

FINANCIAL STATEMENTS 2018/19

OUR VISION

To make the very best use of our resources
so we can provide new affordable homes
and a fair deal for existing residents



FINANCIAL STATEMENTS 2018/19

FOR THE YEAR ENDED 31 MARCH 2019

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GROUP INFORMATION

CHAIR

Julian Ashby

OTHER BOARD MEMBERS

Matthew Bailes
Mathew Bishop
Pat Brandum
John Cross
Eva Cullen
Philippa Lowe
(appointed 1 November 2018)
Janet Ogundele
Peter Quinn
(appointed 6 June 2018)
Phil Shepley
John Simpson
Richard Archer
(term ended 31 March 2019)

SECRETARY

Ewan Wallace

SENIOR EXECUTIVES

Matthew Bailes
(Chief Executive)
Nicola Ewen
(Executive Director of Finance from 7 January 2019)
Tracey Gray
(Executive Director of Operations)
Martyn Jones
(Executive Director of Development from 8 October 2018)
Justin McCarthy
(Managing Director of Property Services)
Gary Robinson
(Executive Director of Corporate Services)

REGISTERED OFFICE

1 Glory Park Avenue, Wooburn Green,
Bucks, HP10 0DF

PRINCIPAL SOLICITORS

Devonshires LLP

PRINCIPAL BANKERS

Barclays Bank Plc

INDEPENDENT AUDITORS

RSM UK Audit LLP

REGISTRATIONS

Registered society number: 28844R
Registered provider number: L4215

CHAIR'S STATEMENT

At the end of my first full year as Chair, I am pleased to present Paradigm's Financial Statements.

Paradigm is a strong housing association. We have grown over our first 30 years to become one of the leading social housing providers in the region. We do many things well, but our aim is to be an outstanding affordable housing provider.

Our goal is to focus on our core purpose of providing as much affordable housing as well as we can, and to provide a fair deal for Paradigm's residents. Our aim is to be the best at what we do in the places where we work.

In 2018 we launched our new corporate plan setting out clear objectives over three years to enable us to achieve our vision. We are making good progress in delivering these objectives; however we still have more to do.

This year we generated a substantial surplus for the year of £25.1m (2018: £25.6m), based on a strong operating margin 37% (2018: 44%).

This allows us to invest in and improve Paradigm by:

- > building more new affordable homes, completing 350 new homes worth £74.1m, and investing £42.2m in new homes in the year.
- > repairing and improving our existing homes to the value of £22.7m, with a continued systematic focus on the health and safety of our residents
- > our programme to transform service delivery to customers.

During the year we launched a new Customer Insight and Involvement Strategy. We are committed to ensuring that the views of our customers should shape how we develop and manage our services to them.

We are using the views of our customers to drive the priorities for improving service delivery. We are planning for a lower operating margin in 2019/20 in order to make a significant investment in an accelerated programme to offer our customers and staff a better online experience. We want more of our customers to engage with us digitally, because it is more convenient for them, and will help us to provide them with better services.

We are continuing our major development projects in Luton, Hillingdon, Chesham and Chalfont. We have committed in our corporate plan to continuing to be one of the top performers in terms of numbers built for our size, and to undertake more development where we control the land relative to the proportion where we purchase private developer affordable obligations.

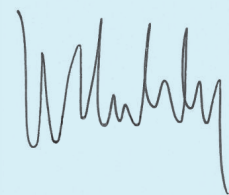
The transition to more land led development has meant a reduction in the number of units delivered in the year but we expect to hit our corporate targets for new homes as we build our capacity and skill to develop more homes with less reliance on private developer affordable obligations.

We are now moving into the final year of the Government's rent reduction regime which saw rents decrease by 1% per year for four years. Paradigm's strong financial performance over this period is the result of sustaining our approach to finding better ways of managing our business, so that we can ensure value for money and improve our services.

I am pleased to welcome Philippa Lowe to the Board, and as the new Chair of our Audit and Risk Committee. We also welcome Peter Quinn to the Board. Peter is also a member of Development Committee. My thanks also go to Richard Archer for his service as a Board Member.

We have an excellent and stable executive team led by Matthew Bailes. On behalf of the Board, I would like to express my gratitude to the staff group at Paradigm. I continue to be impressed by their enthusiasm and commitment to the purpose and values of Paradigm.

Our ability to adapt to a changing and challenging external environment, along with our strong financial position, means that we look ahead with confidence.



Julian Ashby
Chair



"Our ability to adapt to a changing and challenging external environment, along with our strong financial position, means that we look ahead with confidence."

Julian Ashby, Chair



Affordable rent and shared ownership apartments at Astor Gardens, Taplow

350 

Homes completed in the year

£25.1m

Surplus

37%

Operating margin including sales



12.7 days

Average standard relet time

£22.7m

Repairing and improving homes
Expenditure on works to existing properties



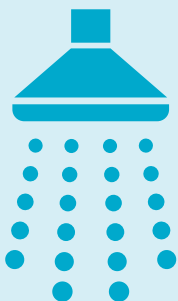
32,459

Repairs



210

Kitchens fitted



197

New bathrooms

Customer satisfaction by general needs and shared owners

77%

general needs

55%

shared owners

Compliance % (gas safety & fire)



Gas

99.9%
100%

Domestic
Communal



Electrical

100%
89.1%

Communal
Domestic

WHO ARE WE?

Paradigm is a registered, charitable housing association. It is one of the leading providers of affordable housing in the South East, managing nearly 15,000 homes in 34 local authority areas in the Home Counties and North and West London.

Chiltern District Council transferred its homes 30 years ago to a new housing association from which Paradigm has grown. The Chiltern area continues to be a core focus for Paradigm, but

we have expanded significantly in geographical scope and size over that period.

Our principal activities are:

- > providing affordable housing for rent
- > delivering low-cost home ownership (mainly shared ownership)
- > offering temporary or permanent housing solutions to address homelessness issues
- > providing hostel accommodation for single and young people.

OUR PURPOSE

Paradigm exists to provide good quality homes for those who could not otherwise afford them.

OUR VISION

OUR VISION
To make the very best use of our resources so we can provide new affordable homes and a fair deal for existing residents

PARADIGM HOUSING GROUP LIMITED



PARADIGM MAINTENANCE LIMITED



PARADIGM HOMES CHARITABLE HOUSING ASSOCIATION LIMITED



PARADIGM DEVELOPMENT SERVICES LIMITED



PHCHA has two subsidiaries: Paradigm Commercial plc, which develops homes for sale on the open market and manages properties for market rent; and Mary Bailey-Smith Almshouses, a small charity with three properties in management.

PARADIGM COMMERCIAL PLC



MARY BAILEY-SMITH ALMSHOUSES



GROUP STRUCTURE

Within the Paradigm group, two organisations are registered as housing providers with the Regulator of Social Housing (RSH):

- > Paradigm Housing Group (Paradigm)
- > Paradigm Homes Charitable Housing Association (PHCHA), a subsidiary of Paradigm as shown in the outline Group structure.

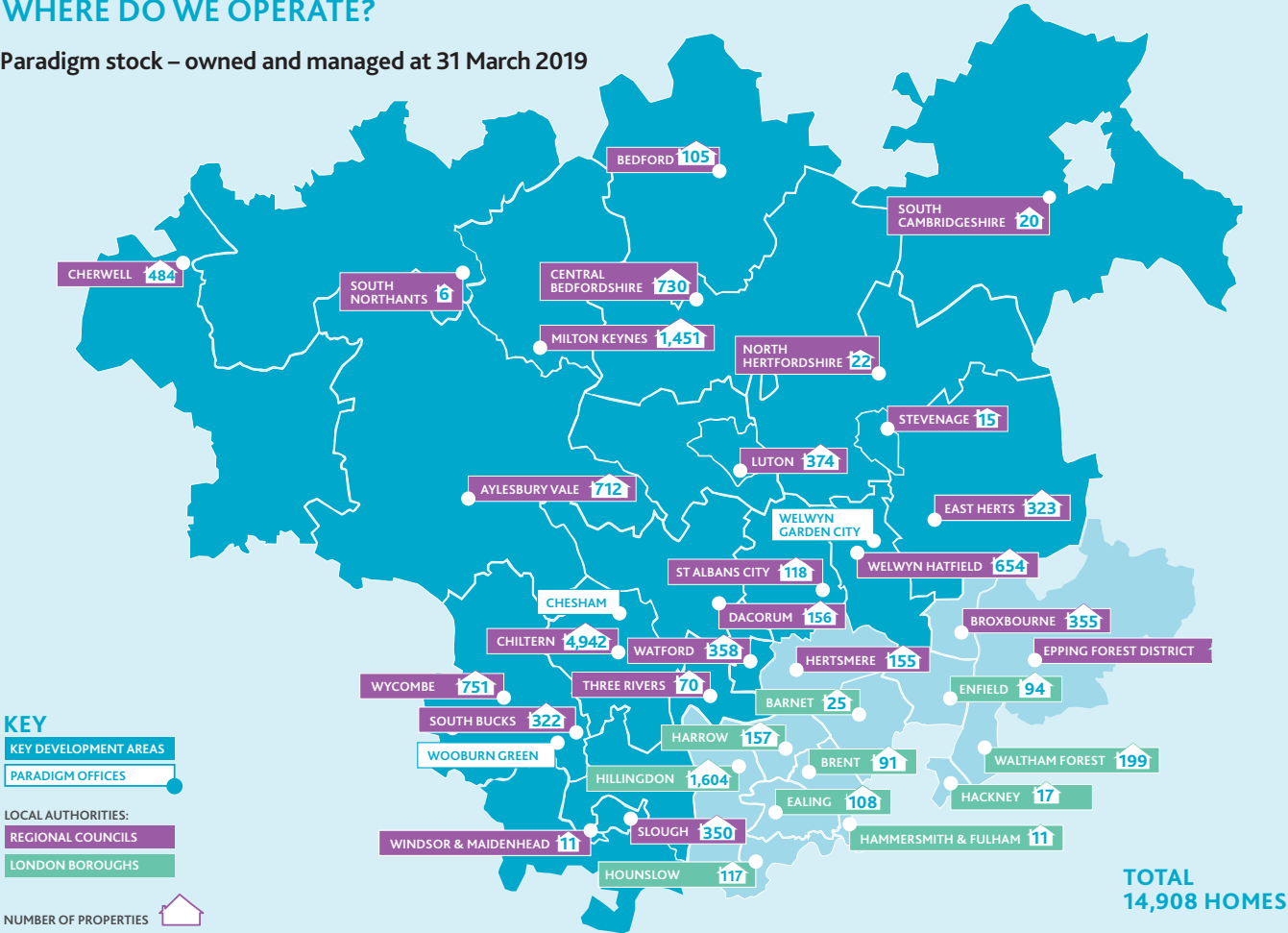
Paradigm Development Services Limited (PDSL) is a wholly-owned subsidiary of Paradigm, undertaking developments which are usually transferred to group members on completion.

Paradigm Maintenance Limited (PML) is a wholly-owned subsidiary of Paradigm, which is its principal maintenance provider.



WHERE DO WE OPERATE?

Paradigm stock – owned and managed at 31 March 2019



Owned and managed properties	2019	2018
Rented social housing	10,949	10,809
Supported housing	267	269
Low cost home ownership	2,164	2,023
Market rent	260	249
Leaseholders	795	756
Temporary housing	473	512
Total	14,908	14,618

STRATEGY OBJECTIVES AND PERFORMANCE

Our Corporate Plan 2018/21 outlined the priorities and targets which we have set as the means by which Paradigm will deliver its vision:

- > To make the very best use of our resources
- > So we can provide new affordable homes
- > And a fair deal for existing residents

Our priorities

We will:

- > Keep our customers' homes safe, and our employees safe at work
- > Run an excellent business, using commercial disciplines and continually strive to deliver efficiency improvements
- > Deliver better value for money in building an average of at least 600 new homes each year
- > Work closely with our strategic partners
- > Manage our homes better through a robust Asset Management Strategy
- > Make sure our customers have a voice to help us improve what we do
- > Develop digital services which will be more convenient for customers
- > Be an employer of choice, attracting, developing and retaining excellent staff.

Our plans and priorities reflect the opportunities and the risks which are present in our operating environment, including:

- > The greater focus and effort applied to ensuring the safety of our customers in their homes, by ensuring that testing and safety measures for fire and other hazards are effective
- > High costs of homes and land in the areas where we work with consequent effects on affordability of homes to rent and buy for individuals, and the cost of developing new affordable homes
- > The incomes of many of the households in housing need that we serve have not kept pace with inflation, and reforms to welfare systems and freezing rates at which benefits are paid have compounded affordability challenges
- > Planned local government reorganisation in Buckinghamshire to establish a new unitary authority.

PRIMARY TARGETS

Top decile operating margin

Our operating margin has dropped below our target of 40% due to our decision to impair the value of two of our development schemes. Our business plans for the remaining period of the corporate plan include a higher level of investment in our business improvement programme which will

reduce our operating margin in the short term. That investment will deliver higher levels of customer service and efficiency savings over the longer term.

An average of more than 600 new homes per year, primarily for affordable tenures, split approximately 50/50 between rent and sale, within a gearing limit of 55%

In 2017/18 we started the restructure of our development team with the objective of moving away from a reliance on the purchase of the homes from commercial housebuilders to meet their planning obligations for affordable housing, towards becoming the lead developer for most of our new homes. We completed that restructuring in 2018/19. During the year, we completed 350 new homes – 100 less than our target. The shortfall reflects decisions to discontinue some developments in their early stages to reflect a more difficult sales market, delays to acceptance of some new homes due to quality issues, and the longer lead time to take sites from acquisition to completion with this different strategic approach to development. Next year, our development pipeline is projected to increase to 1,400 homes under construction, and sites at various stages of development which will deliver new homes at our target level.

Higher customer satisfaction for tenants and for shared owners

We carried out a baseline survey of customer satisfaction during 2018 to



provide us with a reliable understanding of what our customers think of our services. This has informed our business plan priorities and the design of our improvement programme, with a focus on specific service areas that are particularly valued by our customers. The survey results showed lower levels of satisfaction amongst homeowners compared to tenants. We have reflected the need to ensure that we strengthen this service with a specific focus on this customer group in our improvement programme.

The improvement plans specifically focus on better use of data and design of our online portal. This will support more convenient and reliable options for our customers to access our services and to communicate better with them. We will continue to measure and report on customer satisfaction through regular surveys. We have committed to early adoption of the National Housing Federation 'Together for Tenants' initiative and are working with our involved resident groups to provide a more effective voice for tenants through this approach.

Service improvements generated through customer services activity measured by reduced customer complaints

This year 60% of complaints were upheld (2018: 64%). A significant proportion of the complaints reflect shortcomings in how we have kept

customers informed and how we communicate with them. We have set a target for 2019/20 to reduce customer effort to ensure that we address this common underlying cause of customer complaints. Our improvement programme also includes a review of our customer care standards as well as attention to how we design processes and systems to reduce customer effort.

SUPPORTING TARGETS

Deliver procurement savings of at least 5% over the plan period on a like for like basis

We have made significant efficiency gains through better contract management across all areas of the business enabled in large part by the activity of the Procurement team and the delivery of a clearer Procurement strategy. We have retendered a number of significant contracts which will enable us to realise savings of £216,735. The implementation of the Procurement strategy will enable us to deliver this target.

Reducing the cost per property (in real terms) of delivering our agreed responsive repairs standard and service over the plan period

Our responsive repairs cost per property was £737 (2018: £633). Our overall repairs cost per property has increased due to additional expenditure on health and safety, particularly for fire, gas and electrical safety and

testing. We are committed to keeping down our routine repairs costs, but our plan is to do this by improving the efficiency of our activities and not compromising the safety standards of our properties. One element of this is the implementation of a data driven Asset Management Strategy which will enable us to better understand and manage the drivers of our repairs costs.

Top quartile employee engagement

Our most recent staff survey showed continued high levels of employee engagement. This year we have used the feedback from that staff survey to revise and restate Paradigm's values and behaviours (below). We launched these in December 2018, and are using a competency and behaviours framework as a central element of our performance management at all levels of the business in 2019/20, and incorporating it into our workforce recruitment and development strategy.

-  **Safer Together**
-  **Driving Improvement**
-  **Being Clear**
-  **Acting Thoughtfully**
-  **Working as One**

Mobile or flexible working available to all staff

In 2018/19, we adapted our policy on flexible working following a consultation on revising some of our employment terms and conditions. We already provide mobile devices to support the productivity of our Property Services technicians. We have continued to invest in the IT infrastructure and piloted a wider use of mobile devices with other Operations teams. During the current year, and following that pilot, we are rolling out mobile devices more widely across the organisation, and using our improvement programme to redesign processes to support mobile and flexible working as well as customer self-service options.

Improved management of digital communication channels – improved customer and stakeholder satisfaction with digital communications

We are making a significant investment in our IT infrastructure to ensure it provides a robust and flexible platform to support our staff in delivering services to our customers. We are also undertaking a systematic review of Frameworks, our existing core IT business system. The purpose of the review is to ascertain whether the current version of Frameworks will support mobile and flexible working and a significantly higher level of self-service functionality for customers, or whether we need to make a major investment

in to Frameworks or other available solutions.

Stakeholder engagement – higher proportion of well managed relationships linked to better business outcomes for development and operations

The Executive Team have adopted a more systematic and focused approach to managing relationships with key corporate partners and stakeholders, and individual directors have lead relationships with our most significant local authority partners. We maintain operating level relationships with a range of local authority and other public service providers to support multi-agency working on significant operational issues, including in relation to safeguarding and anti-social behaviour. We also signed up to the NHF Commitment to Refer in recognition of the need to work with our local authority partners to assist in their duties under the Homelessness Reduction Act. In 2019/20 we will undertake a detailed stakeholder survey to form the basis of further improvements in our stakeholder relationship management.

To deliver agreed operating margin targets at portfolio level

Operating margin targets set at portfolio level have been closely monitored throughout the year. Delays in completing the Lea Bridge House refurbishment, and a more difficult residential property market with effects

on our shared ownership sales, have meant that rental income for the year was lower than budgeted with a consequent impact on the operating margin in those business areas. Business plans for 2019/20 have been set to reflect market conditions and performance against operating margin targets at portfolio level will improve.

Maintain tenant rent loss at less than 0.5% of the rent debit

Our performance in the year reflects our decision to write down the value of our former tenant arrears and local authority debt. Our underlying tenant rent loss is 0.28% (2018: 0.45%). We use a 4 week rolling arrears indicator, and we have continued to sustain our performance on this measure at 2.6% (2018: 2.6%).

OUR GOVERNANCE



The Amalgamated Board is composed of ten non-executive members plus one executive with meetings taking place every two months. Details of Board members, who are drawn from a range of backgrounds, are set out on page 2.

The Board delegates some of its responsibilities to committees. Each of these committees has clear terms of reference and delegated authority. They report back to the Board after each meeting, where their recommendations are considered and approved where appropriate. The sub-committees, each chaired by a member of the Board, meet at least quarterly, see table on page 13.

Our appointments policy for non-executive Board and Committee members is skills based and aims to ensure appropriate representation reflecting business need and the diverse communities we serve.

Members undergo a comprehensive induction programme with on-going training provided through attendance at conferences as well as formal training courses. The Board members who served throughout 2018/19 and up to the date of this report are listed on page 2 and total remuneration is set out on page 39. Board member indemnity insurance is provided through the NHF insurance scheme.

Each member is expected to attend at least 80% of meetings each year and all Board and Committee members are

subject to regular performance appraisal.

Customer Involvement

We are committed to ensuring that customers have a voice when we are shaping, developing and improving our services. We work with customers to identify priority areas for improvement and involve them in scrutinising our performance.

We have published a Customer Insight and Engagement Strategy which sets out how we will deliver this. We routinely survey customers to obtain insight into our services. We also use learning from customer complaints to help drive customer services improvement. On top of this the mechanisms we have established to support this include a:

- > Resident Services Panel
- > Resident Quality Inspectors
- > Readership Panel

The Board are committed to ensuring that the customer views expressed through these and other mechanisms are embedded in the management and improvement of our homes and services.

Code of Governance

The Group has adopted the National Housing Federation's 'Code of Governance: Promoting Board Excellence for Housing Associations (2015 edition)' and has committed to uphold it and keep to the high standards expected.

Compliance with it is reviewed annually by the Governance, Nomination and Remuneration Committee. The Group complies with all areas of the code.

Employees

The strength of the Group, its ability to meet our objectives and the delivery of commitments to our customers and stakeholders, depends on the quality of our staff and their contribution to our work.

We have embedded equality and diversity within our governance, our culture and our systems and processes, which, in respect of staff, include arrangements to eliminate discrimination and, as far as possible, to advance equality of opportunity, in the areas of remuneration, recruitment, staff development and training, progression and performance management.

Modern Slavery Statement

Paradigm is committed to understanding risks related to modern slavery and ensuring that we meet our legal and statutory responsibilities. We regularly review our operations to ensure as far as we can that no part of the organisation, or its supply chain, contains or permits slavery or human trafficking activities. Paradigm's full statement on modern slavery, as required by the Modern Slavery Act 2015, is published on the Paradigm website.

AMALGAMATED BOARD



AUDIT AND RISK COMMITTEE



Overseeing Paradigm's risk management strategy; financial management; standards of probity; and internal and external audit.

Members:

Philippa Lowe
Chair

**Mathew Bishop,
John Simpson**
Non-executive members

Richard Archer
Independent member

DEVELOPMENT COMMITTEE



Responsible for reviewing progress with planned developments and to consider and advise on new scheme appraisals

Members:

John Cross
Chair

**Phil Shepley,
Peter Quinn**
Non-executive members

GOVERNANCE, NOMINATION AND REMUNERATION COMMITTEE



Responsible for remuneration; Board recruitment and effectiveness; governance and conduct; and committee effectiveness.

Members:

Janet Ogundele
Chair

**Julian Ashby,
Pat Brandum,
Eva Cullen**
Non-executive members

TREASURY COMMITTEE



Responsible for reviewing Treasury Management Policy and detail of treasury documents such as loan agreements or side letters to existing agreements.

Meets on an ad hoc basis.

Members:

John Simpson
Chair

**Julian Ashby,
John Cross**
Non-executive members

PROJECT ASSESSMENT GROUP

Delegated authority to approve smaller development projects and monitors the development portfolio.



MANAGEMENT TEAM



VALUE FOR MONEY (VFM)

VFM is about being effective in how we plan, manage and operate our business. It means making the best use of the resources available to us to provide quality homes and services which meet housing needs. Value therefore means the number of homes, the appropriateness of those homes to meet local requirements, the quality of the homes and the quality of the services we provide.

VFM is embedded across the governance and operational structures. Budgets and targets are set with VFM efficiency measures included. We monitor the sector scorecard metrics throughout the year. We have benchmarked against our peers in the South East. Our performance for the year is shown in table A.

Overall, we have not met our operating margin target of 40% due to a decision to impair two of our developments to the value of £5.5m. Our operating margin excluding impairment is 41.1% after the 1% rent reduction required by the Welfare Reform and Work Act 2016. We have achieved this through a combination of improved procurement, lower spend on sub-contractors and improving the efficiency of our in-house repairs team. We will increase our investment in our IT infrastructure, customer experience and support functions in 2019 to ensure we are well placed to deliver our growth ambitions in the next phase of our corporate

Table A

Performance measure	Target	2019	2018	Peer Group Median 2018
Operating margin (overall)	>40% Turnover	36.8%	43.6%	33.6%
Operating margin (excluding first tranche and outright sales)	>46% Turnover	39.8%	47.2%	37.0%
Operating margin (social housing lettings)	>46% Turnover	47%	48.5%	37.0%
Operating margin (excluding impairment)	>40% Turnover	41.1%	43.6%	33.6%
Social housing cost per unit	£2,760	£3,146	£2,785	£3,303
Interest cover (EBITDA-MRI)	170.0%	162.8%	173.0%	190.5%
Gearing	<55%	53.9%	56.5%	49.6%
New supply delivered – social housing	2.8%	2.6%	3.7%	2.4%
New supply delivered – non-social housing	0.7%	-	0.8%	0.2%
Return on Capital Employed	4.2%	4.0%	4.6%	4.3%
Reinvestment	4.0%	3.9%	4.8%	6.0%

plan. This investment will continue to hold down our operating margin in the short term. However the investment is necessary to improve our customer experience and reduce our cost per unit as we grow.

Social housing cost per unit is above our target of £2,760 but below our peers. We have invested more in our properties in the year in respect of compliance and safety.

Our gearing, which has dropped by 2.6%, is higher than our peers which reflects our origins as a stock transfer organisation. It also demonstrates that we are maximising the use of our assets to raise funds to deliver more homes.



A financially sound organisation

The Board is pleased to report a surplus for the year of £25.1m (2018: £25.6m) after spending £17.7m (2018: £15.1m) to maintain our existing housing stock together with a further £4.9m (2018: £2.6m) on investment works so that we continue to provide high quality homes for our residents. The increase in operating maintenance costs reflects higher spend on fire safety works, particularly in high rise or other high risk blocks. This is the primary reason for this year's increase in the headline social housing cost per unit.

We have recognised impairment in total across our development pipeline of £5.5m due to a combination of

contractor insolvency and reduced land value. The development for sale programme, principally shared ownership, has a significant impact on the overall surplus. Whilst the volume of first tranche shared ownership and outright sales has reduced from last year, we have experienced higher margins, increasing from 24% in 2017 to 27% in 2019. In spite of the slow-down in the housing market in London and the South East we have continued to sell our new schemes at strong margins. The sales team provide weekly updates for management team so that should there be an increase in sales risk we are well placed to react quickly and positively.

Net interest payable in 2019 includes £0.8m breakage costs associated with the early repayment of our HAF Bond

facility. In the year the Group secured additional facilities of £175m comprising a £100m private placement and £75m revolving credit facility.

Continuing to deliver strong surpluses has meant that by the year end we had increased our total net assets to £594.9m with housing properties increasing by almost £34m – a good base for our future development plans, with lower gearing increasing our investment capacity.

The Group's five year statements of income and expenditure and financial position are summarised on page 16.

A FINANCIALLY SOUND ORGANISATION

Our business remains financially strong and we continue to deliver strong surpluses.

Group highlights, five year summary

GROUP STATEMENT OF COMPREHENSIVE INCOME	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Turnover	130.1	123.9	136.7	115.3	105.1
Turnover before housing sales	95.8	91.4	90.7	90.2	86.9
Income from lettings	91.5	87.8	86.7	85.2	83.5
Property depreciation	9.3	11.1	10.9	7.5	8.3
Operating surplus before housing sales	38.1	43.1	44.5	39.2	42.5
Operating surplus from social housing lettings	43.0	42.5	43.5	39.4	36.7
Operating surplus	47.9	54.0	55.7	45.3	39.5
Surplus for the financial year	25.1	25.6	33.8	21.1	14.2

GROUP STATEMENT OF FINANCIAL POSITION					
Housing properties	1,272.0	1,239.9	1,201.1	1,182.0	1,161.3
Net current assets	39.2	52.5	100.3	41.2	18.8
Indebtedness	685.2	692.4	682.6	694.0	657.7
Total reserves	591.9	572.6	546.4	512.8	490.9

STATISTICS	%	%	%	%	%
Operating margin	36.8	43.6	40.8	39.3	37.6
Operating margin excluding sales	39.8	47.2	49.0	43.4	49.0
Surplus as % of turnover	19.3	20.7	24.7	18.3	13.5
Operating margin social housing lettings	47.0	48.5	50.2	46.3	44.0
Rent losses	1.1	1.1	1.1	1.5	1.6
Gearing	53.9	56.5	56.9	58.7	58.0
EBITDA - MRI interest cover	162.8	172.5	194.8	147.0	175.6
EBITDA - MRI as a % of turnover	42.0	50.4	44.3	38.6	35.4
Surplus from social housing lettings over interest paid	129.2	116.0	134.5	116.5	106.4

ACCOMMODATION OWNED AND MANAGED	units	units	units	units	units
Total social and supported rented	11,689	11,590	11,441	11,383	11,175
Total low cost home ownership	2,164	2,023	1,893	1,829	1,685
Total leasehold and market rent	1,055	1,005	897	879	826
Total housing	14,908	14,618	14,231	14,091	13,686

Capital structure and treasury policy

Paradigm's capital structure is founded on long term bank borrowings, spread across five main lenders, together with capital market bond issues. At 31 March 2019 the breakdown of borrowings was as set out below:

Funding at 31 March 2019

	Arranged £m	Drawn £m	Undrawn £m
Bank loans	653.1	471.1	182.0
Bond issues	166.7	166.7	–
Private placement	100.0	60.0	40.0
Total funding	919.8	697.8	222.0

The bond issues have been through 'clubs' including: The Housing Finance Corporation (THFC), Affordable Housing Finance (through THFC), Haven Bond and GB Social Housing.

Borrowing facilities are at both fixed and floating rates of interest in order to manage exposure to interest rate fluctuations. Fixed rates of interest range from 1.939% to 7.00%. Floating rates are no more than 0.45% above the London Interbank Offered Rate (LIBOR). The Group has no free-standing derivatives or swaps.

The Board approves the treasury policy and key strategic targets are laid out below.

The Group will maintain its proportions of fixed rate and floating rate loans within the limits set out in the table below:

Type of Exposure	Actual	Minimum	Maximum
Fixed rate	92.3%	65%	95%
Floating rate	7.7%	5%	35%

The Group will ensure it has sufficient liquidity to cover 18 months forecast net cash requirements plus a reserve of 50% to mitigate risks relating to sales demand and possible downwards pressure on house prices.

Paradigm borrows and lends only in sterling and is not exposed to currency risk.

At the year-end the Group's drawn borrowings of £697.8m (2018: £703.4m) were repayable as follows:

MATURITY PROFILE	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Within one year	5.2	3.3	6.1	4.1	3.9
Between one and two years	5.5	11.7	4.5	6.0	4.0
Between two and five years	39.0	39.2	41.6	14.2	15.2
After five years	648.1	649.2	698.8	681.0	660.1
Total borrowings	697.8	703.4	751.0	705.3	683.2

Cash inflows and outflows are shown in the Group cash flow statement on page 29. The Group net decrease in cash during the period was £0.03m (2018: decrease £6.5m).

New borrowing

In April 2018 additional funding was secured through a Private Placement with Barings arranged by Santander. The agreement is for two tranches: the first £60m drawn in April 2018 and the second £40m in April 2019. We also agreed a new £75m Revolving Credit Facility with Santander, increasing our capacity and enabling repayment of an existing facility.

Risks, uncertainties and internal controls assurance

Key risks to the delivery of Paradigm’s plans are identified, reviewed and revised throughout the year by senior management, the Audit and Risk Committee (ARC) and the Board and are summarised on page 19.



Risk	Comments	Mitigation
Health and Safety	The health and safety of our residents, staff and contractors remains a key concern, especially in light of more general failings across the property sector highlighted in the Hackitt Review of Building Regulations.	<p>The Group remains committed to complying with recommendations made by fire authorities, other health and safety authorities and Government.</p> <p>The electrical testing programme has been accelerated to coincide with remedial fire risk assessment works for efficiency and to ensure full compliance with regulation at the earliest opportunity. The programme is being closely monitored through the compliance scorecard and reporting to ARC and the Board.</p>
Downturn in the housing market	Our ambition to deliver 600 new homes a year by 2021 depends on successful land acquisition, timely development of quality products and demand for new homes. A large part of the Group's development programme relates to shared ownership with some outright sale. Low grant levels mean we rely on sales income to subsidise building homes for rent.	<p>Appraisal assumptions allow for sales delay and falls in value, with flexibility to switch tenure types reducing exposure.</p> <p>Our overall long term plan is to ensure we can withstand changes in the market.</p> <p>Programme management, including quality control, is overseen by the Development Committee, and reported to Board.</p>
Financing	As a stock transfer association, Paradigm has high gearing compared to other, traditional associations, with £698m borrowings at the year end. The Group's development plans must be underpinned by secured funding. Key risk areas relate to interest rates, covenant compliance and availability of security.	Paradigm's treasury management strategy and policy, approved by the Board, set out clear parameters to mitigate interest rate risk, and to manage and report covenant compliance. The Board receives regular updates on available security and this is applied as a stress-test to the business plan.
External policy change	There is continuing uncertainty about the timing and terms of Brexit, including the possibility of 'no deal', with potential disruption to markets and supply chains affecting people, property sales, and the availability of goods and services.	The Board receives regular updates on the impact of the changing political landscape as well as stress-testing business plans and reviewing development and other commitments.
	Universal Credit is claimed by an increasing proportion of our residents. The timetable and arrangements for migration of existing Housing Benefit claimants to Universal Credit is subject to continuing change.	We are investing in technology to help pre-empt difficulties our residents may experience so we can work proactively with them to minimise tenancy failure through non-payment of rent.



Internal controls assurance

The Board acknowledges its ultimate responsibility for ensuring Paradigm has in place a system of controls that is appropriate to the various business environments in which it operates and for monitoring its effectiveness. The system is designed to manage the risk of failure to achieve business objectives and give reasonable assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by Paradigm is ongoing and has been in place throughout the year under review and up to the date of approval of the report and financial statements. A summary of the main policies the Board has established and the processes it has adopted is set out below:

- > formal policies and procedures are in place, including the documentation of key systems and clearly defined management responsibilities for the identification and control of significant risks
- > financial forecasts, budgets and business plans are prepared to support the Board and management as they monitor key business risks, financial objectives and progress towards financial objectives set for the year and the medium term
- > all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures by the Board

- > a comprehensive approach to treasury management has been adopted and this approach is reviewed by the Board at least once a year, with covenant compliance reviewed quarterly
- > the Board has approved anti-fraud policies, covering the prevention, detection and reporting of fraud, and the recovery of assets
- > the Board has approved anti-bribery and corruption policies
- > experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance
- > the Board has delegated responsibility to the Audit and Risk Committee to review and report to the Board on reports from management, from the internal auditors and from the external auditors so as to provide reasonable assurance that control procedures are in place and are being followed.

It is the Board's responsibility to establish and maintain a system of internal controls and review its effectiveness and whilst it cannot delegate this responsibility, it has delegated authority to an Audit and Risk Committee to regularly review the effectiveness of internal controls.

A fraud register is maintained and is reviewed by the Audit and Risk

Committee at each meeting. There were no frauds recorded in the year. The Board receives and reviews the minutes of Audit and Risk Committee meetings.

The Audit and Risk Committee (ARC) play a key role in monitoring the internal control environment. PWC were appointed as internal auditors during the year. The ARC has received and considered the annual report of the internal auditor.

The ARC have commenced a review of the three lines of defence model to provide them with additional assurance in relation to the internal control environment.

Charitable donations

Charitable donations during the year were £65k, (2018: £350k).

Going concern

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

Statement of responsibilities of the Board for the report and financial statements

The Board is responsible for preparing the report and financial statements in

accordance with applicable law and regulations.

Co-operative and Community Benefit Society legislation requires the Board to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under Co-operative and Community Benefit Society legislation, the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the Company and Group. In preparing those financial statements the Board are required to:

- > select suitable accounting policies and apply them consistently
- > make judgements and accounting estimates that are reasonable and prudent
- > prepare financial statements on the going concern basis unless it is inappropriate to presume the company and Group will continue in business
- > state whether applicable United Kingdom Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers: Housing SORP 2014 (SORP) have been followed, subject to any material departures disclosed and explained in the financial statements

The Board is responsible for keeping proper accounting records that are sufficient to disclose with reasonable accuracy at any time the financial position of the Group and Company and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014. It is also responsible for safeguarding the assets of the company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

At the date of making this report each of the Group's directors, as set out on page 2, confirms that in so far as each director 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
- > each director has taken all the steps that he or she ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

The Board is responsible for the maintenance and integrity of the corporate and financial information on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ

from legislation in other jurisdictions.

Statement of compliance

The Group has undertaken an assessment of compliance with the governance and financial viability standard as required by the Accounting Direction 2015. The Group can confirm that no evidence of non-compliance has been identified since the last report. In preparing the strategic report the Board has followed the principles set out in the Statement of Recommended Practice for Registered Social Landlords (SORP 2014).

Annual general meeting

The annual general meeting will be held on 18 September 2019.

External auditors

The re-appointment of RSM UK Audit LLP will be proposed at the forthcoming annual general meeting.

The report of the Board was approved by the Board on 17 July 2019 and signed on its behalf by:

Julian Ashby
Chair

FINANCIAL STATEMENTS

Our largest design and build development in Caleb Close, Luton will provide 224 brand new homes.

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

OPINION

We have audited the financial statements of Paradigm Housing Group Limited ("the Company") and its subsidiaries ("the Group") for the year ended 31 March 2019 which comprise the consolidated and Company statements of comprehensive income, the consolidated and Company statements of changes in reserves, the consolidated and Company statements of financial position, the consolidated and Company statements 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 (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland.

In our opinion the financial statements:

- > give a true and fair view of the state of the Group's and the Company's affairs as at 31 March 2019 and of the income and expenditure of the Group and the income and expenditure of the Company for the year then ended
- > have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- > have been prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

BASIS FOR OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

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

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

OTHER INFORMATION

The other information comprises the information included in the report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

RESPONSIBILITIES OF THE BOARD

As explained more fully in the Board's Responsibilities Statement set out on pages 20-21, the Board is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Group's or the Company'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 intends to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

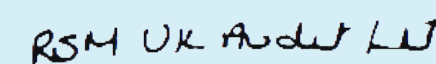
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

The engagement partner on the audit resulting in this independent auditors report is Laragh Jeanroy.

USE OF OUR REPORT

This report is made solely to the Company's members as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Company'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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



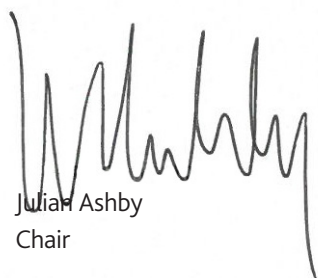
RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Abbotsgate House
Hollow Road
Bury St Edmunds
Suffolk
IP32 7FA

GROUP AND COMPANY STATEMENTS OF COMPREHENSIVE INCOME	Notes	Group		Company	
		2019 £'000	2018 £'000	2019 £'000	2018 £'000
Turnover	2	130,136	123,942	23,318	20,415
Operating costs	2	(82,195)	(69,950)	(23,785)	(20,478)
Operating surplus	2	47,941	53,992	(467)	(63)
Gain on disposal of fixed assets (non-operational)	4	5,915	6,370	-	-
Interest receivable	7	275	325	-	44
Interest payable and financing costs	8	(29,319)	(33,973)	(349)	(164)
Movement in fair value of investments		338	(83)	-	-
Disposal of subsidiary (WHFCT)		-	(1,028)	-	-
Surplus before tax		25,150	25,603	(816)	(183)
Taxation	10	(3)	-	-	-
Surplus for the year		25,147	25,603	(816)	(183)
Actuarial gain in respect of LGPS pension scheme	23	542	600	542	600
Initial recognition of multi-employer defined benefit scheme	23	(3,851)	-	(3,851)	-
Actuarial loss in respect of SHPS pension scheme	23	(2,567)	-	(2,567)	-
Total comprehensive income for the year		19,271	26,203	(6,692)	417

The Group and Company results relate wholly to continuing activities.

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 17 July 2019 and signed on their behalf by:


Julian Ashby
Chair


Philippa Lowe
Board member


Ewan Wallace
Secretary

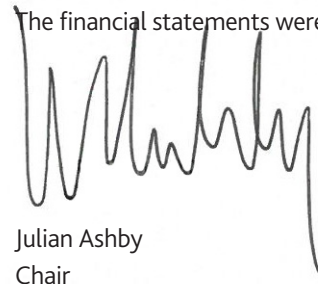
	Income and expenditure reserve £'000	Revaluation reserve £'000	Restricted reserve £'000	Total reserves £'000
GROUP STATEMENT OF CHANGES IN RESERVES				
Balance as at 1 April 2017	441,482	104,698	232	546,412
Surplus for the year	25,603	-	-	25,603
Other comprehensive income for the year:				
Actuarial gain in respect of LGPS pension scheme	600	-	-	600
Transfer from revaluation reserve to income and expenditure reserve	39	(39)	-	-
Transfer from restricted reserve to income and expenditure reserve relating to disposal of WHFCT	232	-	(232)	-
Balance as at 31 March 2018	467,956	104,659	-	572,615
Surplus for the year	25,147	-	-	25,147
Other comprehensive income for the year:				
Actuarial gain in respect of LGPS pension scheme	542	-	-	542
Initial recognition of multi-employer defined benefit scheme	(3,851)	-	-	(3,851)
Actuarial loss in respect of SHPS pension scheme	(2,567)	-	-	(2,567)
Transfer from revaluation reserve to income and expenditure reserve	(100)	100	-	-
Balance as at 31 March 2019	487,127	104,759	-	591,886

	Income and expenditure reserve £'000
COMPANY STATEMENT OF CHANGES IN RESERVES	
Balance as at 1 April 2017	(9,910)
Deficit for the year	(183)
Other comprehensive income for the year:	
Actuarial gain in respect of LGPS pension scheme	600
Balance as at 31 March 2018	(9,493)
Surplus for the year	(816)
Other comprehensive income for the year:	
Actuarial gain in respect of LGPS pension scheme	542
Initial recognition of multi-employer defined benefit scheme	(3,851)
Actuarial loss in respect of SHPS pension scheme	(2,567)
Balance as at 31 March 2019	(16,185)

GROUP AND COMPANY STATEMENTS OF FINANCIAL POSITION					
	Notes	Group		Company	
		2019 £'000	2018 £'000	2019 £'000	2018 £'000
Fixed assets					
Tangible fixed assets - housing properties	11	1,272,034	1,239,902	-	-
Other tangible fixed assets	12	10,438	10,930	-	-
Investment Properties	13	11,340	11,174	-	-
Investments - other	14	10,490	10,299	30	-
		1,304,302	1,272,305	30	-
Current assets					
Properties for sale	15	50,886	54,645	-	-
Debtors	16	7,031	10,612	2,082	1,212
Short term investments	17	1,416	1,110	-	-
Cash and cash equivalents		11,158	11,192	452	1,534
		70,491	77,559	2,534	2,746
Creditors: amounts falling due within one year	18	(31,262)	(25,020)	(4,561)	(3,537)
Net current assets/(liabilities)		39,229	52,539	(2,027)	(791)
Total assets less current liabilities		1,343,531	1,324,844	(1,997)	(791)
Creditors: amounts falling due after more than one year	19	(737,457)	(743,527)	-	-
Provisions for liabilities					
Net pension liability - SHPS	23	(11,618)	(5,715)	(11,618)	(5,715)
Net pension liability - LGPS	23	(2,413)	(2,830)	(2,413)	(2,830)
Other provisions		(157)	(157)	(157)	(157)
Total net assets		591,886	572,615	(16,185)	(9,493)
Reserves					
Non equity share capital	25	-	-	-	-
Income and expenditure reserve		487,127	467,956	(16,185)	(9,493)
Revaluation reserve		104,759	104,659	-	-
Restricted reserve		-	-	-	-
Total reserves		591,886	572,615	(16,185)	(9,493)

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 17 July 2019 and were signed on their behalf by:


Julian Ashby
Chair


Philippa Lowe
Board member


Ewan Wallace
Secretary

GROUP STATEMENT OF CASH FLOWS					
	Notes	Group		Company	
		2019 £'000	2018 £'000	2019 £'000	2018 £'000
Net cash generated from/(used by) operating activities	27	67,477	61,659	(703)	(10)
Cash flow from investing activities					
Purchase of fixed assets - housing properties		(50,124)	(58,330)	-	-
Purchase of other tangible fixed assets		(235)	(156)	-	-
Proceeds from sales of housing properties		12,242	13,776	-	-
Purchase of fixed asset investments		9	(673)	(30)	-
Grants received		5,509	5,194	-	-
Interest received		275	266	-	44
		(32,324)	(39,923)	(30)	44
Cash flow from financing activities					
Interest paid		(29,319)	(36,644)	(349)	-
New secured loans		60,000	68,000	-	-
Repayment of borrowings		(65,541)	(108,822)	-	-
Short term deposits		(306)	49,696	-	-
Grants repaid		(21)	-	-	-
Grants disposed		-	(485)	-	-
		(35,187)	(28,255)	(349)	-
Net change in cash and cash equivalents		(34)	(6,519)	(1,082)	34
Cash and cash equivalents at the beginning of the year		11,192	17,711	1,534	1,500
Cash and cash equivalents at the end of the year		11,158	11,192	452	1,534

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

Basis of accounting

The financial statements of the Group and Company are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice for Registered Social Housing Providers (SORP) 2014 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015. The Company is a public benefit entity, part of a public benefit group.

The financial statements have been prepared on the historical cost basis of accounting except for investments and investment properties which are accounted for at fair value.

Reduced disclosures

The individual accounts of entities in Paradigm Housing Group have adopted the following disclosure exemptions except for the disclosure exemptions from Section 11 Basic Financial Instruments and Section 12 Other Financial Instruments Issues.

- > financial instrument disclosures, including items of income, expenses, gains or losses relating to financial instruments; and exposure to and management of financial risks

Going concern

As noted in the Board Report on page 20 the Board has reasonable expectation that the Group and company will continue in operational existence for the foreseeable future, being a period of at least twelve 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.

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Significant management judgements

Impairment of housing properties

The Board has determined where there are indicators of impairment of its assets and in particular of housing properties carried in the accounts at cost or deemed cost on transition. Factors taken into consideration in reaching such a decision include economic viability and expected future financial performance of the assets.

Classification of financial instruments

In considering the appropriate classification of financial instruments as 'basic' or 'non-basic' the Board has reviewed the definitions given in FRS 102 clause 11 (d). When assessing the 'basic' nature of financial instruments, clause 11.9(b) refers to principal and current/prior interest. Under our agreements breakage costs are payable in respect of future interest payments, so the Board does not consider these should be taken into account when assessing whether instruments are 'basic' or 'other'. In addition, clause 11.9(c) states that contractual terms which require the issuer to compensate the holder on early termination do not breach the 'basic' test. Whilst there is no specific mention of compensation from the holder back to the issuer, the Board does not consider silence to be grounds on which financial instruments should be classed as 'other'.

Estimates

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected use of the assets. Uncertainties in these estimates relate to technological innovation, maintenance programmes or changes in homes standards that may require more frequent replacement of key components.

Defined benefit obligation

Management's estimate of the defined benefit obligations (in both Local Government Pension Scheme and Social Housing Pension Scheme) is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact both defined benefit obligation and the annual defined benefit expenses (note 23).

Valuation of investment properties

Investment properties are included at fair value, being value after applying a discount to the open market value to reflect current assured shorthold tenancies.

The valuation advised by an independent qualified valuer reflects key assumptions regarding discount rate and inflation.

Related party transactions

The Group has taken advantage of the exemptions permitted under FRS 102 - Related Party Disclosures (Reference IAC 34), and does not disclose transactions with wholly owned group undertakings that are eliminated in consolidation.

Basis of consolidation

The Group accounts consolidate the accounts of the Company and all its subsidiaries at 31 March 2019 using acquisition accounting. Details of subsidiaries are shown in note 32.

Turnover and revenue recognition

Turnover for the Group represents rental and service charge income receivable in the year, after deducting voids, income from shared ownership first-tranche sales, sales of properties built for outright sale and other services included at the invoiced value (excluding VAT where recoverable) of goods and services supplied in the year and revenue grants receivable in the year.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting and tenanted. Income from first tranche sale and sales of properties built for sale is recognised at the point of legal completion of the sale. Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met.

Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

For the Company, turnover represents management services to other members of the Group and other services.

Deferred taxation

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

For investment properties at fair value deferred tax is measured using the tax rates and allowances that apply to the sale of the property.

Value Added Tax (VAT)

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

Properties for sale

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

Interest payable

Interest is capitalised on borrowings to finance developments of qualifying

assets to the extent that it accrues in the period of development if it represents:

- interest on borrowings specifically financing the development programme after deduction of related grants received in advance; or
- a fair amount of interest on borrowings of the Group as a whole after deduction of government grants received in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable on bank loans is charged to the income and expenditure account in the year in which it is incurred. Capitalised interest and interest on intercompany balances is calculated on a weekly basis at the Group's average external borrowing rate.

Pension costs

The Group participates in two funded multi-employer defined benefit schemes, the Social Housing Pension Scheme (SHPS) and the Local Government Pension Scheme (LGPS).

For both schemes, scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred taxation, is presented separately from other net assets on the statement of financial position. A net surplus is recognised only to the extent that it is recoverable by the Group through reduced contributions or through refunds from the plan.

The current service costs and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the

current reporting period. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income.

The Group also participates in a defined contribution scheme and the income and expenditure charge represents the employer’s contribution payable to the scheme for the accounting period.

Housing properties

Housing properties are principally properties available for rent and shared ownership and are stated at deemed cost being the Existing Use Value - Social Housing valuation at 31 March 2014 plus subsequent additions 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.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

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 are included in turnover, and the remaining element is classed as a fixed asset and is included in housing properties at cost, less any provisions needed for depreciation or impairment.

Depreciation of housing properties

The Group separately identifies the major components which comprise its housing properties, and charges

depreciation, so as to write-down the cost of each component to its estimated residual value, on a straight line basis, over its estimated useful economic life.

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

Assets	Annual rates	Years
Structure	0.8%	125
Roofs	1.4%	70
Windows and doors	3.3%	30
Kitchens	5.0%	20
Bathrooms	3.3%	30
Heating systems	6.6%	15

Freehold land is not depreciated.

Completed shared ownership properties that are held as fixed assets are generally not depreciated. Where the residual value of the assets exceeds historic cost, due principally to the expectation that staircasing will occur within a reasonable timescale, no depreciation charge arises.

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

Impairment

Annually housing properties are assessed for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the asset’s carrying amount to its recoverable amount. Where the carrying amount of an asset is deemed to exceed its recoverable amount, the asset is written down to its recoverable amount, this is likely to be the value in use of the asset based on its service potential. The resulting impairment loss is recognised as expenditure. Where an asset is currently deemed not to be

providing service potential to the Group, its recoverable amount is its fair value less costs to sell. The group considers local authorities’ areas to be separate Cash Generating Units (CGU’s) when assessing for impairment, in accordance with the requirements of FRS 102 and SORP 2014.

Other tangible fixed assets

Depreciation is provided on the cost of other tangible fixed assets on a straight-line basis so as to write them down to their estimated residual values over their expected economic useful lives. The expected useful economic lives are:

Assets	Years
Freehold offices	30
Leasehold office improvements	30 (or the term of the lease, whichever is shorter)
Office equipment and computers	3 – 5
Office furniture	7
Telephone system	7
Scheme furniture and equipment	5 – 10
Photo voltaic panels	25

Investment properties

Investment properties consist of commercial properties and other properties not held for the social benefit or for the business. Investment properties are measured at cost on initial recognition and subsequently at fair value at year end, with changes in fair values recognised in income and expenditure.

Government grants

Government grants include grants receivable from Homes England (HE), local authorities and other government

organisations. Grants received in relation to assets that have been treated as deemed cost at the date of transition to FRS102 have been accounted for using the performance model. In applying this model such grant has been presented as if it were originally recognised as income within the statement of comprehensive income in the year it was receivable and is therefore included within brought forward general reserves. Grants received since transition in relation to newly acquired or existing housing properties are accounted for using the accrual model. Grant is carried as deferred income in the balance sheet and is amortised on a systematic basis over the useful life of the housing property structure, even if the fair value of the grant exceeds the carrying value of the structure in line with SORP 2014. No grant is recognised against other components.

When a housing property is sold which was partly funded by social housing grant (SHG) the grant becomes repayable and is transferred to a Recycled Capital Grant (RCGF) fund until it is either reinvested in a replacement property or repaid to Homes England. Where grant has previously been recognised as income within the statement of comprehensive income, grant liability is created by increasing the cost of sale of the asset, unamortised grant is transferred between deferred capital grant, and RCGF. Grant is disclosed as a contingent liability in note 11.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts,

when applicable, are shown within borrowings in current liabilities.

Current asset investments

Investments are stated at market value. Changes in market value are taken to the Statement of Comprehensive Income.

Reserves

The Group establishes restricted reserves for specific purposes where their use is subject to external restrictions and designated reserves where reserves are earmarked for a particular purpose.

Revaluation reserve

Before the properties were carried at deemed cost, whenever there was any re-valuation of housing properties, the difference between the valuation and carrying value of the land and structure elements of housing properties was credited to the revaluation reserve. Where such assets are disposed of any related revaluation surplus is transferred to the revenue reserve.

Operating leases

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

Financial instruments

The Group has elected to apply the provisions of Section 11 ‘Basic Financial Instruments’ and Section 12 ‘Other Financial Instruments Issues’ of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument, and are offset only when the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to

realise the asset and settle the liability simultaneously.

Financial assets

Debtors

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in statement of comprehensive income.

Financial liabilities

Creditors

Creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a creditor constitutes a financial transaction, the

creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Commitments to receive a loan are measured at cost less impairment.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

NOTES TO THE FINANCIAL STATEMENTS *continued...*

2. Particulars of turnover, cost of sales, operating costs and operating surplus

	2019			
	Turnover	Cost of sales	Operating costs	Operating surplus
	£'000	£'000	£'000	£'000
GROUP – CONTINUING ACTIVITIES				
Social housing lettings	91,471		(48,452)	43,019
Other social housing activities				
- Supporting People contract income	119	-	(144)	(25)
- Corporate services	290	-	(850)	(560)
- Development costs	-	-	(5,736)	(5,736)
- First tranche shared ownership sales	31,674	(22,280)	-	9,394
- Other support services	13	-	-	13
- Office equipment, other rental and licence fees	172	-	(670)	(498)
	32,268	(22,280)	(7,400)	2,588
Non-social housing activities:				
- outright property sales	2,704	(2,303)	-	401
- lettings	3,693	-	(1,760)	1,933
	6,397	(2,303)	(1,760)	2,334
Total	130,136	(24,583)	(57,612)	47,941

Development costs includes £5.5m in respect of an impairment charge (see note 11).

	2018			
	Turnover	Cost of sales	Operating costs	Operating surplus
	£'000	£'000	£'000	£'000
GROUP – CONTINUING ACTIVITIES				
Social housing lettings	87,765	-	(45,225)	42,540
Other social housing activities				
- Supporting People contract income	129	-	(136)	(7)
- Corporate services	227	-	(443)	(216)
- Development costs	-	-	28	28
- First tranche shared ownership sales	18,067	(12,242)	-	5,825
- Other support services	16	-	-	16
- Office equipment, other rental and licence fees	338	-	(882)	(544)
	18,777	(12,242)	(1,433)	5,102
Non-social housing activities:				
- outright property sales	14,490	(9,419)	-	5,071
- lettings	2,910	-	(1,631)	1,279
	17,400	(9,419)	(1,631)	6,350
Total	123,942	(21,661)	(48,289)	53,992

NOTES TO THE FINANCIAL STATEMENTS *continued...*

	2019			
	Turnover	Donation	Operating costs	Operating surplus
	£'000	£'000	£'000	£'000
COMPANY – CONTINUING ACTIVITIES				
Other social housing activities	23,318	-	(23,785)	(467)
	23,318	-	(23,785)	(467)

	2018			
	Turnover	Donation	Operating costs	Operating surplus
	£'000	£'000	£'000	£'000
COMPANY – CONTINUING ACTIVITIES				
Other social housing activities	20,415	-	(20,478)	(63)
	20,415	-	(20,478)	(63)

There are no social housing lettings within the Company.

Particulars of income and expenditure from social housing lettings

					2019	2018
	General needs housing	Supported housing and housing for older people	Temporary social housing	Low cost home ownership	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
GROUP – CONTINUING ACTIVITIES						
Income:						
Rent receivable net of identifiable service charges	68,537	319	5,303	7,863	82,022	82,207
Service income	3,680	154	-	1,389	5,223	4,230
Fee income	-	-	1,834	-	1,834	1,096
Rechargeable works	1,127	-	-	-	1,127	-
Amortised government grants	210	-	-	-	210	147
Revenue grants	1,055	-	-	-	1,055	85
Turnover from social housing lettings	74,609	473	7,137	9,252	91,471	87,765
Operating costs:						
Management	4,894	436	1,038	1,060	7,428	6,829
Services	3,344	131	2	1,262	4,739	4,385
Routine maintenance	9,380	-	185	-	9,565	6,560
Planned maintenance	8,095	-	70	-	8,165	8,569
Bad debts	2,546	5	80	-	2,631	408
Property lease charges	12	-	5,580	-	5,592	6,112
Depreciation	9,076	175	-	-	9,251	11,559
Other costs	1,074	3	4	-	1,081	803
Operating costs of social housing lettings	38,421	750	6,959	2,322	48,452	45,225
Operating surplus from social housing lettings	36,188	(277)	178	6,930	43,019	42,540
Void losses	380	5	177	-	562	519

3. Accommodation in management and development

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

	Group 2019 Number of properties	Group 2018 Number of properties (restated)
Social housing		
General needs housing – social and intermediate rent	8,734	8,717
General needs housing – affordable rent	2,215	2,092
Supported housing and housing for older people	267	269
Low cost home ownership	2,164	2,023
Temporary social housing	48	46
Total owned	13,428	13,147
Temporary social housing – short leasehold	333	424
Accommodation managed for others	92	42
Total owned and managed	13,853	13,613
Non-social housing		
Market rented properties	260	249
Leasehold properties	795	756
Total owned and managed	14,908	14,618
Development programme at 31 March 2019:		
General needs housing	494	422
Low cost home ownership	731	1,002
Outright sales	121	43
Total development programme	1,346	1,467
New homes under construction included in the development programme	687	803

4. Surplus on sale of fixed assets

	Housing properties 2019 £'000	Housing properties 2018 £'000
Proceeds	12,242	13,882
Transfer to Recycled Capital Grant Fund	(537)	(1,050)
Net book value of properties sold	(5,730)	(6,355)
Other costs	(60)	(107)
	5,915	6,370

NOTES TO THE FINANCIAL STATEMENTS *continued...*

5. Employees

	Group and Company	
	2019 Number	2018 Number
AVERAGE MONTHLY NUMBER OF EMPLOYEES EXPRESSED AS FULL TIME EQUIVALENTS		
Administration	114	100
Development	26	26
Housing and support	104	95
Maintenance	163	156
	407	377

Full time equivalents are calculated based on a standard working week of 37 – 42.5 hours.

	Group and Company	
	2019 £'000	2018 £'000
STAFF COSTS FOR EMPLOYEES INCLUDING EXECUTIVE DIRECTORS		
Wages and salaries	17,296	14,994
Social security costs	1,498	1,433
Pension costs	940	889
	19,734	17,316

The staff numbers and costs above exclude non-executive members of the Board (note 6).

Pension costs relate to participation in the Local Government Pension Scheme (LGPS), in the Social Housing Pension Scheme (SHPS) or in defined contributions stakeholder arrangements. Further information on LGPS and SHPS is given in note 23.

	Group and Company	
	2019 Number	2018 Number
THE FULL-TIME EQUIVALENT NUMBER OF STAFF INCLUDING DIRECTORS WHO RECEIVED EMOLUMENTS		
£60,000 to £70,000	6	10
£70,001 to £80,000	7	6
£80,001 to £90,000	5	2
£90,001 to £100,000	2	1
£130,001 to £140,000	2	3
£140,001 to £150,000	-	1
£150,001 to £160,000	1	1
£170,000 to £180,000	1	-

6. Key management personnel remuneration

	Group and Company	
	2019 £	2018 £
The aggregate remuneration for key management personnel, which includes the executive directors and other members of senior management charged in the year	1,316,704	1,275,352

Highest paid director:

Remuneration payable to the highest paid director

Wages, salaries and benefits in kind	158,100	151,900
Pensions	17,391	16,686
	175,491	168,586

Chief Executive pension contributions:

The Chief Executive is an ordinary member of the Defined Benefit Social Housing Pension Scheme (SHPS) (see note 23). The Group pays 11% employer contributions on a matched basis and does not make a contribution to any other pension arrangement for the Chief Executive.

Board members' emoluments payable non-executive and executive are shown below

	Group and Company	
	2019 £	2018 £
Directors are defined as members of the Board, including the Chief Executive		
Executive directors	941,173	1,074,539
Non-executive directors	99,699	92,414
Aggregate emoluments payable to directors including pension contributions and benefits in kind	1,040,872	1,166,953

7. Interest receivable and other income

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Interest receivable from short term deposits	275	325	-	-
Interest receivable from group companies	-	-	-	44
	275	325	-	44

8. Interest payable and similar charges

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Pension interest expense:				
Defined Benefit Scheme - LGPS (note 23)	69	82	69	82
Defined Benefit Scheme - SHPS (note 23)	239	82	239	82
	308	164	308	164
On bank loans, overdrafts and other loans:				
Interest paid to group companies	-	-	41	-
Interest paid on loans due within five years	-	1,120	-	-
Interest paid on loans due in more than five years	33,287	35,559	-	-
	33,287	36,679	41	-
Interest payable capitalised on properties in the course of construction	(4,276)	(2,870)	-	-
Total	29,319	33,973	349	164
Capitalisation rate used to determine the finance costs capitalised during the period	4.1%	4.1%		

NOTES TO THE FINANCIAL STATEMENTS *continued...*

9. Operating surplus

The operating surplus is arrived at after charging:

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Depreciation of housing properties	9,332	11,050	–	–
Impairment of housing properties	2,750	–	–	–
Impairment of properties for sale	2,750	–	–	–
Depreciation of other owned fixed assets	727	695	–	–
Operating lease rentals				
- land and buildings	5,592	6,112	–	–
- office equipment and computers	–	–	–	–
Auditors' remuneration (excluding VAT)				
- Fees payable to the Company's auditors for the audit of the financial statements	57	48	4	3
- Audit of the financial statements of the Company's subsidiaries pursuant to legislation	9	9	–	–
Total audit services	66	57	4	3
- All other services	3	6	–	–
Total non-audit services	3	6	–	–

10. Taxation

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
UK Corporation tax				
Current tax on income for the period	–	–	–	–
Adjustments in respect of prior years	–	–	–	–
Corporation tax charge for the period	–	–	–	–
Deferred tax				
Origination and reversal of timing differences	3			
Tax on surplus on ordinary activities	3			

The tax charge for the period differs to the standard rate of corporation tax as explained below:

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Surplus/(Deficit) on ordinary activities before tax	25,150	25,603	(816)	(183)
Surplus on charitable activities	(23,568)	(27,602)	–	–
Surplus/(deficit) from non-charitable activities	1,582	(1,999)	(816)	(183)
Tax on (deficit)/ surplus on ordinary activities at standard corporation tax rate of 19% (2018: 19%)	301	(380)	(155)	(35)
Effects of:				
Expenses not deductible for tax	3	46	–	–
Adjustments to brought forward balance	(732)	–	(732)	–
Income not taxable for tax purposes	(29)	(264)	–	–
Amounts (charged)/credited directly to equity or otherwise transferred	(673)	(798)	(385)	114
Adjustments in respect of prior year – corporation tax	–	(10)	–	10
Adjust closing deferred tax to average rate	314	195	314	195
Adjust opening deferred tax to average rate	(195)	(205)	(195)	(205)
Exempt profits adjustments	–	1,497	–	–
Group relief	–	–	139	–
Deferred tax not recognised	1,014	(81)	1,014	(79)
Total current tax charge	3	–	–	–

Factors that may affect future tax charges

It was announced in the budget on 8 July 2015 that the UK corporation tax rate would reduce to 19% from 1 April 2017. This rate was substantively enacted on 26 October 2015. A further reduction in the UK corporation tax rate to 17% from 1 April 2020 has also been announced and substantively enacted in September 2016.

Deferred tax balances have been stated at a rate at which the items are expected to reverse in line with the dates noted above.

11. Tangible fixed assets – Housing Properties – Group

	Housing properties held for letting £'000	Housing properties for letting under construction £'000	Completed shared ownership properties £'000	Shared ownership properties under construction £'000	Total £'000
Cost					
At 1 April 2018	1,167,742	26,266	141,736	35,765	1,371,509
Prior Year adjustment	(141)	–	141	–	–
At 1 April 2018 Restated	1,167,601	26,266	141,877	35,765	1,371,509
Additions	5	10,261	(3)	31,973	42,236
Property improvements	5,114	–	–	–	5,114
Transfers to completed schemes	20,540	(20,540)	15,395	(15,395)	–
Disposals	(2,680)	–	(4,655)	–	(7,335)
Interest capitalised	–	1,271	–	1,503	2,774
At 31 March 2019	1,190,580	17,258	152,614	53,846	1,414,298
Less Depreciation and Impairment					
At 1 April 2018	117,036	–	14,571	–	131,607
Prior Year adjustment	14,571	–	(14,571)	–	–
At 1 April 2018 Restated	131,607	–	–	–	131,607
Charge for the year	9,332	–	–	–	9,332
Impairment	–	–	–	2,750	2,750
Eliminated in respect of disposals	(1,425)	–	–	–	(1,425)
At 31 March 2019	139,514	–	–	2,750	142,264
Net book value at 31 March 2019	1,051,066	17,258	152,614	51,096	1,272,034
Net book value at 31 March 2018	1,050,706	26,266	127,165	35,765	1,239,902

The impairment charge for the year of £2.75m is for 2 schemes currently in development. The total impairment is £5.5m. 50% has been charged against housing properties and 50% against properties for sale since these schemes will be shared ownership.

	2019 £'000	2018 £'000
Freehold land and buildings	1,146,683	1,115,760
Long leasehold land and buildings	123,725	122,537
Short leasehold land and buildings	1,626	1,605
	1,272,034	1,239,902

	2019 £'000	2018 £'000
EXPENDITURE ON WORKS TO EXISTING PROPERTIES		
Completed properties acquired	–	130
Components capitalised	5,114	3,362
Component write offs	(180)	(939)
Property Improvements	4,934	2,553
Other works to existing properties	–	51
Amounts capitalised	4,934	2,604
Amounts charged to income and expenditure	17,730	15,129
	22,664	17,733

NOTES TO THE FINANCIAL STATEMENTS *continued...*

	2019 £'000	2018 £'000
SOCIAL HOUSING ASSISTANCE		
Total accumulated social housing grant received or receivable at 31 March:		
Held as deferred income (note 22)	33,717	28,561
Recognised in the Statement of comprehensive income	313,176	313,767
Total government grant	346,893	342,328

The amount that has been recognised in the income and expenditure reserve in the current year and in prior years in the statement of comprehensive income becomes contingent liabilities and will crystallise when the property the grant relates to has been disposed of or ceases to be used for social housing purposes. At this point the contingent liability is transferred to the recycled capital grant fund as a liability and cost of disposal in the statement of comprehensive income.

Valuation of Housing Properties

Completed housing properties are shown at deemed cost with a revaluation relating to transitional value at 31 March 2014.

	2019 £'000	2018 £'000
DEEMED COST AT 31 MARCH IS REPRESENTED BY:		
Historical cost	1,309,539	1,266,850
Less: depreciation and impairment	(142,264)	(131,607)
Historical cost net book value	1,167,275	1,135,243
Revaluation reserve	104,759	104,659
Net book value at 31 March	1,272,034	1,239,902

12. Tangible fixed assets – other – Group

	Freehold office properties £'000	Leasehold office improvements £'000	Photo- voltaic panels £'000	Equipment, fixtures and vehicles £'000	Total £'000
Cost					
At 1 April 2018	12,321	1,609	1,027	1,742	16,699
Additions	–	–	–	235	235
Disposals	–	–	–	–	–
At 31 March 2019	12,321	1,609	1,027	1,977	16,934
Less depreciation and impairment					
At 1 April 2018	3,562	797	254	1,156	5,769
Charge for the year	411	54	33	229	727
Eliminated in respect of disposals	–	–	–	–	–
At 31 March 2019	3,973	851	287	1,385	6,496
Net book value at 31 March 2019	8,348	758	740	592	10,438
Net book value at 31 March 2018	8,759	812	773	586	10,930

13. Investment properties, non-social housing properties held for letting

	2019 £'000	2018 £'000
VALUATION		
At 1 April	11,174	9,781
Additions	31	6
Disposals	(17)	(1)
Increase in value	152	1,388
At 31 March	11,340	11,174
Number of properties in ownership	61	61

The Group's investment properties were valued at 31 March 2019 by Savills (UK) Limited, part of the Savills Group, a general practice firm providing surveying and valuation services around the country. The full valuation of properties was undertaken in accordance with the Royal Institution of Chartered Surveyors' ("RICS") Valuation - Professional Standards UK, the "RICS Red Book", effective from 6 January 2014 (revised April 2015).

Market rent stocks have been valued on MV-STT to reflect the current assured shorthold tenancies.

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

	2019	2018
Discounted rate (real)	6.25%	6.25%
Annual Inflation rate (long term)	2.00%	2.00%

14. Investments

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
LONG TERM INVESTMENTS				
The Housing Finance Corporation Ltd	6,373	6,195	–	–
Haven Bond issues security deposit	712	712	–	–
AHF Bond	3,375	3,392	–	–
MOR Homes	30	–	30	–
Valuation at 31 March	10,490	10,299	30	–
Cost at 31 March	8,063	8,086	–	–

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
MOVEMENT OF LONG TERM INVESTMENTS				
At 1 April	10,299	9,691	–	–
Additions/(Withdrawals)	(23)	678	30	–
Interest	28	13	–	–
Movements in Fair Value	186	(83)	–	–
Valuation at 31 March	10,490	10,299	30	–

The long term investments relating to The Housing Finance Corporation, AHF Bond and Haven 32 are security deposits required in relation to the Group's bond funding with these organisations and are held at valuation.

MORhomes PLC is a new funding agency jointly owned by 62 housing associations. During the year the Group became one of its members, investing £30k. In February 2019 MORhomes made its inaugural £250m benchmark bond issue funding 19 year loans to 9 registered provider groups in England and Wales excluding Paradigm. The bond was launched via MORhomes' unique sterling Social Bond Programme. S&P has rated MORhomes and its programme A- with a positive outlook.

NOTES TO THE FINANCIAL STATEMENTS *continued...*

15. Properties for sale

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Properties under construction	50,886	47,157	–	–
Completed properties	–	7,488	–	–
At 31 March	50,886	54,645	–	–

During the year interest costs directly attributable to the financing of properties for sale were capitalised at the rate of interest (4.1%).

As disclosed in note 11, during the year impairment of £2.75m has been charged against properties under construction.

16. Debtors

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Rent and service charges receivable	3,847	5,026	–	–
Less bad debt provision	(1,607)	(847)	–	–
	2,240	4,179	–	–
Social Housing Grant receivable	25	25	–	–
Prepayments and accrued income	2,843	4,000	725	271
Amount owed by group undertakings	–	–	12	75
Other debtors	1,923	2,408	1,345	866
At 31 March	7,031	10,612	2,082	1,212

17. Short term investments

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Sinking funds	1,416	1,110	–	–
At 31 March	1,416	1,110	–	–

18. Creditors: Amounts falling due within one year

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade creditors	1,529	949	1,543	949
Loans repayable in less than one year	5,190	4,596	–	–
Amounts owed to Group undertakings	–	–	1,422	1,613
Rent and service charges in advance	3,576	4,734	–	–
Corporation tax	3	–	–	–
Disposals Proceeds Fund	414	–	–	–
Recycled Capital Grant Fund	3,369	–	–	–
Other taxation and social security payable	550	1,156	586	598
Deferred capital grant (note 22)	211	243	–	–
Other creditors	2,752	930	–	–
Accruals and deferred income	13,668	12,412	1,010	377
At 31 March	31,262	25,020	4,561	3,537

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

	Group	
	2019 £'000	2018 £'000
Bank loans	692,608	700,061
Net premiums on bond issues	7,262	6,587
Other loans	370	370
Deferred income	285	305
Recycled capital grant fund (note 20)	3,425	6,471
Disposal proceeds fund (note 21)	–	1,415
Deferred capital grant	33,507	28,318
At 31 March	737,457	743,527

Bank loans

Of the £692,608k (2018: £700,061k) bank loans due after more than one year and drawn down at 31 March 2019, £644,180k (2018: £594,648k) was fixed with interest rates varying from 1.939% to 7.00%. The balance of £53,618k (2018: £112,000k) has interest rates varying from 0.32% to 1.18% (2018: 0.32% to 0.45%) above the London Inter-Bank Offer Rate.

These loans, and those repayable within one year, are secured by a first charge on 9,532 (2018: 9,693) of the Group's properties and are repayable as follows:

	Group	
	2019 £'000	2018 £'000
One year or more but less than two years	5,470	11,678
Two years or more but less than five years	39,015	39,207
Five years or more	648,123	649,176
At 31 March	692,608	700,061

Included in housing loans above are unamortised arrangement fees of £292k (2018: £313k). These fees are being amortised over the period of the loans which range from 9 years to 19 years.

Other loans

Represents deferred land acquisition costs of £370k which under certain circumstances is repayable to the New Towns Commission.

Deferred income

Deferred income represents payments in advance from a charitable organisation for nomination rights and other agreements, amortised over the remaining period of the agreements. The income is released on a straight line basis over the period of the agreement, there are between 1 and 17 years remaining.

20. Recycled capital grant fund

	Group - HE		Group - GLA	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
At 1 April	3,645	4,346	2,826	3,218
Adjustment to opening balance	–	–	–	–
Inputs to fund:				
- Grants recycled	363	721	294	543
- Interest accrued	18	18	16	12
Recycling of grant:				
- Purchase and development of property	(368)	(1,440)	–	(947)
At 31 March	3,658	3,645	3,136	2,826

Recycled Capital Grant Fund is capital grant provided through the Homes England and local authorities which is repayable in certain circumstances, but for which the Group is proposing to exercise its option to recycle into new projects. 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.

NOTES TO THE FINANCIAL STATEMENTS *continued...*

£3,369k (2018: £nil) has been disclosed within creditors falling due within one year as it has been identified as potentially repayable to Homes England and local authorities. The Group is actively working with the relevant agencies to mitigate the risk of being required to payback any sums by allocating amounts to schemes that are currently progressing.

21. Disposal proceeds fund

	Group - HE	
	2019 £'000	2018 £'000
At 1 April	1,415	1,410
Inputs to fund: - Interest accrued	6	5
Use/allocation of funds: - New build	(942)	
- Major repairs and works to existing stock	(65)	-
At 31 March	414	1,415

Disposal Proceeds Fund comprises the net proceeds from sales of housing properties to tenants under voluntary and statutory purchase grant schemes. Withdrawals from the Disposal Proceeds Fund were used for acquisition of dwellings for letting. No amount is due for repayment to HE (2018: nil). The intention is to utilise, by making withdrawals to acquire dwellings for letting, the remaining balance on the disposal proceeds fund in full by the end of March 2020.

22. Deferred capital grant

	Group		Group	
	2019 Completed schemes £'000	2018 Under construction £'000	2019 Completed schemes £'000	2018 Under construction £'000
GOVERNMENT GRANT				
At 1 April	23,945	4,616	14,216	7,396
Grant received in the year	-	5,509	-	7,581
Grant repaid in the year	(21)	-	-	-
Transfer to completed schemes	933	(933)	10,092	(10,092)
Transfer to recycled capital grant fund	(122)	-	(216)	(269)
	24,735	9,192	24,092	4,616
Grant amortised	(209)	-	(147)	-
At 31 March	24,526	9,192	23,945	4,616
Amounts to be released within one year	211	-	243	-
Amounts to be released in more than one year	24,315	9,192	23,702	4,616
	24,526	9,192	23,945	4,616

23. Pension obligations

The Group contributes to two defined benefit schemes, the assets of which are held in separately administered funds under the management of Buckinghamshire County Council (Local Government Pension Scheme) and the Social Housing Pension Scheme administered by The Pensions Trust.

In accordance with FRS102, pension costs in relation to the both schemes are recognised in the accounting period in which the benefits are earned and the related finance costs are recognised in the accounting period in which they arise. The pension costs are charged in the accounts in accordance with valuation advice prepared by qualified actuaries using the projected unit method. The assumptions which have the most significant effect upon these valuations are those relating to the difference between the rate of return on investments and the rate of increases in salaries and pensions.

The Pensions Trust – Social Housing Pension Scheme (SHPS)

The Company participates in the Social Housing Pension Scheme ("the Scheme"), a multiemployer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK. The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

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

For financial years ending on or before 28 February 2019, it has not been possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme. For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

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 company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus at the accounting period start and end dates.

Initial recognition of multi-employer defined benefit scheme

	£'000
Past service deficit recognised in statement of financial position as at 31 March 2018	5,715
Defined benefit liability to be recognised as at 1 April 2018	(9,566)
Loss recognised in other comprehensive income on initial recognition as at 1 April 2018	(3,851)

Demographic / statistical assumptions

The post retirement mortality tables adopted are the S2PXA tables with a multiplier of 103%. These base tables are then projected using the CMI_2017 Model, allowing for a long-term rate of improvement of 1.25%p.a. for males and 1.00%p.a. for females.

The assumed life expectancy from age 65 are:

At 31 March	
2016	
Retiring today	Years
Males	21.8
Females	23.5
Retiring in 20 years	
Males	23.2
Females	24.7

Financial Assumptions

The financial assumptions used for the purposes of the FRS102 calculations are as follows:

	At 31 March	
	2019	2018
Discount rate	2.34%	2.60%
Inflation (RPI)	3.26%	3.15%
Inflation (CPI)	2.26%	2.15%
Salary growth	3.26%	3.15%
Allowance for commutation of pension for cash at retirement (% of maximum)	75%	75%

These assumptions are set with reference to market conditions at 31 March 2019.

NOTES TO THE FINANCIAL STATEMENTS *continued...*

PRESENT VALUES OF DEFINED BENEFIT OBLIGATION, FAIR VALUE OF ASSETS AND DEFINED BENEFIT LIABILITY

	2019 £'000
Fair value of plan assets	31,564
Present value of defined benefit obligation	(43,182)
Defined benefit liability to be recognised	(11,618)

DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME

	2019 £'000
Current service cost	660
Expenses	28
Operating costs subtotal	688
Net interest expense	239
Finance costs subtotal	239
Total expense	927

Sensitivity analysis

The precise impact of changing the assumptions will vary from employer to employer based on their membership profile, typical values are given below

Assumption	Impact
Discount rate	Typically increasing/(decreasing) this assumption by 0.1% p.a. would decrease/(increase) liabilities in the order of 2%
RPI inflation	Typically increasing/(decreasing) this assumption by 0.1% p.a. would increase/(decrease) liabilities in the order of 2%
Salary growth	Typically increasing/(decreasing) this assumption by 0.1% p.a. would increase/(decrease) earnings related liabilities by 1% p.a.
Life expectancy	Adding 1 year to the life expectancy typically adds approximately 2% to the liabilities

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	2019 £'000
Defined benefit obligation at start of period	39,086
Current service cost	660
Expenses	28
Interest expense	1,015
Contributions by plan participants	140
Actuarial gain due to scheme experience	(158)
Actuarial loss due to changes in demographic assumptions	117
Actuarial loss due to changes in financial assumptions	3,176
Benefits paid and expenses	(882)
Defined benefit obligation at end of period	43,182

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF PLAN ASSETS

	2019 £'000
Fair value of plan assets at start of period	29,520
Interest income	776
Experience on plan assets (excluding amounts included in interest income)	568
Contributions by the employer	1,442
Contributions by plan participants	140
Benefits paid and expenses	(882)
Fair value of plan assets at end of period	31,564

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2019 was £1,344,000.

REMEASUREMENTS IN OTHER COMPREHENSIVE INCOME

	2019 £'000
Experience on plan assets (excluding amounts included in interest income)	568
Actuarial gain due to scheme experience	158
Actuarial loss due to changes in demographic assumptions	(117)
Actuarial loss due to changes in financial assumptions	(3,176)
Actuarial loss in respect of SHPS pension scheme	(2,567)

DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME

	2019 £'000
Current service cost	660
Expenses	28
Net interest expense	239
Defined benefit costs recognised in statement of comprehensive income	927

Retirement benefits – Buckinghamshire County Council Pension Fund

Some employees of the Group are admitted to the Buckinghamshire County Council Pension Fund ("the Fund"), which is administered by Buckinghamshire County Council in accordance with the Local Government Pension Scheme (LGPS) Regulations 2014, was contracted out of the State Second Pension until April 2016 and currently provides benefits based on career average revalued salary and length of service on retirement. The Pension Fund Committee oversees the management of the Fund whilst the day to

day fund administration is undertaken by a team within the administering authority. Where appropriate some functions are delegated to the Fund's professional advisers.

Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2019 and will set contributions for the period from 1 April 2020 to 31 March 2023. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

NOTES TO THE FINANCIAL STATEMENTS *continued...*

The contribution by the Group during the year was £69k (2018: £69k) covering an average of 7 employees (2018: 8 employees) at a contribution rate of 17% (2018: 17%) of pensionable salaries. The Group estimates that the contribution to be paid to the fund during the accounting period commencing 1 April 2019 is £49k.

Demographic/Statistical Assumptions

The post retirement mortality tables adopted are the S2PA tables with a multiplier of 85%. These base tables are then projected using the CMI_2018 Model, allowing for a long-term rate of improvement of 1.5% p.a.

Although the post retirement mortality tables adopted are consistent with the previous accounting date, the mortality improvement projection has been updated to use the latest version of the Continuous Mortality Investigation's model, CMI_2018, which was released in March 2019. We have adopted the default smoothing parameter of 7.0 and have not applied an additional initial rate, while continuing to adopt a long term improvement rate of 1.5% p.a. At the last accounting date, the CMI_2015 Model was adopted. The effect of updating to the most recent model is reflected in the change in demographic assumptions figure in the table on page 52.

The assumed life expectancy from age 65 are:

	At 31 March		
	2019	2018	2017
Retiring today	Years	Years	Years
Males	22.9	24.0	23.9
Females	24.8	26.1	26.0
Retiring in 20 years			
Males	24.6	26.2	26.1
Females	26.6	28.4	28.3

We have also assumed that:

- > members will exchange half of their commutable pension for cash at retirement;
- > members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
- > the proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

Financial Assumptions

The financial assumptions used for the purposes of the FRS102

calculations are as follows:

	At 31 March		
	2018	2017	2016
Salary increases	3.95%	3.85%	4.00%
Pension increases	2.45%	2.35%	2.50%
Discount rate	2.35%	2.50%	2.50%

These assumptions are set with reference to market conditions at 31 March 2019.

Our estimate of the Group's past service liability duration is 15 years.

An estimate of the Group's future cashflows is made using notional cashflows based on the estimated duration above. These estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). This is consistent with the approach used at the previous accounting date.

Similar to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the notional cashflows described above. The single inflation rate derived is that which gives the same net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the BoE implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30 year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40 year point. This is consistent with the approach used at the previous accounting date.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, we have made a further assumption about CPI which is that it will be 1.0% p.a. below RPI i.e. 2.45% p.a. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts and is consistent with the approach used at the previous accounting date.

Salaries are assumed to increase at 1.5% p.a. above CPI in addition to a promotional scale. However, we have allowed for a short-term overlay from 31 March 2016 to 31 March 2020 for salaries to rise in line with CPI.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019	2019 £'000	2018 £'000	2017 £'000
Present value of funded obligation	(12,594)	(12,877)	(13,188)
Fair value of scheme assets (bid value)	10,424	10,313	10,181
Net liability	(2,170)	(2,564)	(3,007)
Present value of unfunded obligation	(243)	(266)	(283)
Net defined benefit liability	(2,413)	(2,830)	(3,290)

ANALYSIS OF AMOUNT CHARGED IN THE INCOME AND EXPENDITURE ACCOUNT:	2019 £'000	2018 £'000
Service Cost	116	117
Administration expense	9	10
Operating costs subtotal	125	127
Net interest on the defined liability	69	82
Finance costs sub total	69	82
Total expense	194	209

Sensitivity analysis

Sensitivities regarding the principal assumptions used to measure scheme liabilities are set out below:

ADJUSTMENT TO THE DISCOUNT RATE:	+0.10%	0.00%	-0.10%
Present value of total obligation (£',000)	12,654	12,837	13,024
Projected service cost (£',000)	113	116	119
ADJUSTMENT TO LONG TERM SALARY INCREASE:	+0.10%	0.00%	-0.10%
Present value of total obligation (£',000)	12,850	12,837	12,824
Projected service cost (£',000)	116	116	116
ADJUSTMENT TO PENSION INCREASES AND DEFERRED REVALUATION:	+0.10%	0.00%	-0.10%
Present value of total obligation (£',000)	13,010	12,837	12,667
Projected service cost (£',000)	119	116	113
ADJUSTMENT TO LIFE EXPECTANCY ASSUMPTIONS:	+1 year	none	-1 year
Present value of total obligation (£',000)	13,313	12,837	12,379
Projected service cost (£',000)	120	116	112

NOTES TO THE FINANCIAL STATEMENTS *continued...*

	2019 £'000	2018 £'000
CHANGES IN PRESENT VALUE OF DEFINED BENEFIT OBLIGATION:		
Opening balance defined benefit obligation	13,143	13,471
Current service cost	116	117
Interest cost	322	331
Change in financial assumptions	446	(277)
Change in demographic assumptions	(712)	-
Estimated benefits paid net of transfers in	(479)	(498)
Contributions by scheme participants	21	20
Unfunded pension payments	(20)	(21)
Closing defined benefit obligation	12,837	13,143

	2019 £'000	2018 £'000
CHANGES IN VALUE OF SCHEME ASSETS:		
Opening fair value of scheme assets	10,313	10,181
Interest on assets	253	249
Return on assets less interest	276	323
Administrative expenses	(9)	(10)
Contributions by employer including unfunded	69	69
Contribution by scheme participants	21	20
Estimated benefits paid including unfunded benefits	(499)	(519)
Closing fair value of scheme assets	10,424	10,313

The total return on the fund assets for the year to 31 March 2019 is £529,000 (2018: £572,000).

	2019 £'000	2018 £'000
REMEASUREMENTS IN OTHER COMPREHENSIVE INCOME		
Return on fund assets in excess of interest	276	323
Change in financial assumptions	(446)	277
Change in demographic assumptions	712	-
Remeasurement of the defined liability and scheme assets	542	600

Contributions to other pension schemes

The Group did not make any contributions to other pension schemes in the year (2018: £nil).

24. Deferred tax

Deferred tax is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date.

The elements of deferred taxation are as follows:

	Unrecognised deferred tax assets Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Difference between accumulated depreciation and amortisation and capital allowances	8	10	8	10
Pension schemes deficits	2,385	1,729	2,385	1,729
Losses	280	-	280	-
Deferred tax asset	2,673	1,739	2,673	1,739

The above deferred tax asset has not been recognised due to uncertainties as to the extent and timing of its future recovery.

25. Non-equity share capital

	Company	
	2019 £	2018 £
Allotted, issued and fully paid		
At 1 April	10	10
Issued during the year	2	-
Surrendered during the year	(1)	(1)
At 31 March	11	9

Each member of the Board, apart from the co-opted members, holds one ordinary share of £1 in the Company.

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

26. Financial assets and liabilities

	Group	
	2019 £'000	2018 £'000
Financial instruments measured at fair value	6,725	6,539
Financial assets that are debt instruments measured at amortised cost	5,567	9,284
Financial liabilities measured at amortised cost	(700,240)	(707,018)

NOTES TO THE FINANCIAL STATEMENTS *continued...*

27. Net cash generated from operations

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Surplus/(deficit) for the year	25,147	25,603	(816)	(183)
Adjustments for non-cash items:				
Depreciation of housing properties	9,332	11,050	–	–
Impairment of housing properties	2,750	–	–	–
Depreciation of other fixed assets	727	695	–	–
Fair value gains on investments	(338)	(1,305)	–	–
Decrease/(increase) in properties for sale	3,759	(3,912)	–	–
(Increase)/decrease in debtors	3,561	3,878	(870)	142
(Decrease)/increase in creditors	1,201	(1,544)	1,024	877
(Decrease)/increase in other provisions	–	12	–	12
Component write offs	180	–	–	–
Grants recycled	(368)	–	–	–
Amortisation of grants	(209)	(147)	–	–
Grants released	(1,007)	–	–	–
Pension costs less contributions payable	(390)	(978)	(390)	(978)
Adjustments for non-operating items:				
Gain on disposal of housing properties	(5,915)	(6,370)	–	–
Interest receivable	(275)	(325)	–	(44)
Interest payable	29,319	33,973	349	164
Taxation	3	–	–	–
Disposal of subsidiary	–	1,029	–	–
Net cash generated from/(used by) operations	67,477	61,659	(703)	(10)

28. Leasing commitments

The future minimum lease payments of operating leases are as set out below. Leases relate to temporary housing properties leased from landlords and lease van rental.

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Operating leases expiring:				
Within one year	3,719	3,840	–	615
Between one and five years	2,491	4,313	1,350	1,623
At 31 March	6,210	8,153	1,350	2,238

29. Capital commitments

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Capital expenditure contracted for but not provided in the financial statements	82,610	68,729	–	–
Capital expenditure that has been authorised by the Board but not contracted for	152,691	97,238	–	–
At 31 March	235,301	165,967	–	–

The above commitments will be financed primarily through borrowings of £182.0m (2018: £98.0m) which are available for draw-down under existing loan arrangements (note 30), with the balance of £53.3m (2018: £67.9m) partly funded through short term investments of £1.4m (2018: £1.1m), and the issue of the remaining balance of unlisted private placement bond of £40m (2018: £100m). These commitments will additionally be supported by Social Housing Grant and income from property sales.

30. Borrowing facilities

The Group's undrawn committed borrowing facilities available at 31 March were as follows:

	Group	
	2019 £'000	2018 £'000
Expiring in less than one year	6,187	–
Expiring in more than one year but not more than two years	6,548	6,187
Expiring in more than two years	169,265	91,813
	182,000	98,000

31. Contingent assets and liabilities

The Group and Company had no contingent assets or liabilities at 31 March 2019 (2018: £nil) other than the government grant recognised in the statement of comprehensive income in the current and prior years as disclosed in note 11.

32. Subsidiaries

The following are subsidiary undertakings by virtue of the ability of the Company to control the composition of their boards or by exercising dominant influence.

Undertaking	Country of registration	Principal activity	Class of shares	% of shares held
Paradigm Homes Charitable Housing Association Limited	England	Provision of social housing	Ordinary	100%
Paradigm Commercial Plc	England	Provision of housing and other properties for rent or sale	Ordinary	100%
Paradigm Development Services Limited	England	Provision of development services	Ordinary	100%
Paradigm Maintenance Limited	England	Provision of maintenance services	Ordinary	100%
Mary Bailey-Smith Almshouses	England	Provision of almshouses	None	None

The principal place of business for the above entities is 1 Glory Park Avenue, Wooburn Green, Bucks, HP10 0DF. The results of all subsidiaries are consolidated into the results of the Group.

During the year the Company had the following intra-group transactions with its non-regulated subsidiaries:

MANAGEMENT SERVICES PROVIDED BY THE COMPANY TO:	Allocation basis	2019 £'000	2018 £'000
Paradigm Commercial Plc	Accommodation units	30	32
Paradigm Development Services Limited	Payroll costs	1,342	1,985
Paradigm Maintenance Limited	Headcount	11,229	10,517
		12,601	12,534

At 31 March the intra-group balances between these companies and Paradigm were:

	2019 £'000	2018 £'000
Paradigm Commercial Plc	–	–
Paradigm Development Services Limited	(909)	75
Paradigm Maintenance Limited	12	–

Management services provided by the Company include administration and management of financial ledgers. The year end balances of subsidiaries include debtor and creditor transactions. Interest is charged on the weighted average balance at 5% (2018: 4.4%).

NOTES TO THE FINANCIAL STATEMENTS *continued...*

33. Related undertakings

Paradigm Foundation was incorporated on 17 July 2013 and is a registered charity. All decision making is the responsibility of a board of six trustees, of whom two, Jane Harrison (left 30 June 2019) and Ewan Wallace, are employees of Paradigm. Paradigm does not control the composition of the board of Trustees of the Foundation but is the Foundation’s principal donor.

During the year Paradigm Housing Group Ltd paid donations of £nil (2018: £350,000) to Paradigm Foundation. As at 31 March 2019 the Board had committed to donate £65,000 to the Paradigm Foundation.

34. Legal status

The Company is a Community Benefit Society which was incorporated as an Industrial & Provident Society (IPS). The legislation that governs the Society is the Co-operative and Community Benefit Societies Act 2014. The regulator is the Financial Conduct Authority. The Company is also registered with the Regulator of Social Housing.



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