING SURPLUS/ (DEFICIT) £M
Social housing lettings	206.4	-	(118.9)	-	87.5
Other social housing activities					
Supporting people	2.4	-	(3.3)	-	(0.9)
Management services	0.1	-	(1.7)	-	(1.6)
First tranche sales	11.7	(6.5)	-	-	5.2
Development costs not capitalised	-	-	(1.4)	-	(1.4)
Surplus on sale of fixed assets	-	-	-	13.4	13.4
Leasehold property services	5.4	-	(6.7)	-	(1.3)
Community investments	0.7	-	(4.3)	-	(3.6)
Other	2.4	-	(2.6)	-	(0.2)
	22.7	(6.5)	(20.0)	13.4	9.6
Non-social housing activities					
Lettings	24.3	-	(9.8)	-	14.5
Developments for sale	45.9	(42.2)	-	-	3.7
Development costs not capitalised	-	-	(7.6)	-	(7.6)
Pension provision	-	-	(1.3)	-	(1.3)
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

[1] Income and cost relating to Leasehold properties have been disclosed separately in note 4. In the financial statements for the year ended 31 March 2018, they were included within low cost home ownership. The 2018 comparatives have been restated within note 4.

4. Turnover, cost of sales, operating costs and operating surplus

Group

PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS	2019 GENERAL NEEDS HOUSING £M	SUPPORTED HOUSING £M	TEMPORARY HOUSING £M	KEY WORKER £M	LOW COST HOME OWNERSHIP £M	TOTAL £M	2018 RESTATED[2] £M
Turnover from social housing lettings							
Rent receivable net of identifiable service charges	119.1	11.4	10.8	17.3	15.7	174.3	172.2
Service charges income	7.2	4.9	-	1.0	4.1	17.2	16.9
Amortised government grants	12.6	1.3	0.3	0.4	1.6	16.2	15.6
Net rental income	138.9	17.6	11.1	18.7	21.4	207.7	204.7
Nomination fees	-	-	0.4	-	-	0.4	0.6
Other income	0.7	0.1	-	0.2	0.4	1.4	1.1
Turnover from social housing lettings	139.6	17.7	11.5	18.9	21.8	209.5	206.4
Expenditure on social housing lettings							
Management	(18.4)	(11.2)	(1.4)	(6.0)	(2.3)	(39.3)	(37.3)
Service charge costs	(12.3)	(4.2)	-	(0.9)	(4.6)	(22.0)	(22.4)
Routine maintenance	(12.7)	(1.9)	(0.9)	(0.9)	(0.3)	(16.7)	(16.6)
Planned maintenance and major repairs expenditure	(12.5)	(1.8)	(0.4)	(4.0)	(0.3)	(19.0)	(12.1)
Bad debts	(0.6)	(0.2)	(0.2)	(0.1)	0.1	(1.0)	(0.5)
Property lease charges	(0.1)	(0.2)	(2.2)	-	-	(2.5)	(2.6)
Depreciation of housing properties	(24.3)	(2.4)	(1.2)	(2.1)	-	(30.0)	(28.3)
Accelerated depreciation on replaced components	(1.1)	(0.1)	-	-	-	(1.2)	(0.6)
Housing property impairment reversal[1]	-	-	-	-	-	-	1.5
Operating costs on social housing lettings	(82.0)	(22.0)	(6.3)	(14.0)	(7.4)	(131.7)	(118.9)
Operating surplus/(deficit) on social housing lettings	57.6	(4.3)	5.2	4.9	14.4	77.8	87.5
Void losses	(0.6)	(0.6)	(0.3)	(0.8)	-	(2.3)	(3.0)

[1] The impairment reversal relates to a scheme where the outturn had improved resulting in a reversal of impairment at a Group level.
[2] Income and cost relating to Leasehold properties have been disclosed separately in note 4. In the financial statements for the year ended 31 March 2018, they were included within low cost home ownership. The 2018 comparatives have been restated within note 4.

4. Turnover, cost of sales, operating costs and operating surplus

PARTICULARS OF TURNOVER FROM NON-SOCIAL HOUSING LETTINGS	GROUP 2019 £M	GROUP 2018 £M
Market rental	16.8	13.9
Student accommodation	9.5	9.0
Other	1.1	1.4
	27.4	24.3

ASSOCIATION	2019 TURNOVER £M	2019 OPERATING COSTS £M	2019 OPERATING SURPLUS/(DEFICIT) £M
Other social housing activities			
Management services	42.2	(48.3)	(6.1)
Other	2.4	-	2.4
	44.6	(48.3)	(3.7)

ASSOCIATION	2018 TURNOVER £M	2018 OPERATING COSTS £M	2018 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)

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.	ADDITIONS NO.	DISPOSALS NO.	2019 NO.
Social housing				
General needs housing	17,491	39	(17)	17,513
Affordable housing	849	216	-	1,065
Supported housing and housing for older people	2,287	5	(20)	2,272
Shared ownership	3,761	118	(125)	3,754
Key worker accommodation	2,698	-	-	2,698
Temporary accommodation	451	1	(10)	442
Other	1,255	1	(2)	1,254
Total owned	28,792	380	(174)	28,998
Accommodation managed for others				
Supported housing and housing for older people	10	-	-	10
General Needs	1	-	-	1
Leasehold	4,402	314	(23)	4,693
Freehold	1,216	103	-	1,319
Temporary accommodation	177	-	(16)	161
Other	3	-	-	3
Total managed for others	5,809	417	(39)	6,187
Total owned and managed	34,601	797	(213)	35,185

	2018 NO.	ADDITIONS NO.	DISPOSALS NO.	2019 NO.
Non-social housing				
Student accommodation	1,456	-	-	1,456
Market rent	1,101	300	-	1,401
Other – commercial	90	1	-	91
Total owned	2,647	301	-	2,948
Overall				
Total owned	31,439	681	(174)	31,946
Total managed for others	5,809	417	(39)	6,187
Total owned and managed	37,248	1,098	(213)	38,133
Accommodation in development	7,817			7,601

The Association does not own or manage any accommodation.

The table reflects properties coming into management, properties moved between tenure and property asset disposals.

6. Operating surplus

This is arrived at after charging/ (crediting):

	GROUP 2019 £M	GROUP 2018 £M	ASSOCIATION 2019 £M	ASSOCIATION 2018 £M
Depreciation of housing properties	30.0	28.3	-	-
Accelerated depreciation on replaced components	1.2	0.6	-	-
Depreciation of other tangible fixed assets	2.7	2.7	-	-
Reversal of impairment of housing properties	-	(1.5)	-	-
Impairment of housing properties	0.8	-	-	-
Operating lease rentals				
- land and buildings	4.8	5.3	1.6	1.6
- office equipment, computers and vehicles	0.3	0.2	0.3	0.2
Auditor's remuneration (exclusive of VAT)				
- fees payable for the audit of the group's accounts	0.2	0.2	-	-

7. Employees

Average monthly number of employees expressed in full time equivalents:

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

	GROUP 2019 NO.	GROUP 2018 NO.	ASSOCIATION 2019 NO.	ASSOCIATION 2018 NO.
Administration	275	250	224	199
Development and sales	81	84	81	84
Housing, support and care	650	637	547	529
	1,006	971	852	812

EMPLOYEE COSTS	GROUP 2019 £M	GROUP 2018 £M	ASSOCIATION 2019 £M	ASSOCIATION 2018 £M
Wages and salaries	41.8	38.2	36.6	33.1
Social security costs	4.4	4.0	3.9	3.5
Pension costs	1.9	1.5	1.7	1.4
Pension deficit payments to SHPS	2.4	2.3	2.4	2.3
Pension SHPS pension deficit liability movements	-	1.2	-	1.2
Pension provision[1]	0.2	0.2	0.2	0.2
	50.7	47.4	44.8	41.7

[1] Provision for the local government pension schemes.

PENSION COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME	GROUP 2019 £M	GROUP 2018 £M	ASSOCIATION 2019 £M	ASSOCIATION 2018 £M
De-recognition of SHPS pension deficit funding liability	(13.9)	-	(13.9)	-
Initial recognition of SHPS pension liability	25.5	-	25.5	-
Actuarial loss on SHPS pension	2.8	-	2.8	-
	14.4	-	14.4	-

8. Directors and senior executive remuneration

	GROUP 2019 £'000	GROUP 2018 £'000
Salary and other benefits	1,514	2,245
Compensation for loss of office	-	542
Contractual pension contribution	-	174
Pension contributions, or pay in lieu thereof, in respect of services as Directors	108	141
Total remuneration paid to executive officers	1,622	3,102
Emoluments of the highest paid executive officer (excluding pension contributions and pay in lieu thereof[1] but including performance related pay and benefits in kind)	276	331

[1] The chief executive is not a member of a pension scheme and received a payment in lieu of £19,536 (2018: £18,649), the equivalent of the employer's contribution.

SALARY BANDING FOR ALL EMPLOYEES EARNING OVER £60,000 (INCLUDES SALARY, PERFORMANCE RELATED PAY, COMPENSATION FOR LOSS OF OFFICE, BENEFITS IN KIND AND PENSION CONTRIBUTIONS PAID BY THE GROUP).	2019 NO.	2018 NO.
£60,000 to £70,000	35	27
£70,001 to £80,000	16	26
£80,001 to £90,000	20	12
£90,001 to £100,000	9	7
£100,001 to £110,000	5	3
£110,001 to £120,000	3	2
£120,001 to £130,000	5	3
£130,001 to £140,000	2	4
£140,001 to £150,000	4	5
£150,001 to £160,000	8	3
£160,001 to £170,000	-	1
£200,001 to £210,000	1	-
£210,001 to £220,000	2	-
£240,001 to £250,000	2	2
£250,001 to £260,000	-	2
£260,001 to £270,000	-	1
£290,001 to £300,000	1	-
£340,001 to £350,000*	-	2
£390,001 to £400,000*	-	1
£570,001 to £580,000*	-	1
	113	102

* These bands include compensation for the loss of office for 2018.

9. Board members

Fees of £131,083 (2018: £165,887) were paid to non-executive board members during the year. Taxable travel allowances paid during the year to board members amounted to £11,500 (2018: £11,988). Non-executive board members during the year ended 31 March 2019 were paid as follows:

BOARD/COMMITTEE MEMBER	MEMBERSHIP PAY	MEMBER OF: AUDIT, RISK & ASSURANCE COMMITTEE	CUSTOMER ADVISORY PANEL	DEVELOPMENT AND PROPERTY PANEL	TREASURY COMMITTEE	GOVERNANCE & REMUNERATION COMMITTEE	GROUP BOARD
Peter Braithwaite	7,500			●			
Rachel Barber	4,000		●				
Jane Clarke	4,000		●				
David Coates	16,000	●	●				●
Ian Cox (Chair)	24,000					●	●
Sara Dickinson	14,000				●	●	●
Mark Gallagher	9,500	●		●			
Martin Huckerby	6,000	●			●		
Pauline McMichael	4,000		●				
Ingrid Sadiki	4,000		●				
Caroline Tiller	14,000	●	●				●
Caroline Tolhurst	16,000			●		●	●
Peter Walker[1]	8,083	●			●		●

[1] Peter Walker was co-opted on to the Group Board on 1 November 2018.

10. Surplus on sale of fixed assets

GROUP	2019 SHARED OWNERSHIP £M	2019 INVESTMENT PROPERTIES £M	2019 OTHER HOUSING PROPERTIES £M	2019 TOTAL £M	2018 TOTAL £M
Disposal proceeds	20.5	0.9	2.9	24.3	35.8
Cost of disposals	(11.0)	(2.6)	(1.5)	(15.1)	(20.3)
Selling costs	(0.1)	-	-	(0.1)	(0.3)
Grant recycled	(0.4)	-	(0.1)	(0.5)	(1.8)
Right to acquire restatement (note 25)	-	-	1.1	1.1	-
Surplus on sale of fixed assets	9.0	(1.7)	2.4	9.7	13.4

11. Interest receivable and other income

	GROUP 2019 £M	GROUP 2018 £M	ASSOCIATION 2019 £M	ASSOCIATION 2018 £M
Interest receivable and similar income	7.9	2.9	1.4	0.4
Received from other Group entities	-	-	18.2	15.9
	7.9	2.9	19.6	16.3

12. Interest payable and similar charges

	GROUP 2019 £M	GROUP 2018 £M	ASSOCIATION 2019 £M	ASSOCIATION 2018 £M
Loans and bank overdrafts (on liabilities at amortised cost)	72.1	71.3	16.9	15.3
Finance related costs	2.2	2.2	0.1	0.4
Recycled capital grant fund / disposal proceeds fund	0.2	0.1	-	-
	74.5	73.6	17.0	15.7
Interest payable capitalised on housing properties under construction	(14.9)	(17.8)	-	-
	59.6	55.8	17.0	15.7
Capitalisation rates used to determine the finance costs capitalised during the year	4.8%-5.4%	4.8%-5.7%	-	-
Other financing costs through other comprehensive income				
(Loss)/gain on fair value of hedged derivative instruments	(3.6)	9.4	-	-

13. Tax on surplus on ordinary activities

	GROUP 2019 £M	2018 £M	ASSOCIATION 2019 £M	2018 £M
Current tax				
UK corporation tax on surplus for the year	-	-	-	-
Adjustments in respect of prior years	-	-	-	-
Total current tax charge	-	-	-	-
Deferred tax				
Adjustment in respect of prior periods	0.7	0.1	-	-
Origination and reversal of timing differences	(0.4)	(1.2)	-	-
Total deferred tax charge / (credit)	0.3	(1.1)	-	-
Total charge / (credit) in the year	0.3	(1.1)	-	-
Movement in deferred tax charge				
Provision at start of year	2.7	3.8	-	-
Deferred tax charged in the income and expenditure account for the year	0.3	(1.1)	-	-
Deferred tax charged in the statement of equity	(0.7)	-	-	-
Provision at end of year	2.3	2.7	-	-

13. Tax on surplus on ordinary activities (continued)

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

	GROUP 2019 £M	2018 £M	ASSOCIATION 2019 £M	2018 £M
Surplus on ordinary activities before tax:	25.5	92.5	(1.8)	(1.8)
UK corporation tax at 19% (2018: 19%)	4.8	17.6	(0.3)	(0.3)
Effects of:				
Other tax adjustments, reliefs and transfers	(0.9)	-	-	-
Tax rate changes	-	0.1	-	-
Deferred tax not recognised	2.5	-	-	-
Effect of indexation of deferred tax provision	-	(0.7)	-	-
Adjust closing deferred tax to average rate	-	-	-	-
Expenses not deductible for tax purposes	66.8	54.1	12.6	11.8
Income not taxable for tax purposes	(74.1)	(72.2)	(12.3)	(11.5)
Prior period adjustment for deferred tax on capitalised interest	2.0	-	-	-
Prior period adjustment for deferred tax on interest rate swaps	(0.5)	-	-	-
Fixed asset differences	(0.3)	-	-	-
Current tax charge/(credit) for year	0.3	(1.1)	-	-

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	KEY WORKER COMPLETED £M	TOTAL £M
Cost or valuation						
At 1 April 2018	2,363.9	85.1	304.6	44.2	126.5	2,924.3
Reclassification	-	(0.2)	-	0.2	-	-
Additions at cost						
Construction works	-	41.3	-	45.8	-	87.1
Works to existing properties	11.7	-	-	-	2.2	13.9
Transfer from investment properties	0.7	0.3	0.1	-	-	1.1
Transfer to current assets	(4.6)	0.6	0.2	(14.0)	-	(17.8)
Schemes completed	50.9	(50.9)	16.6	(16.6)	-	-
Disposals						
Planned disposals	(1.1)	-	-	-	-	(1.1)
Replaced components	(5.8)	-	-	-	(0.1)	(5.9)
Staircasing sales	-	-	(11.0)	-	-	(11.0)
At 31 March 2019	2,415.7	76.2	310.5	59.6	128.6	2,990.6
Depreciation and impairment						
At 1 April 2018	306.6	1.1	0.4	-	23.2	331.3
Charge for the year	27.9	-	-	-	2.1	30.0
Impairment	-	0.4	-	0.4	-	0.8
Schemes completed	(0.4)	0.4	-	-	-	-
Disposals						
Planned disposals	(0.1)	-	-	-	-	(0.1)
Replaced components	(4.6)	-	-	-	(0.1)	(4.7)
At 31 March 2019	329.4	1.9	0.4	0.4	25.2	357.3
Net book value						
At 31 March 2019	2,086.3	74.3	310.1	59.2	103.4	2,633.3
At 31 March 2018	2,057.3	84.0	304.2	44.2	103.3	2,593.0

The amount of cumulative interest capitalised in housing properties since 2009 is £46.8 million (2018: £41.6 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 Key worker accumulated depreciation would have been £207.7 million (2018: £187.7 million).

14. Tangible fixed assets – properties (continued)

HOUSING PROPERTIES BOOK VALUE, NET OF DEPRECIATION COMPRISES:	GROUP 2019 £M	RESTATED[1] 2018 £M
Freehold land and buildings	1,807.7	1,774.4
Long leasehold land and buildings	762.3	750.6
Short leasehold land and buildings	63.3	68.0
	2,633.3	2,593.0

[1] 2018 figures for leasehold land and building are restated due to reclassification of leases for more than 50 years as long lease.

EXPENDITURE ON WORKS TO EXISTING PROPERTIES	GROUP 2019 £M	RESTATED 2018 £M
Amounts capitalised	13.9	12.0
Amounts charged to income and expenditure account	19.0	12.1
Total	32.9	24.1

The amount of assets given as security (EUV basis of valuation) as at 31 March 2019 is £1.8 billion (2018: £1.7 billion).

VALUATION FOR DISCLOSURE ONLY	2019 £M
Completed housing properties at valuation	3,185.1
Revaluation reserve – completed housing properties	1,308.0

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 2019 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%-6.2%
Rent Assumptions	
Social rented (including supported housing and housing for older people)	Current rent -1% for the next year 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 2018	5.1	2.0	0.6	8.3	20.5	36.5
Additions	1.7	-	-	3.8	3.7	9.2
At 31 March 2019	6.8	2.0	0.6	12.1	24.2	45.7
Depreciation						
At 1 April 2018	3.7	1.3	0.6	5.5	2.5	13.6
Charged in year	0.8	0.1	-	1.7	0.1	2.7
At 31 March 2019	4.5	1.4	0.6	7.2	2.6	16.3
Net book value						
At 31 March 2019	2.3	0.6	-	4.9	21.6	29.4
Net book value						
At 31 March 2018	1.4	0.7	-	2.8	18.0	22.9

ASSOCIATION	COMPUTERS, OFFICE EQUIPMENT AND MOTOR VEHICLES £M	TOTAL £M
Cost		
At 1 April 2018	-	-
Additions	1.1	1.1
Disposals	-	-
At 31 March 2019	1.1	1.1
Depreciation		
At 1 April 2018	-	-
Charged in year	-	-
Disposals	-	-
At 31 March 2019	-	-
Net book value		
At 31 March 2019	1.1	1.1
Net book value		
At 31 March 2018	-	-

16. Investment properties

GROUP	STUDENT ACCOMMODATION £M	MARKET RENT £M	COMMERCIAL £M	PROPERTIES UNDER CONSTRUCTION AT COST £M	TOTAL £M
At 1 April 2018	113.7	308.3	17.8	49.1	488.9
Additions	-	-	0.1	158.4	158.5
Disposals	-	(2.6)	-	-	(2.6)
Schemes completed	-	140.3	1.4	(141.7)	-
Transfer to fixed asset properties	-	(0.8)	-	(0.3)	(1.1)
Transfer to current assets	-	(0.1)	-	-	(0.1)
Revaluation	3.3	5.5	0.4	-	9.2
At 31 March 2019	117.0	450.6	19.7	65.5	652.8

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.

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

Discount rate	7.00% - 8.25%
Level of annual rent increase	3.0%

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 2019 is £538.7 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 £9.2 million (2018: £1.6 million) has been credited to the statement of comprehensive income for the year.

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

GROUP	STUDENT ACCOMMODATION £M	MARKET RENT £M	COMMERCIAL £M	2019 £M	2018 £M
Historic cost	72.0	344.2	13.6	429.8	316.8
Accumulated depreciation	(13.4)	(7.6)	(1.0)	(22.0)	(19.9)
	58.6	336.6	12.6	407.8	296.9

17. Investments – Homebuy loans

GROUP	2019 £M	2018 £M
At 1 April	2.6	2.6
Loans redeemed	-	-
At 31 March	2.6	2.6

18. Fixed asset investments

GROUP	EQUITY LOANS £M	OTHER £M	TOTAL £M
At 1 April 2018	5.1	14.4	19.5
Additions	0.1	1.8	1.9
Disposal/redeemed	(0.1)	-	(0.1)
Movement in fair value	-	0.3	0.3
At 31 March 2019	5.1	16.5	21.6

18. Fixed asset investments (continued)

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

	31 MARCH 2019 COST £M	31 MARCH 2019 MARKET VALUE £M	31 MARCH 2018 COST £M	31 MARCH 2018 MARKET VALUE £M
Investments listed on a recognised stock exchange	1.0	0.9	1.0	0.9
British government securities	3.2	5.8	3.2	5.5
Cash and similar investments	9.3	9.4	7.6	7.7
Other	0.2	0.4	0.1	0.3
	13.7	16.5	11.9	14.4

GROUP	JOINTLY CONTROLLED ENTITIES £M
Cost	
At 1 April 2018	52.5
Additions	25.1
Disposal/redeemed	(1.5)
At 31 March 2019	76.1
Share of retained profits	
At 1 April 2018	(4.8)
Profit for the year	2.5
Distributions	(4.7)
At 31 March 2019	(7.0)
Net book value	
At 31 March 2019	69.1
At 31 March 2018	47.7

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

18. Fixed asset investments (continued)

The Group holds an interest in eleven 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
Queen's 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 properties	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
A2D NKH Chinnor LLP	England	Nicholas King Homes PLC	80%	50%	Develops and sell properties	Limited liability partnership

18. Fixed asset investments (continued)

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

	A2D NK HOMES LLP £M	A2D NK HOMES (CHINNOR) LLP £M	GREEN MAN LANE LLP £M	QUEEN'S 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	-	-	-	7.9	19.8	-	-	-	-	-	-	27.7
Cost of sales and administration expenses	-	-	(0.2)	(5.0)	(17.5)	-	-	-	-	-	-	(22.7)
Other finance costs	-	-	-	-	(2.5)	-	-	-	-	-	-	(2.5)
Surplus/(deficit) for the year	-	-	(0.2)	2.9	(0.2)	-	-	-	-	-	-	2.5
Share of:												
Current assets	28.6	7.4	4.5	0.5	67.3	5.2	12.8	12.4	1.7	-	-	140.4
Liabilities due within one year	(18.3)	(5.0)	(4.8)	(3.1)	(33.3)	(5.3)	(0.2)	(1.3)	-	-	-	(71.3)
Net assets	10.3	2.4	(0.3)	(2.6)	34.0	(0.1)	12.6	11.1	1.7	-	-	69.1
Share of capital commitments	6.2	0.9	27.1	-	-	9.0	33.4	4.2	16.5	13.3	22.1	132.7

During the year Queen's Wharf Riverside LLP sold 9 units and Keybridge House LLP 65 units. The other finance costs for Keybridge House LLP relate to interest the Group's share of interest on loan from A2Dominion Residential Limited to the LLP (note 37).

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	2019 £M	2018 £M
Open market sale - completed properties	22.8	1.4
Open market sale - under construction	230.3	289.9
Shared ownership - completed properties	2.0	1.8
Shared ownership - under construction	21.7	13.0
Private Rented Sector - under construction	-	3.9
	276.8	310.0

Capitalised interest included in the stock balances is £24.5 million (2018: £28.5 million).

20. Debtors

	GROUP 2019 £M	2018 £M	ASSOCIATION 2019 £M	2018 £M
Due within one year				
Rent and service charges receivable	11.7	11.9	-	-
Less: Provision for bad and doubtful debts	(6.6)	(6.5)	-	-
Net arrears	5.1	5.4	-	-
Trade debtors	0.3	0.9	0.3	0.9
Other debtors	16.3	17.1	4.2	2.8
VAT recoverable	0.2	0.2	0.2	0.2
Deposits on purchased schemes	6.4	23.0	-	-
Prepayments and accrued income	12.1	10.6	2.2	1.8
Loans due from joint venture	15.1	-	-	-
Amounts due from Group entities	-	-	8.0	9.4
Capital and agency debtors	12.9	9.2	-	-
	68.4	66.4	14.9	15.1
Due after more than one year				
Loans due from subsidiary undertakings under on-lending arrangements	-	-	424.2	370.6
Loans due from joint venture	2.1	64.9	-	-
Other debtors	2.6	0.8	-	-
	4.7	65.7	424.2	370.6
	73.1	132.1	439.1	385.7

21. Cash at bank and in hand

	GROUP 2019 £M	2018 £M	ASSOCIATION 2019 £M	2018 £M
Cash at bank	146.9	114.4	106.9	104.4
Cash held in charge account[1]	3.7	3.7	3.7	3.7
Cash held in relation to sinking funds	8.9	8.0	-	-
	159.5	126.1	110.6	108.1

[1] This cash held as security for Surrey Local Government Pension Scheme.

22. Creditors: amounts falling due within one year

	GROUP 2019 £M	2018 £M	ASSOCIATION 2019 £M	2018 £M
Loans and borrowings (note 27)	37.1	52.5	6.4	6.1
Trade creditors	16.6	9.2	10.0	6.2
Rent and service charges received in advance	12.8	11.5	-	-
Deferred capital grant (note 24)	45.9	15.9	-	-
Interest rate swap - cash flow hedge	0.7	0.6	-	-
Recycled capital grant fund (note 25)	6.7	7.2	-	-
Disposal proceeds fund (note 26)	1.3	1.8	-	-
Amounts owed to Group entities	-	-	110.8	108.8
Other taxation and social security	1.2	1.1	1.0	0.9
Other creditors	6.4	6.3	1.9	1.8
SHPS pension	-	2.0	-	2.0
Accruals and deferred income	42.2	66.3	8.2	8.5
Interest accrued	5.7	5.8	-	-
Capital creditors	18.1	8.5	-	-
	194.7	188.7	138.3	134.3

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

	GROUP 2019 £M	2018 £M	ASSOCIATION 2019 £M	2018 £M
Loans and borrowings (note 27)	1,571.7	1,492.2	421.6	368.1
Deferred capital grant (note 24)	1,043.5	992.1	-	-
Interest rate SWAP – cash flow hedge	72.3	71.5	-	-
Recycled capital grant fund (note 25)	10.5	13.5	-	-
Sinking funds	8.9	8.1	-	-
Disposal proceeds fund (note 26)	-	2.7	-	-
SHPS pension	-	11.9	-	11.9
Capital creditors	11.5	7.6	-	-
Deferred tax (note 31)	2.3	2.7	-	-
	2,720.7	2,602.3	421.6	380.0

24. Deferred capital grant

	2019 HOUSING PROPERTY £M	2019 HOMEBUY £M	2019 TOTAL £M	2018 HOUSING PROPERTY £M	2018 HOMEBUY £M	2018 TOTAL £M
At 1 April	1,005.4	2.6	1,008.0	1,009.2	2.6	1,011.8
Grants received during the year:						
- Housing properties	91.3	-	91.3	8.6	-	8.6
- Recycled capital grant fund	7.9	-	7.9	7.6	-	7.6
- Disposal proceeds fund	1.8	-	1.8	1.4	-	1.4
Grants recycled during the year:						
- Recycled capital grant fund	(3.2)	-	(3.2)	(5.4)	-	(5.4)
- Disposal proceeds fund	(0.1)	-	(0.1)	(0.4)	-	(0.4)
Amortised grant	(16.2)	-	(16.2)	(15.6)	-	(15.6)
Grants written off during the year	(0.1)	-	(0.1)	-	-	-
At 31 March	1,086.8	2.6	1,089.4	1,005.4	2.6	1,008.0
Due within one year	45.9	-	45.9	15.9	-	15.9
Due in more than one year	1,040.9	2.6	1,043.5	989.5	2.6	992.1

Without the amortisation of grant introduced under FRS102, the amount of grant as at 31 March 2019 would have been £1,298.2 million (2018: £1,204.9 million).

GROUP	2019 £M	2018 £M
Work in progress grant	120.3	35.6
Completed grant	1,177.9	1,169.3
	1,298.2	1,204.9

25. Recycled capital grant fund

GROUP	2019 HE £M	2019 GLA £M	2019 TOTAL £M	2018 HE £M	2018 GLA £M	2018 TOTAL £M
At 1 April	4.2	16.5	20.7	4.4	17.6	22.0
Inputs to fund:						
Grants recycled from deferred capital grants	1.0	2.2	3.2	1.5	3.9	5.4
Grants recycled from statement of comprehensive income	0.2	0.3	0.5	0.4	0.4	0.8
Transfer from disposal proceeds fund	0.3	0.3	0.6	-	-	-
Interest accrued	-	0.1	0.1	-	0.1	0.1
Recycling of grant:						
New build properties	(2.0)	(5.9)	(7.9)	(2.1)	(5.5)	(7.6)
At 31 March	3.7	13.5	17.2	4.2	16.5	20.7
Due within one year	1.0	5.7	6.7	1.2	6.0	7.2
Due in more than one year	2.7	7.8	10.5	3.0	10.5	13.5

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)

26. Disposal proceeds fund

GROUP	2019 HE £M	2019 GLA £M	2019 TOTAL £M	2018 HE £M	2018 GLA £M	2018 TOTAL £M
At 1 April	1.6	2.9	4.5	1.1	3.4	4.5
Inputs to fund:						
Funds recycled from deferred capital grants	-	0.1	0.1	0.2	0.2	0.4
Funds recycled (to) / from statement of comprehensive income	(0.5)	(0.5)	(1.0)	0.5	0.5	1.0
New build properties	(0.4)	(1.4)	(1.8)	(0.2)	(1.2)	(1.4)
Interest accrued	-	0.1	0.1	-	-	-
Transfer to recycled capital grant	(0.3)	(0.3)	(0.6)	-	-	-
At 31 March	0.4	0.9	1.3	1.6	2.9	4.5
Due within one year	0.4	0.9	1.3	0.4	1.4	1.8
Due in more than one year	-	-	-	1.2	1.5	2.7

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.

(HE: Homes England, GLA: Greater London Authority)

27. Loans and borrowings

	GROUP 2019 £M	GROUP 2018 £M	ASSOCIATION 2019 £M	ASSOCIATION 2018 £M
Due within one year				
Bank loans	34.0	51.2	6.4	6.1
Other loans	3.1	1.3	-	-
	37.1	52.5	6.4	6.1

	GROUP 2019 £M	GROUP 2018 £M	ASSOCIATION 2019 £M	ASSOCIATION 2018 £M
Due after more than one year				
Bank loans	764.2	934.9	114.2	120.7
Other loans	816.8	564.7	308.8	248.6
Loan issue costs	(9.3)	(7.4)	(1.4)	(1.2)
	1,571.7	1,492.2	421.6	368.1

	GROUP 2019 £M	GROUP 2018 £M	ASSOCIATION 2019 £M	ASSOCIATION 2018 £M
Within one year	37.1	52.5	6.4	6.1
Between one and two years	38.4	32.2	10.8	6.4
Between two and five years	423.6	404.9	18.2	20.9
After five years	1,119.0	1,062.5	394.0	342.0
Loan issue costs	(9.3)	(7.4)	(1.4)	(1.2)
	1,608.8	1,544.7	428.0	374.2

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

27. Loans and borrowings (continued)

	LOAN BALANCE £M	PREMIUM/ (DISCOUNT) £M	INTEREST RATE LOWEST	INTEREST RATE HIGHEST	WEIGHTED AVERAGE	MARGIN LOWEST	MARGIN HIGHEST
Loans on floating rates	219.3	-	LIBOR	LIBOR	LIBOR	0.25%	1.75%
Floating rate loans hedged with interest rate swaps	186.3	-	4.04%	4.93%	4.58%	0.22%	1.35%
Non-cancellable floating rate loans hedged with embedded fixes	487.0	-	4.08%	5.97%	4.79%	0.25%	0.75%
Index linked loans	1.9	-	4.50%	5.50%	5.32%	0.00%	0.00%
Bond issue	693.2	(1.2)	1.96%	11.3%	4.52%	0.00%	0.00%
Unmatched standalone swap	15.5	-	4.46%	4.46%	4.46%	0.00%	0.00%
	1,603.2	(1.2)					

27. Loans and borrowings (continued)

The bank and other loans are repaid by bullet payments or in half-yearly and quarterly instalments and carry fixed and variable rates of interest ranging from 1.09% (LIBOR + margin) to 11.33%. The final instalments fall to be repaid in the period 2020 to 2045 as tabulated below:

	INTEREST RATE MATURITY LADDER[1] £M	LOAN REPAYMENTS BULLET £M	LOAN REPAYMENTS INSTALMENT £M
Within 1 year	253.7	-	35.8
2 to 5 years	172.5	150.0	158.0
6 to 10 years	458.9	458.8	254.7
11 to 15 years	85.1	30.0	230.1
16 to 20 years	442.0	56.1	136.3
21 to 25 years	189.8	50.0	39.7
More than 25 years	-	-	2.5
Total	1,602.0	744.9	857.1

[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.

As at 31 March 2019 the Group had undrawn loan facilities of £405.1 million (2018: £330.4 million) which carry margins between 0.3% and 1.4%.

As at 31 March 2019, debtors include £1.1 million cash (2018: £1.6 million) charged to lenders.

27. Loans and borrowings (continued)

Loan Security

Borrowings consist of secured loan and club bond facilities totalling £993.2 million and unsecured retail and wholesale bonds and floating rate notes totalling £608.8 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 2019, the overall charged value of properties was £2.5 billion, with an equivalent EUV-SH value of £1.8 billion.

As at 31 March 2019, unencumbered assets consist of:

	VALUATION BASIS	£M	UNSECURED ASSET COVER
Development work in progress	Cost	547.2	
Fixed asset investments	Fair Value	587.3	
Social housing properties	EUV-SH	823.3	
		1,957.8	321%

All completed properties are revalued annually by Jones Lang LaSalle LLP using the appropriate accounting valuation method; EUV-SH for social housing stock and fair value for fixed asset investments. As at 31 March 2019, the accounting value of all completed stock was £3.2 billion, compared with an open market value of £9.0 billion.

28. Financial instruments

	GROUP 2019 £M	GROUP 2018 £M	ASSOCIATION 2019 £M	ASSOCIATION 2018 £M
Financial assets				
Financial assets that are debt instruments measured at amortised cost:				
- Loans receivable	17.2	64.9	-	-
Total financial assets	17.2	64.9	-	-
Financial liabilities				
Derivative financial instruments designated as standalone interest rate swaps without options measured at fair value	73.0	72.1	-	-
Financial liabilities measured at amortised cost:				
- Loans payable	1,608.8	1,544.7	428.0	374.2
Total financial liabilities	1,681.8	1,616.8	428.0	374.2

The measurement of the 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.

28. Financial instruments (continued)

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	4.57%	30/11/07	30/11/37	Quarterly	3 Month
A2Dominion South	Bullet	25.0	4.45%	01/07/05	01/07/35	Quarterly	3 Month
A2Dominion South	Bullet	25.0	4.52%	21/05/08	21/05/38	Quarterly	3 Month
A2Dominion South	Amortising	40.0	4.76%	31/12/08	05/09/30	Quarterly	3 Month
A2Dominion South	Amortising	15.3	4.25%	31/12/09	30/12/22	Quarterly	3 Month
A2Dominion Homes	Bullet	16.0	4.04%	01/01/09	22/09/36	Quarterly	3 Month
A2Dominion Homes	Bullet	30.0	4.93%	30/09/09	30/09/19	Quarterly	3 Month
A2Dominion Housing Options	Bullet	15.5	4.46%	01/07/05	02/07/35	Quarterly	3 Month

During the year the change in fair value of the interest rate swaps was a £0.9 million loss (2018: £12.6 million profit).

Of the total notional value, £55.3 million are amortising in line with the underlying debt.

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 27). 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.

29. Provisions for liabilities

GROUP	PENSION £M	MAJOR WORKS & DEFECTS £M	FIRE SAFETY PROVISION £M	LEGAL & CONTRACTUAL £M	HOLIDAY PAY £M	TOTAL £M
At 1 April 2018	2.6	3.7	-	0.8	0.3	7.4
Additions	0.2	3.1	13.5	-	-	16.8
Utilised in the year	-	(0.2)	-	(0.1)	-	(0.3)
At 31 March 2019	2.8	6.6	13.5	0.7	0.3	23.9

ASSOCIATION	PENSION £M	CONTRACTUAL £M	HOLIDAY PAY £M	TOTAL £M
At 1 April 2018	2.6	0.7	0.3	3.6
Additions	0.2	(0.1)	-	0.1
At 31 March 2019	2.8	0.6	0.3	3.7

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

The major works and 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 fire safety provision is a result of providing for works to its properties in order to fulfil its responsibilities with regards to fire safety. Following completion of a review of its tall buildings which included independent intrusive surveys it was identified that the Group needs to complete works relating to fire stopping and insulation totalling £13.5 million.

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

30. Pension

The Group's employees are members of the SHPS or the Surrey and Oxfordshire County Council Schemes or the Scottish Widows schemes. Further information on the defined benefit schemes is given below.

Social Housing Pension Scheme (Group and Association)
A2Dominion Housing Group Limited participates in both the SHPS defined benefit scheme (DB) a multi-employer scheme and defined contribution scheme (DC). 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.

The DB 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 DB 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 2017. This showed assets of £4,553 million, liabilities of £6,075 million and a deficit of £1,522 million. To eliminate this funding shortfall by 30 September 2026, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme based on a full share of liabilities approach, this replaces the previous tiered approach.

In the years ending on or before the 28 February 2019 there has been insufficient information to account for the SHPS DB scheme using defined benefit accounting. Instead the DB scheme has been accounted for as a defined contribution scheme in accordance with FRS102 with the liability recognised as the present value of the employer's future deficit contributions. For financial years ending on or after the 31 March 2019 it is possible to obtain sufficient information to account for the scheme using defined benefit accounting. Net impact of the initial recognition of the scheme is £11.6 million (Note 7).

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

The information presented for 2018 in relation to SHPS scheme reflects the initial position recognised at 1 April 2018.

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 in the year to 31 March 2019.

As part of the Group's annual review of its pension strategy, following a period of consultation with affected members, the Board has agreed to close the SHPS DB scheme for future accrual from 1 July 2019.

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 2019. The employer's contributions to the SCCPF by the Association for the year ended 31 March 2019 were £236,000 at a contribution rate of 27.0% of pensionable salaries, set until the next funding valuation. This scheme has two members still employed by the Group and a number of past employees and is closed to new entrants.

Oxfordshire County Council Local Government Pension Scheme (OCCLGPS) (Group)
The Group also has eight 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.

30. Pension (continued)

Reconciliation of present value liabilities

	2019 SHPS DB £M	2019 SCCPF £M	2019 OCCLGPS £M	2019 TOTAL £M	2018 SHPS DB £M	2018 SCCPF £M	2018 OCCLGPS £M	2018 TOTAL £M
At the beginning of the year	-	(9.9)	(13.3)	(23.2)	-	(10.1)	(13.5)	(23.6)
1 April 2018 identification	(109.7)	-	-	(109.7)	-	-	-	-
Current service cost	(1.1)	-	(0.2)	(1.3)	-	-	(0.2)	(0.2)
Expenses	(0.1)	-	-	(0.1)	-	-	-	-
Contributions by plan participants	(0.6)	-	-	(0.6)	-	-	-	-
Interest cost	(2.8)	(0.3)	(0.4)	(3.5)	-	(0.2)	(0.4)	(0.6)
Actuarial gains/(losses)	(9.3)	(0.4)	(1.1)	(10.8)	-	0.2	0.5	0.7
Benefits paid	2.9	0.3	0.3	3.5	-	0.2	0.3	0.5
At the end of the year	(120.7)	(10.3)	(14.7)	(145.7)	-	(9.9)	(13.3)	(23.2)

Reconciliation of fair value of plan assets

	2019 SHPS DB £M	2019 SCCPF £M	2019 OCCLGPS £M	2019 TOTAL £M	2018 SHPS DB £M	2018 SCCPF £M	2018 OCCLGPS £M	2018 TOTAL £M
At the beginning of the year	-	8.3	9.8	18.1	-	8.3	9.6	17.9
1 April 2018 identification	83.6	-	-	83.6	-	-	-	-
Interest income on plan assets	2.1	0.2	0.3	2.6	-	0.2	0.3	0.5
Actuarial gains/(losses)	6.5	0.4	0.4	7.3	-	(0.1)	0.1	-
Contributions by Group	3.0	0.3	0.1	3.4	-	0.2	0.1	0.3
Benefits paid	(2.8)	(0.3)	(0.3)	(3.4)	-	(0.3)	(0.3)	(0.6)
Contributions by plan participants	0.6	-	-	0.6	-	-	-	-
At the end of the year	93.0	8.9	10.3	112.2	-	8.3	9.8	18.1

30. Pension (continued)

	2019 SHPS DB £M	2019 SCCPF £M	2019 OCCLGPS £M	2019 TOTAL £M	2018 SHPS DB £M	2018 SCCPF £M	2018 OCCLGPS £M	2018 TOTAL £M
Fair value of plan assets	93.0	8.9	10.3	112.2	-	8.3	9.8	18.1
Present value of plan liabilities	(120.7)	(10.3)	(14.7)	(145.7)	-	(9.9)	(13.3)	(23.2)
Net pension scheme liability	(27.7)	(1.4)	(4.4)	(33.5)	-	(1.6)	(3.5)	(5.1)

Amounts recognised in income and expenditure are as follows:

	2019 SHPS DB £M	2019 SCCPF £M	2019 OCCLGPS £M	2019 TOTAL £M	2018 SHPS DB £M	2018 SCCPF £M	2018 OCCLGPS £M	2018 TOTAL £M
Included in administrative expenses:								
Current service cost	(1.1)	-	(0.2)	(1.3)	-	-	(0.2)	(0.2)
Expenses	(0.1)	-	-	(0.1)	-	-	-	-
	(1.2)	-	(0.2)	(1.4)	-	-	(0.2)	(0.2)
Amounts included in other finance costs	(0.7)	-	(0.1)	(0.8)	-	(0.1)	(0.1)	(0.2)
Net interest cost	(0.7)	-	(0.1)	(0.8)	-	(0.1)	(0.1)	(0.2)

30. Pension (continued)

Analysis of actuarial gain/(loss) recognised in other comprehensive income

	2019 SHPS DB £M	2019 SCCPF £M	2019 OCCLGPS £M	2019 TOTAL £M	2018 SHPS DB £M	2018 SCCPF £M	2018 OCCLGPS £M	2018 TOTAL £M
Actual return less interest income included in net interest income	6.5	0.4	0.4	7.3	-	(0.1)	0.1	-
Experience gains and losses arising on the scheme liabilities	(5.0)	-	-	(5.0)	-	-	-	-
Changes in assumptions underlying the present value of the scheme liabilities	(4.3)	(0.4)	(1.1)	(5.8)	-	0.2	0.5	0.7
	(2.8)	-	(0.7)	(3.5)	-	0.1	0.6	0.7

Composition of plan assets

	2019 SHPS DB £M	2019 SCCPF £M	2019 OCCLGPS £M	2019 TOTAL £M	2018 SHPS DB £M	2018 SCCPF £M	2018 OCCLGPS £M	2018 TOTAL £M
Equities	15.7	6.1	6.0	27.8	-	6.5	6.1	12.6
Bonds and gilts	4.3	1.9	2.1	8.3	-	0.8	1.9	2.7
Property	2.1	0.6	0.7	3.4	-	0.7	0.7	1.4
Cash	-	0.3	0.4	0.7	-	0.3	0.4	0.7
LLPs	-	-	0.7	0.7	-	-	0.3	0.3
Diversified Growth Fund	-	-	0.4	0.4	-	-	0.4	0.4
Other	70.9	-	-	70.9	-	-	-	-
Total plan assets	93.0	8.9	10.3	112.2	-	8.3	9.8	18.1

30. Pension (continued)

Principal actuarial assumptions used at the balance sheet date

	2019 SHPS DB %	2019 SCCPF %	2019 OCCLGPS %	2018 SHPS DB %	2018 SCCPF %	2018 OCCLGPS %
Discount rates	2.4	2.4	2.4	-	2.6	2.7
Future salary increases	2.3	2.8	3.8	-	2.7	2.4
Future pension increases	2.3	2.5	2.5	-	2.4	2.4
Inflation assumption	2.3	2.5	2.5	-	2.4	2.4
MORTALITY RATES	YEARS	YEARS	YEARS	YEARS	YEARS	YEARS
For a male aged 65 now	21.8	22.5	23.4	-	22.5	23.4
At 65 for a male member aged 45 now	23.2	24.1	25.6	-	24.1	25.6
For a female aged 65 now	23.5	24.6	25.5	-	24.6	25.5
At 65 for a female member aged 45 now	24.7	26.4	27.8	-	26.4	27.8

31. Deferred tax

	GROUP 2019 £M	GROUP 2018 £M
Deferred tax liabilities		
Investment property revaluations	2.3	2.7
	2.3	2.7

The net reversal of deferred tax assets and liabilities expected in 2020 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.

32. Non-equity share capital

	2019 £	2018 £
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.

33. Contingent liabilities

The Group receives grants from Homes England and from the Greater London Authority, which are used to fund the acquisition and development of housing properties and their components. The Group has a future obligation to recycle such grants once the properties are disposed of. At 31 March 2019, the value of grants amortised in respect of these properties that had not been disposed of was £211.4 million (2018: £195.8 million).

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

34. Operating leases

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

	GROUP 2019 £M	GROUP 2018 £M	ASSOCIATION 2019 £M	ASSOCIATION 2018 £M
Land and buildings				
Within one year	3.8	3.7	1.6	1.8
Two to five years	15.0	12.3	9.9	7.1
Over five years	7.7	5.1	4.5	1.1
	26.5	21.1	16.0	10.0
Vehicles and other equipment	0.3	0.2	0.3	0.2

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

	GROUP 2019 £M	GROUP 2018 £M
Amounts receivable as lessor:		
Not later than one year	21.3	16.7
Later than 1 year and not later than 5 years	38.4	36.4
Later than 5 years	109.9	111.3
	169.6	164.4

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

35. Capital commitments

	GROUP 2019 £M	GROUP 2018 £M
Capital expenditure		
Expenditure contracted for but not provided in the financial statements	293.1	79.8
Expenditure authorised by the Board, but not contracted	640.2	660.5
Maintenance expenditure contracted and authorised by the Board	38.1	32.6
	971.4	772.9

The Group expects to meet the above commitments from the following sources:
- Undrawn loan facilities totalling £405.1 million (2018: £330.4 million)
- Social housing grants and projected proceeds from first tranche sales of shared ownership dwellings and build for sale properties of £1,304.0 million (2018: £814.3 million).

36. Analysis of net debt

	1 APRIL 2018 £M	CASH FLOW £M	NON- CASH CHANGES £M	31 MARCH 2019 £M
Cash at bank and in hand	126.1	33.4	-	159.5
Loans due within 1 year	(52.5)	52.5	(37.1)	(37.1)
Loans due after more than 1 year	(1,492.2)	(116.8)	37.1	(1,571.9)
Derivatives due within 1 year	(0.6)	-	(0.1)	(0.7)
Derivatives due after more than 1 year	(71.5)	-	(0.8)	(72.3)
Net debt	(1,490.7)	(30.9)	(0.9)	(1,522.5)

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 eleven 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 a salary basis. During the year A2Dominion Housing Group Limited provided management services to other Group entities and charged £42.2million (2018: £42.8million). As at 31 March 2019 A2Dominion Housing Group owed £102.8 million to its subsidiaries (2018: £99.4 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 £0.5 million (2018: £0.3 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 £0.9 million (2018: £0.8 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:

	2019 £M	2018 £M
A2Dominion South Limited	12.7	12.8
A2Dominion Homes Limited	15.5	15.5
A2Dominion Housing Options Limited	3.1	2.3
A2Dominion Residential Limited	0.5	0.4
A2Dominion Developments Limited	9.1	10.4
Pyramid Plus London LLP	0.6	0.7
Pyramid Plus South LLP	0.7	0.7
	42.2	42.8

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 2019 are summarised as follows:

			LOAN INTEREST		LOANS		OTHER	
2019	SERVICES PROVIDED £M	GIFT AID £M	PAYABLE £M	RECEIVABLE £M	CREDITORS £M	DEBTORS £M	CREDITORS £M	DEBTORS £M
A2Dominion Developments Limited								
A2Dominion Homes Limited	3.5	(19.7)	(8.6)	-	(158.6)	-	-	2.7
A2Dominion South Limited	20.9	(13.1)	(8.7)	-	(158.5)	-	-	-
A2Dominion Treasury Limited								
A2Dominion Homes Limited	-	-	-	0.7	-	28.6	-	-
A2Dominion South Limited	-	-	-	0.8	-	-	-	-
A2Dominion Housing Group Limited	-	-	-	-	-	-	(1.8)	-
A2Dominion Housing Finance Limited								
A2Dominion South Limited	-	-	-	0.3	-	25.0	-	-
A2Dominion Residential Limited								
A2Dominion Homes Limited	-	-	-	-	-	-	-	-
Pyramid Plus London LLP								
A2Dominion Housing Group Limited	11.9	-	-	-	-	-	-	1.1
Pyramid Plus South LLP								
A2Dominion Housing Group Limited	15.0	-	-	-	-	-	-	2.6

37. Related party transactions (continued)

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. For Phase 3, the LLP is funded by way of a loan facility of £30 million signed on the 31 August 2018 with A2Dominion Developments Limited and Rydon Construction Limited. At 31 March 2019 the LLP has utilised £3.7 million (A2Dominion Developments Limited: £1.8 million and Rydon Construction Limited: £1.8 million) of this facility. Interest is charged at 6.16% per annum. The capital and interest payment is due to be repaid when the loan matures.

Green Man Lane LLP entered into lease agreements with A2Dominion Homes Limited for the lease of blocks at a premium of £7.8 million. The contractual term of the lease is 250 years and the premium for each lease is to be paid in 32 monthly instalments until paid in full. As at 31 March 2019, £1.2 million has been paid.

Green Man Lane LLP and A2Dominion Homes entered into a joint arrangement on 29 August 2018 with Rydon Constructions Limited to provide construction services, with the LLP's share of contract being to the value of £20.4 million. As at 31 March 2019, £3.1 million has been paid to Rydon Construction Limited with a balance of £17.3 million due across the next three financial years.

Green Man Lane LLP leases a ground floor office at 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 £1.3 million (2018: £0.7 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 £1.3 million (2018: £1.7 million) were made to Keybridge House 2 LLP.

A2Dominion Developments Limited is a 50% joint venture partner of Queen's Wharf Riverside LLP. During the year no capital repayments (2018: £20.7 million) were made by Queen's Wharf Riverside LLP.

A2Dominion Developments Limited is a 50% joint venture partner of Elmsbrook (Crest A2D) LLP. During the year capital contributions of £3.6 million (2018: £8.1 million) 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 £0.8 million (2018: £1.7 million) were made to A2D NKH (Rowlands Castle) Limited, a wholly owned subsidiary of A2D NK Homes LLP.

37. Related party transactions (continued)

A2Dominion Developments Limited is a 50% joint venture partner of A2D NK Homes LLP with 80% interest. During the year the capital contributions of £8.6 million (2018: £0.0 million) were made to A2D NKH (Mytchett) Limited, a wholly owned subsidiary of A2D NK Homes LLP.

A2Dominion Developments Limited is a 50% joint venture partner of New Cross Gate Phase 1 LLP. During the year capital contributions of £0.5 million (2018: £1.2 million) were made to New Cross Gate Phase 1 LLP.

A2Dominion Treasury Limited has been provided with a loan facility of £150.0 million (2018: £150.0million) by A2D Funding PLC. As at 31 March 2019, £150.0 million (2018: £150.0 million) was owed by A2Dominion Treasury Limited. A2Dominion Treasury Limited on-lends these monies to A2Dominion Residential Limited. As at 31 March 2019, A2Dominion Residential Limited owed A2Dominion Treasury Limited £150.0 million (2018: £150.0 million).

A2Dominion Treasury Limited has been provided with a loan facility of £150.0 million (2018: £150.0million) by A2D Funding II PLC. As at 31 March 2019, £150.0 million (2018: £150.0 million) was owed by A2Dominion Treasury Limited. A2Dominion Treasury Limited on-lends these monies to registered providers and A2Dominion Residential Limited. As at 31 March 2019, A2Dominion Residential Limited owed A2Dominion Treasury Limited £121.4 million (2018: £90.3 million).

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 £9.7 million (2018: £6.1 million). As at 31 March 2019 £1.6 million (2018: £0.7 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 £7.2 million (2018: £5.6 million). As at 31 March 2019 £0.7 million (2018: £0.6 million) was owed by Pyramid Plus London LLP.

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 31 March 2019 £15.1 million (2018: £64.6 million) was owed to A2Dominion Residential Limited. The interest and similar income receivable on this loan during the year was £7.5 million (2018: £2.0 million).

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