

# **Genesis Housing Association Limited**

## Report of the Board and Financial Statements

Community Benefit Society number 31241R  
Homes and Communities Agency registered number L4655

31 March 2018

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## THE BOARD, EXECUTIVE TEAM, COMMITTEES AND PROFESSIONAL ADVISERS

Genesis Housing Association amalgamated with Notting Hill Housing Trust on 3 April 2018. The information below relates to the Board that was in place during the period 1 April 2017 to 3 April 2018.

### THE BOARD OF GENESIS HOUSING ASSOCIATION

Dipesh Shah OBE	Non-Executive Chairman
Neil Hadden	Chief Executive – Resigned 3 April 2018
David Turner	Non-Executive Member – Resigned 3 April 2018
Stephen Bitti	Non-Executive Member
Jenny Buck	Non-Executive Member
Imani Douglas-Walker	Non-Executive Member – Resigned 3 April 2018
Stephen East	Non-Executive Member – Resigned 3 April 2018
Bruce Mew	Non-Executive Member
Colette O’Shea	Non-Executive Member – Resigned 31 August 2017
Eugenie Turton CB	Non-Executive Member
Elizabeth Froude	Deputy Chief Executive and Executive Director, Resources

### EXECUTIVE TEAM

Neil Hadden	Chief Executive – Resigned 3 April 2018
Elizabeth Froude	Deputy Chief Executive and Executive Director, Resources
Jeremy Stibbe	Executive Director, Assets and Investment

### COMMITTEES

Audit & Risk Committee	Chair – Bruce Mew
Assets Committee	Chair – David Turner – Resigned 3 April 2018
People Committee	Chair – Eugenie Turton
Treasury Committee	Chair – Stephen East – Resigned 3 April 2018
Customer Services Committee	Chair – Eugenie Turton

### COMPANY SECRETARY

Hilary Milne	Resigned 3 April 2018
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### ADVISERS TO THE GENESIS HOUSING ASSOCIATION BOARD

#### Bankers

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

#### Principal Solicitors

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

#### Auditors

BDO LLP  
55 Baker Street  
London  
W1U 7EU

**On 3 April 2018, a new Board was appointed to the amalgamated organisation, Notting Hill Genesis. The new Board is responsible for these accounts.**

**NOTTING HILL GENESIS BOARD at 30 July 2018**

Dipesh J Shah OBE	Chairman (Appointed 3 April 2018)
James Wardlaw	Senior Independent Director (Appointed 3 April 2018)
Stephen Bitti	Board Member (Appointed 3 April 2018)
Jenny Buck	Board Member (Appointed 3 April 2018)
Linde Carr	Board Member (Appointed 3 April 2018)
Jane Hollinshead	Board Member (Appointed 3 April 2018)
Bruce Mew	Board Member (Appointed 3 April 2018)
Alex Phillips	Board Member (Appointed 3 April 2018)
Richard Powell	Board Member (Appointed 3 April 2018)
Eugenie Turton	Board Member (Appointed 3 April 2018)
Kate Davies	Board Member (Appointed 3 April 2018)
Elizabeth Froude	Board Member (Appointed 3 April 2018)

**NOTTING HILL GENESIS EXECUTIVE BOARD at 30 July 2018**

Kate Davies	Chief Executive (Appointed 3 April 2018)
Elizabeth Froude	Deputy Chief Executive (Appointed 3 April 2018)
Paul Phillips	Group Finance Director (Appointed 3 April 2018)
John Hughes	Group Development Director (Appointed 3 April 2018)
Jeremy Stibbe	Group Director of Assets and Regeneration (Appointed 3 April 2018)
Andy Belton	Chief Operating Officer (Appointed 3 April 2018)
Vipul Thacker	Group Corporate Services Director (Appointed 3 April 2018)
Mark Vaughan	Group Director of Commercial Services (Appointed 3 April 2018)
Carl Byrne	Group Director of Housing (Appointed 3 April 2018)

**NOTTING HILL GENESIS COMPANY SECRETARY at 30 July 2018**

Andrew Nankivell	(Appointed 3 April 2018)
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**NOTTING HILL GENESIS REGISTERED OFFICE AND HEAD OFFICE**

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# GENESIS HOUSING ASSOCIATION

## CHAIRMAN'S REPORT

The year ended 31 March 2018 was Genesis Housing Association's final year ahead of amalgamating with Notting Hill Housing Trust, to form Notting Hill Genesis and as chair of the new organisation I am delighted to introduce this report.

Both Notting Hill Housing (NHH) and Genesis (formerly Paddington Churches) were formed more than 50 years ago to meet West London's unique housing challenges. Today, we continue to provide low-cost homes for those who need them most, but our scope has spread to cover the whole of London and significant parts of South-East England.

Notting Hill Genesis is now one of the largest housing associations in the UK, with around 64,000 homes in management and ownership and with almost 90% of those in London. Half of these homes are general needs homes on social or affordable rents. We are also the largest provider of shared ownership homes in the country with around 10,000 homes in management.

As a merged organisation, our main purpose will be to work in and with communities to provide homes for lower-income households in London and the south east. Together, we will have the financial strength to invest in our social purpose, to have quality, affordable homes in thriving communities, to provide modern and valued services, and to create great places to live. We will build 400 more homes per year as a merged entity than we would or could have done separately.

I would like to thank Neil Hadden and his Executive team for all of their work supporting the Board and our shareholders throughout the process leading to the creation of Notting Hill Genesis. Those thanks are due also to our hard-working staff, who continued to deliver 'business as usual' as well as supporting the Board, shareholders and the Executive through the merger process.

Importantly, I wish to emphasise the engagement of Genesis customers in our merger process. They have been patient with us, and many have positively got involved in the consultations we ran, whatever their own view about the merger proposal itself. Ultimately, the merged organisation was conceived with our customers in mind. The Residents' Promise, which was put together with customers themselves, articulates the vision behind Notting Hill Genesis' focus on improved outcomes and service. Our residents were and remain a powerful voice as we move forward.

Upon being appointed Chair of Genesis, I made a promise that I would talk to our shareholders in depth about our business and its future. There have been many meetings with that passionate group of people, who have, at all times, been gracious and well-informed custodians of the organisation. Their overwhelming support for the merger came with constructive challenge and useful input. My thanks go to each one of them – I look forward to continuing that engagement as their shareholdings transfer into Notting Hill Genesis.

While the merger has been an important part of our work in the period, we have got on with the job of running the business. There have been clear successes; however there have also been areas where improvement will be needed as we move into the new future.

Some of the metrics that we achieved are as follows:

- Operating surplus of £56.5m before exceptional items

- Development programme delivered 239 properties in the year
- Overall customer satisfaction of 63.4%
- Social housing cost per home (excluding landlord rents, care and support and merger costs) of £5,402
- 1.78% rent loss from empty homes

The Board made improving customer service a key area of focus. To inform thinking, I have visited staff on the ground, while working in their patches, talking with them about the challenges they face and how they deliver. I have spent time with the Genesis Customer Contact Centre, hearing for myself the issues faced. All customer-facing organisations have to rise to the challenge of securing better customer service and Genesis is no exception in needing to do better daily. I look forward to rapid progress in gaining the benefits of digital technology which will come from merging the advances being made by Genesis and Notting Hill.

The Board invested significant time and energy in the In-Depth Assessment process in the early part of the year - my colleagues on the Board deserve thanks for their engagement. The outcome wasn't quite what we hoped for in financial viability terms (V2) – but there are good and valid reasons for that.

We have continued to invest millions of pounds into the communities we serve. We have built many new homes across different tenures, including social rent, despite the withdrawal of grant from key sources.

We were expecting to reduce our operating cost per home and while we achieved our cost reduction plans, these were more than offset by exceptional factors such as the merger and costs of assessing the safety of our stock in light of the Grenfell tragedy. We are committed to delivering value for money in all parts of our business. As we embark on our integration journey, Notting Hill Genesis plans to deliver £20m of recurring savings per annum from 2020/21.

Immediately following the merger, Standard and Poor's maintained the former Notting Hill Housing rating of A+ (negative outlook) for the newly merged Notting Hill Genesis. Subsequently, Standard and Poor's has just confirmed an updated rating for Notting Hill Genesis as A (negative outlook). This reflects changes in S&P's view of the sector and its outlook which has led to downgrades for a number of Registered Providers.

Over the last year, the housing crisis and social housing in particular have been in the news as never before and remain so through the Grenfell inquiry. As of the date of this report, the full ramifications of the Grenfell tragedy for the way in which we develop new homes have yet to be worked through, but nevertheless we remain committed to producing safe, new homes on a greater scale than would have been possible before the merger. Although the government has recently committed to investing in social housing, the external environment remains uncertain, especially in London where the housing market is less robust than previously.

Our aim is to provide homes for low income people in London and beyond. We created Notting Hill Genesis to improve our financial resilience, using capacity generated to invest in new and existing homes. We will use our strength to influence decision taking in our residents' interest and to ensure that we provide quality services in the communities we serve.

**Dipesh J Shah OBE**  
Chairman  
30 July 2018

## STRATEGIC REPORT

The merger of Notting Hill Housing Trust and Genesis Housing Association was undertaken as an amalgamation without dissolution under the Co-operative and Community Benefit Societies Act 2014 part 9 on 3 April 2018. This is a legal process which means that the assets and liabilities of each entity come together to form a new community & benefit society. The following strategic report focuses on the performance of Genesis Housing Association and its subsidiaries over the year ended 31 March 2018 and refers to the future of Notting Hill Genesis.

### Principal activities of Genesis Housing Association at 31 March 2018

As one of the UK's leading housing associations, we owned or managed almost 32,000 homes across London and the East of England. Our mission is to provide quality homes and services to enable our customers to build better futures.

We combine our social purpose with a commercial approach geared to filling gaps in dysfunctional housing markets and creating value by improving the properties we own and the places in which we operate. We offer a wide range of tenures, products and services which are aimed at helping our customers meet their housing aspirations as they evolve and their circumstances change over time. We work closely with local authorities and other partners in our key areas of operation – London, Essex, Hertfordshire and East Anglia.

### Strategy and Performance against key objectives

Our Corporate Strategy comprises seven high level outcomes.

#### Improved customer satisfaction with our services

Update: 63.4% of our customers were satisfied with the services they received, against 66.2% in March 2017 and target of 70%. Figures were influenced by ongoing uncertainty surrounding cladding following the Grenfell fire and the negative publicity circulated by groups protesting about the merger. Further work is being carried out to better understand the position and improve it.

Satisfaction with the repairs service achieved 81.5% (from 79.9% in 2016/17), the fourth successive year of improvement.

#### Improved wellbeing of the communities we serve

Update: Genesis has a proud record in social and economic regeneration. Our corporate social responsibility programmes delivered a Housing Associations Charitable Trust (HACT) valuation of £5m, which is £0.6m better than target and £0.9m better than last year.

#### Concentrating on our core areas by moving out of some more peripheral locations

Update: We continue with our withdrawal from selected areas outside London, where our stock numbers are low and where other providers closer to the locality can provide better service. Total sales of empty properties and land no longer required was £33m, which was better than target of £28m.

#### Investing in more new homes

Update: We completed 239 new homes across different tenures, up from 195 in 2016/17 and better than target. There is a firm pipeline of 1,867 homes. The merger with Notting Hill will increase capacity by a further 400 homes per year.

**An engaged and high performing staff team**

Update: Our Colleague Engagement Survey, showed staff engagement to be maintained at 70% - in a year of real challenge and change. 66% of our staff now have approved personal development plans.

**Access to our services will be digital by default**

Update: The first year target of cash savings through the programme was achieved.

**Improved financial surplus through good budget management**

Update: Operating Surplus of £56.5m before exceptional items, which is higher than budget.

Key performance indicator	2017/18 Performance	2017/18 Target	2016/17 Performance
Rent collection rate over 12 months	99.8%	100%	100.2%
Current tenant rent arrears	4.0%	4.2%	4.2%
Rent loss due to voids	1.8%	1.9%	2.0%
Number of voids	197	n/a	233
Customer satisfaction overall	63.4%	70%	66.2%
Repairs satisfaction	81.5%	80%	79.9%
Homes with a valid gas certificate	99.6%	100%	99.92%
Homes started	738	1,005	474
Homes completed	239	237	195

Current tenant arrears improved for the fourth year at 4.0% (5.8% in 2014/15, 4.8% in 2015/16; 4.2% in 2016/17).

The positive trend in void loss reduction continued during the year with Void loss of 1.8% against the target of 1.9%. This is an improvement from the 2.01% void loss in 2016/17 and the 2.70% result during 2015/16.

Homes started was lower than target because of a delay to the purchase of a scheme.

**Developing our People**

We firmly believe we can only achieve our corporate goals through our people and by ensuring our employees want to do their best work for us every day. This is acknowledged by our Investors in People award. Our work in 2017/18 focused on:

- The implementation of the mentoring programme, practical leadership, shadowing procedure and Learning and Development workforce planning across the business;
- The launch of a new eLearning platform at the end of February 2018;
- A new Reward Framework that is part of an employee experience that enables us to recruit and retain the best people; and
- Advancing the Wellbeing agenda which focuses on initiatives in the three key areas of emotional, physical and financial wellbeing.

**Safeguarding our customers**

Genesis has continued to strengthen and embed its approach to safeguarding across 2017/18. Significant improvements have been put in place to empower staff to promptly and effectively, identify and respond to concerns that a child or an adult at risk is suffering, or is at risk of, abuse or neglect. These measures have driven an increase in awareness and reporting, ensuring Genesis is playing its role in keeping its customers

safe. We have also introduced a network of safeguarding leads across the business to further embed safeguarding locally.

Genesis continues to engage effectively in partnership working around safeguarding and represents all housing providers as a member of the City & Hackney Safeguarding and Tri-borough Safeguarding Adults Board. As co-chair of the Community Engagement Sub-Group in the Tri-borough we work with the community and those within it to raise awareness around safeguarding and help to keep people safe and well.

### **Modern slavery approach**

The Board is committed to upholding the provisions of the Modern Slavery Act 2015. Genesis is captured by these requirements and published its second annual statement in May 2017. Genesis has worked with its existing supply chain to establish our anti-slavery stance. This stance is communicated to all new suppliers through its inclusion in our procurement processes and contract terms. Key members of staff have attended training on Modern Slavery and this will continue to be rolled out across all staff who play a role in contract management.

### **Environmental Awareness**

Genesis is committed to minimising its environmental impact and achieving high environmental standards across its operations. Genesis progressed a number of objectives in its Sustainability Strategy:

- Major improvements have been carried out to the heat network at Larden Road, which comprise installation of a new remote metering communications system and efficiency improvements to the plant room. Further energy efficiency improvements will be rolled out across Genesis' heat networks in 2018/19
- A new energy billing provider has been appointed to deliver better customer service to customers connected to Genesis' communal heating system
- Genesis has developed comprehensive sustainability standards for its new homes, which are embedded in the new Genesis Housing Design Brief
- We are exploring how to design new homes to super energy efficiency standards, by applying Passivhaus principles to the design of a new housing scheme.

### **Health and Safety**

During the year Genesis has continued to focus on the health & safety of our customers and our staff. In 2017/18 we added significantly more resources in-house to manage and monitor our programmes in key health & safety areas such as fire, gas, asbestos, legionella and electricity. The Genesis Board continued, as it had done for two years, to monitor compliance with all key areas at each Board meeting. Genesis complied with all new requirements following the tragic events at Grenfell. In the limited instances where ACM cladding was present in property owned it has already been replaced with one exception. This property has small quantities that, although deemed low risk by our independent fire engineers, will be removed no later than Spring 2019 in line with their recommended timescales.

### **Repairs and Maintenance**

We invested significantly in our repairs programme in 2017/18 we spent £56.3m of which £26.3m was capitalised, (2016/17: £50.0m of which £25.0m was capitalised). Some of our stock is older than many other housing associations and requires investment to ensure it is to the standard our customers want and which we expect to deliver. That investment has led to a substantial programme above and beyond the 'decent homes'

standard. Further investment to ensure our stock fulfils the obligations required following the Grenfell Tower disaster are under way.

## **FUTURE PROSPECTS**

### **About Notting Hill Genesis**

From April 2018, Notting Hill Genesis is now one of the largest housing associations in the UK, with more than 55,000 homes in London and 64,000 across the south east, half of which are general needs homes on social or affordable rents. We are also the largest provider of shared ownership homes in the country with around 10,000 homes in management.

Financially, the merger has brought together two substantial organisations to make a new and stronger group. We now have combined reserves of £3.1 billion and borrowing facilities of about £4 billion. We will use this financial strength to invest in our core social purpose which is to provide homes for those on a low income in London and the South East.

We have agreed our business plan for the new organisation. The business plan is based on the following principles:

- Financial strength
- Places where residents want to live
- Services and support that our residents want
- Focussing on our core and heartland areas
- Making the best use of our homes through either investment or replacement
- Efficiency and value for money
- New homes for lower income households

## **VALUE FOR MONEY**

Genesis is committed to continuously improving VFM for our customers in all aspects of our business. One of the key high-level outcomes that our ambitious Corporate Strategy 2015-2020 is seeking to achieve is improved financial surplus through good budget management, being efficient and delivering value for money.

Going forward, plans will be delivered within Notting Hill Genesis. The merger has a VFM basis with the delivery of 400 extra homes and savings of £20m each year from 2020/21.

Our VFM reporting and analysis is now focused on the seven key metrics which are used for comparison across the sector. Performance is summarised in the following tables. The 2018/19 forecast figure is for the merged Notting Hill Genesis operation.

We have shown the Operating Margin and Return on Capital employed metrics before and after the one off, non-cash impairment adjustment of £17.5m to the Operating Surplus.

We have also shown the cost per unit before and after two adjustments. The first adjustment is to take out the cost of payments made to landlords in relation to the provision of temporary housing, which most housing associations do not incur as they do not provide temporary housing. The second is to take out the costs and units for care and support. These units incur high costs for service charges and the provision of care, for which costs are incurred which are covered by grants, not by rents. Once again, most of our peers do not provide

care and support, certainly not to the extent which Genesis does. In order to give another indication of efficiency we have also shown the cost per unit and Operating Margin of our General Needs operations.

### Key VFM Metrics

	Peer Group		Genesis		Forecast for Notting Hill Genesis 18/19
	16/17 Ave Metric	16/17 Rank	16/17 Actual	17/18 Actual	
<b>1 – Reinvestment %</b> Considers the investment in properties (existing stock as well as new supply) as a percentage of the value of total properties held.	5.5%	12	2.56%	3.14%	11.43%
<b>2 – New supply delivered %</b> Number of new social housing and non-social housing homes that have been acquired or developed in the year as a proportion of total social housing and non-social housing homes owned at period end.	1.75%	13	0.25%	0.5%	2.49%
A. New supply delivered (Social housing homes)					
B. New supply delivered (Non-social housing homes)	11.53%	2	9.92%	6.2%	27.97%
<b>3 – Gearing %</b> Assesses how much of the assets are made up of debt and the degree of dependence on debt finance.	41.5%	4	45.6%	45.8%	52.55%
<b>4 – Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover %</b> A key indicator for liquidity and investment capacity. Measures the level of surplus generated compared to interest payable.	176%	12	67.0%	50.4%	150%
After adjusting for merger cost				79.5%	
<b>5 – Headline social housing cost per unit</b> The headline social housing cost per unit as defined by the regulator.	£4,199	13	£7,201	£7,727	£6,295
Adjusted for rents payable to landlords, supported housing and merger costs (breakdown on page 10)		8	£4,948	£5,402	
<b>6 – Operating Margin %</b> Demonstrates the profitability of operating assets before exceptional expenses are taken into account. Increasing margins are one way to improve the financial efficiency of a business.					
A. Operating Margin (social housing lettings only)	34.6%	13	19.63%	17.8%	30.21%
Operating Margin General Needs only	35.6%	9	32.1%	34.4%	

B. Operating Margin (overall)	32.4%	13	19.98%	11.99%	27.07%
After adjusting for impairment and merger costs				18.2%	
<b>7 – Return on capital employed (ROCE) %</b> Compares the operating surplus to total assets less current liabilities. An assessment of the efficient investment of capital resources.	4.1%	13	2.39%	2.39%	2.4%
After adjusting for impairment and merger costs				3.0%	

The peer group used is the G15 group of large London RPs, which for 2016/17 comprised 13 members. Some of the metrics have been redefined and the benchmarking figures have been shown on the new basis where possible.

Performance on delivery of new homes and investment in existing homes is good and improving. 111 social homes were delivered in the year and 128 non-social homes, making a total of 239 homes. This was slightly higher than target. At the end of the year there were 1,867 homes being developed of which 455 were for social rent and 628 for low cost home ownership and the remainder for market activities. Interest payments were also higher as a result of loan breakage costs of £16m in advance of the merger.

### Breakdown of Social Housing Cost per Unit

#### 1. Before adjustment

Cost per home (£)	2016/17 Peer Group	2016/17 Peer Group Rank	2016/17 Actual	2017/18 Actual	Forecast for Notting Hill Genesis 18/19
Management	1,008	13	2,813	3,127	1,814
Service charges	619	13	1,003	1,034	973
Maintenance	1,231	3	918	1,133	957
Major repairs	732	9	918	993	890
Other (mainly landlord rents)	609	12	1,549	1,439	1,661
<b>Total</b>	<b>4,199</b>	<b>13</b>	<b>7,201</b>	<b>7,727</b>	<b>6,295</b>

#### 2. After adjustment for Landlord Rents and Care and Support and merger costs

Cost per home (£)	2016/17 Actual	2017/18 Actual
Management	2,405	2,553
Service charges	639	701
Maintenance	880	1,058
Major repairs	1,024	1,104
Other	-	-
<b>Total</b>	<b>4,948</b>	<b>5,402</b>

As outlined above, Genesis costs tend to be higher than others in the sector. This is due to three main factors. The first is the high proportion of Supported Housing. The cost of these activities was £39.5m, which is partly funded by £19m of service charge income and grants. Secondly, a large portfolio of temporary housing brings with it landlord rent costs of £36.8m. These costs reward the landlords for ownership rather than management and increase our total cost per unit by £1,439. Finally, Genesis manages a large proportion of stock in London. This is estimated to increase costs by around 18% relative to those operating elsewhere, using factors issued by the Regulator.

It was expected that costs would reduce in 2017/18 and a lot of hard work was put in by all concerned to follow the plans and targets which had been set. The planned cost reductions were achieved but unfortunately were more than offset by several one-off factors. These include merger costs of £2.6m and additional maintenance costs incurred assessing the possibility of impact on our stock of lessons learned from the Grenfell fire. There are also some costs which relate to decisions to invest in the future. The cost of IT has increased significantly due to investment in digital technology which will bring enhanced customer experience and lower operating costs in the future.

These increases in costs have also impacted on some of the other financial metrics.

### **Return on assets**

The Asset and Investment strategy continued in the year. A total of 107 homes were sold as well as a piece of land (sold to Notting Hill Home Ownership) and an office property which was no longer required.

We are aware that returns from the commercial operations are lower than would be expected. This will be addressed as part of the transition to a merged operation which will see the whole Notting Hill Genesis portfolio managed together using a commercial focus. The same applies to temporary accommodation and supported housing.

### **Wider Performance**

There are metrics and commentary elsewhere in the Strategic report which explain the wider performance of Genesis over the year and which reflect the hard work and success which has been achieved.

## **FINANCIAL SUMMARY AND REVIEW**

### **Group Surplus**

Our core operating surplus improved again from £52.8m to £56.5m. We improved on the overall surplus, sale of assets and financing costs when compared with 2016/17.

Taken overall, the result was as set out in the table below.

**Core Result for Genesis Housing Group**

Description	£m 2017/18	£m 2016/17
Surplus from social housing lettings	44.6	47.2
Surplus from other rental activities	4.4	2.2
<b>Surplus from rental activities</b>	<b>49.0</b>	<b>49.4</b>
Surplus from outright sales and shared ownership first tranche	7.5	3.4
<b>Core operating surplus</b>	<b>56.5</b>	<b>52.8</b>
Surplus from sales of assets	42.8	27.1
Net financing costs	(60.6)	(63.0)
Fair value movements	17.2	1.5
Taxation	(2.6)	(0.2)
<b>Surplus for the year</b>	<b>53.3</b>	<b>18.2</b>

**Exceptional Items**

As part of the negotiations to complete the amalgamation with Notting Hill Housing Trust, it was necessary to break an embedded fixed rate loan before 31 March 2018. Because it was embedded, the mark to market position had not previously been recognised as a liability in the accounts, so the cost of £14.6m had to be recognised in the financial statements for 2017/18, together with £1.4m of other costs incurred as a result of the funding arrangements related to the merger.

In addition, following a review of the value of our schemes under development and existing stock, it was necessary to impair the value by a total of £17.5m on the basis of the current commercial tenure mix.

These two items led to a net cost in 2017/18 of £33.5m. The actuarial surplus on pension schemes and fair value movements on financial hedges produced an additional surplus of £19.8m leading to an overall total comprehensive income for the year of £39.6m.

**Group statement of financial position**

	2018 £m	2017 £m
Tangible fixed assets and investments	3,313.9	3,224.6
Current assets	224.5	240.4
Creditors and liabilities	(2,718.5)	(2,684.7)
<b>Total reserves</b>	<b>819.9</b>	<b>780.3*</b>

\* The 2017 figure has been restated following the prior year adjustments detailed in Note 40.

## Investment in our assets

During the financial year we completed 239 homes:

- Market rent 61
- Shared ownership 105
- Social rent 6
- Affordable rent 37
- Outright sale 30

Delivering around 5,000 new homes over the next five years was one of the main aims of our Corporate Strategy, which has now been absorbed into the Notting Hill Genesis strategy. Genesis was an investment partner under the Homes and Communities Agency's and the Greater London Authority's National Affordable Housing Programme (NAHP). We had also been appointed as the Registered Provider for the Woodberry Down regeneration scheme in Hackney and are committed to the Grahame Park regeneration scheme in Barnet. Grahame Park is the largest Registered Provider-led regeneration scheme in the UK. We are also members of the Homes and Communities Agency's Delivery Partner Panel (DPP) for London and the South East.

As at 31 March 2018 we held:

- £306.8m (2017 £261.6m) of development work in progress
- Homes under development: 1,867 (2017 1,383)
- Value of land held for development: £nil (2017 £6.6m)

## Cash flow

Genesis carries out a regular review of cash flow risk as part of its risk management procedures. The key elements of cash flow risk are fluctuations in interest rates, the availability of loan finance and property sales receipts.

The cash flow statement position is that during the year, Genesis has a net cash inflow of £13.6m (2017: £48.6m outflow) and made net interest payments of £69.2m (2016: £67.7m).

## Liquidity

Genesis' treasury policy relating to liquidity was to hold sufficient cash to meet six months' cash requirements, and to have sufficient cash and committed loan facilities to cover the sum of (i) the next twelve months' cash requirement; and (ii) the next twelve months' cash requirement adjusting for a 50% reduction in sales income and cash collateral shortfalls on financial instruments resulting from a 50 basis point parallel adverse (typically downward) shift in the yield curve.

Short-term balances are primarily placed in money market funds and short-term bank deposits, with residual amounts placed with Genesis' clearing bank from which Genesis has also borrowed. Genesis operated strict investment guidelines with respect to surplus cash with the emphasis on the preservation of capital.

As at 31 March 2018, Genesis had cash balances of £81.2m (2017: £67.6m).

## Financing

At 31 March 2018, total net borrowings were £1,590m from available net facilities of £1,909m (2017: total net borrowings were £1,533m from available net facilities of £1,772m). Borrowings include a £250m bond issued

by the Group in the capital markets in 2009 and 2012. At the same date, we had cash balances of £81.2m (2017: £67.6m) in addition to £319m (2017: £239m) of secured loan facilities available to draw down.

Debt drawn down per unit has increased during the year. It is projected that debt per unit will increase in the coming years as we deliver our development programme.

Our re-financing risk is considered to be low with 81% (£1,287m) (2017: 85%: £1,294m) of debt due for repayment in more than 5 years.

Exposure to interest rates is managed through the use of standalone and embedded hedges. At 31 March 2018, £177.0m (2017: £340.5m) of standalone interest rate swaps were outstanding, with an average maturity of 6.5 years. Genesis' total hedged position at 31 March 2018 (consisting of fixed, capped and RPI linked interest rates) was £924m, representing 58% of the total borrowings (2017: £1,216m; 80% of total borrowing).

#### **Credit rating**

As at 3 April 2018, Genesis had a credit rating of A- by Standard and Poor's and a credit rating of Baa2 by Moody's. Both were on a negative outlook. Subsequent to the merger, Standard & Poor's issued a rating of A+ (negative outlook). Notting Hill Genesis did not seek a rating from Moody's, but Moody's have continued to maintain an unsolicited rating on the bonds issued by the former Genesis group, which currently stand at Baa1 (stable outlook).

## **GOVERNANCE**

#### **Board Membership**

At 31 March 2018 the Board comprised eight non-executive and two executive members, the Chief Executive and the Deputy Chief Executive/Executive Director of Resources. All Board members had the same legal status and shared responsibility equally for decisions taken.

Board members were appointed through an open and transparent recruitment process based on the Board's considered view of the skills and attributes required to discharge its function effectively. Members were appointed for a term of three years and may serve no more than three consecutive terms. The Chair was appointed for a maximum of two three-year terms. It was the Board's policy that appointments were always based on merit. The principle of boardroom diversity was strongly supported by the Board and diversity was a key consideration in the recruitment process.

The Notting Hill Genesis Board from 3 April 2018 has 10 non-executive members plus two executives.

#### **Board and Committee focus**

The Board was responsible for the governance of Genesis' affairs. Its role was to lead, direct, control, scrutinise and evaluate the organisation's work. During the year key issues considered by the Board included:

- The proposed amalgamation of Genesis Housing Association with Notting Hill Housing Trust which was discussed at every board meeting. Board Members scrutinised:
  - the options for route to merger;
  - resident and shareholder feedback on the amalgamation proposals;
  - detailed internal and external due diligence;
  - future financial and business plans; and
  - key risksto aid them in evaluating the benefits or otherwise of the merger.

- The implementation of additional risk management measures following the tragic fire at Grenfell Tower
- The adoption of a new five-year Assets and Investment Strategy to optimise the value of Genesis' assets in order to build more homes
- Progress on key performance indicators in including customer satisfaction with repairs.

The Board delegated specific responsibilities to five Board Committees.

<u>Committee</u>	<u>2017/18 Focus</u>
Assets Committee	<ul style="list-style-type: none"> <li>• Monitored the group's exposure to committed development project expenditure, liquidity and financial performance.</li> <li>• The development of Old Oak Common in the London Borough of Hammersmith and Fulham. The site offers an excellent regeneration opportunity for Genesis as it is strategically positioned at the entrance of one of the most important regeneration sites in London.</li> <li>• Planned future phases of the Grahame Park regeneration project.</li> </ul>
Audit and Risk Committee	<ul style="list-style-type: none"> <li>• Reviewed the internal control and risk management framework.</li> <li>• Received regular reports on Internal Audit findings, financial reporting, risk management and insurance.</li> <li>• Placed particular emphasis on internal and external audit recommendations and management's implementation of responses to recommendations.</li> </ul>
Customer Services Committee	<ul style="list-style-type: none"> <li>• Oversight and assessment of the impact of the delivery and implementation services to Genesis customers.</li> <li>• Service delivery and quality.</li> </ul>
People Committee	<ul style="list-style-type: none"> <li>• Led the process of appointing a new resident Board member and a new non-executive member.</li> </ul>
Treasury Committee	<ul style="list-style-type: none"> <li>• Reviewed of the adequacy and effectiveness of the organisation's Long Term Financial Plan and treasury policies</li> </ul>

**Customer accountability/involvement**

We have a wide range of mechanisms for customer participation including Board level representation, scrutiny and consultative panels, local resident and topic-focused groups. Our work in 2017/18 focused on:

- Improving our complaints process with a Customer Scrutiny Panel review of complaints feeding into a wider project which had customer representation on the project steering group;

- Reviewing the role of regional committees with our residents. As a result we moved away from the regional structure and launched a co-creation steering group. This group gives customers oversight of a range of projects and provides opportunities to be involved in their scrutiny and delivery;
- Wide-spread engagement with and involvement in the merger process through surveys, meetings, focus groups and estate walkabouts leading to the development of a 'Resident Promise' that will be central to the success of the new organisation; and
- Continuing our engagement work in Care and Support with customer involvement in the procurement of new catering contracts and the appointment of new staff as part of interview panels.

### **Code of Governance**

The Board has complied with the NHF Code of Governance during the reporting period. In fulfilling its obligations under the Code, the Board makes use of good practice drawn not only from guidance to that Code but also, as part of its continuing commitment to transparency, to the UK Corporate Governance Code. The Board aims to continue to reflect corporate governance best practice.

### **Political and Charitable Contributions**

Genesis supports three charities with organisational support behind fundraising drives. The charities supported are:

- The Sick Children's Trust (they provide free, high-quality 'Home from Home' accommodation, as well as emotional and practical support to families with sick children in hospital in the UK)
- East Anglia Children's Hospices (supporting families facing terminal illness across Norfolk, Cambs and Suffolk)
- Open Age (champions an active lifestyle for the over 50s)

These three charities each have a housing connection and are active in the areas where our residents and customers live their lives.

Last financial year saw staff efforts raise £6,000. This money is split equally between the charities and match-funded by Genesis, thereby doubling the contribution.

The Genesis Community Foundation (a subsidiary of GHA and a registered charity) was set up to set up to run a series of social regeneration and community projects in London and the South East. During 2017/18 we:

- disbursed £125,125 in on projects that were awarded funding in previous years.
- awarded £24,400 of new funding.

Genesis made no political contributions during 2017/18.

### **RISK AND INTERNAL CONTROLS**

The Board has overall responsibility for establishing and monitoring the system of internal controls, reviewing its effectiveness and taking necessary action to remedy any significant failings or weaknesses identified in its review.

The Board recognises that the system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. Genesis' systems are designed to provide the Board with reasonable assurance that problems are identified on a timely basis and dealt with appropriately, that assets are

safeguarded against unauthorised use or disposition, that proper accounting records are maintained, and that the financial information used within the business or for publication is reliable.

Genesis has a multi-tiered internal control framework which sets out how actions and decisions should be taken, and which ensures that compliance is effectively assessed. Our Governance Structure sets out the operating boundaries and defines the activities of the Board, committees, subsidiary organisations and the executive team. Our Scheme of Delegation sets out who has authority to do what at an operational level and those authorities are embedded in our key financial and management systems

Genesis has an embedded risk management structure which involves an ongoing process to identify, evaluate and manage operational and strategic risks faced by the Group. The process provides assurance to successive levels of management that risks, and controls are being properly identified, and material risks can be escalated up to Board level for consideration as required.

The Audit and Risk Committee and the Board receive quarterly updates on strategic business risks which are owned by Executive Directors.

Each directorate within Genesis maintains its own risk register. These are reviewed quarterly and summary reports including operational risks that cut across the business are considered by the Senior Leadership Team.

Our risk management strategy includes a risk appetite statement which sets out the risk and opportunity boundaries agreed by Genesis' Board. There are specific quantitative boundaries (relating mainly to development, finance and investment) and qualitative boundaries (relating to the degree of risk taking and innovation tolerated by the Board in relation to our key business objectives).

**Key risks and mitigation strategies**

The key strategic risks facing Genesis as at March 2018 and the principal associated mitigation measures are set out below:

<u>Risk</u>	<u>Key Controls</u>
Failure to meet H&S requirements in relation to gas, fire, water/legionella, asbestos and electricity leading to business, reputational and regulatory damage	<ul style="list-style-type: none"> <li>• Gas compliance figures are reported to each board meeting, each Health &amp; Safety (H&amp;S) Committee and each Executive meeting</li> <li>• Fire (FRA), Electricity (EICR), Water (WRA) and Asbestos compliance figures (surveys and actions) reported to each board meeting, each Health &amp; Safety (H&amp;S) Committee and each Executive meeting</li> <li>• New Compliance Team in place</li> <li>• 2017/18 compliance survey and remedial programmes in place</li> <li>• DCLG Guidance followed (post -Grenfell)</li> </ul>
Universal credit roll out results in loss of income, growing arrears and impacts cashflow of the business	<ul style="list-style-type: none"> <li>• Strengthened approach to income and arrears collection</li> <li>• Working closely with local authorities to capture customer data and secure access to Discretionary Housing Payments (DHP)</li> <li>• Targeted support to customers is in place; this</li> </ul>

	<p>includes arrears intervention, tenancy support and financial inclusion support to Universal Credit claimants</p> <ul style="list-style-type: none"> <li>• Compliance with legislation governing rent setting and increases</li> <li>• Allocations and lettings policy on properties without nomination agreements and non - grant funded properties</li> </ul>
<p>Brexit Given the vote to leave the EU and uncertainties relating to that:</p> <ul style="list-style-type: none"> <li>▪ The property market falls, negatively impacting our sales assumptions including in relation to void sales as the buy-to-let market shrinks</li> <li>▪ Lending is restricted, with a knock-on effect on our ability to borrow to build more homes</li> <li>▪ Our workforce supply, specifically for Care and Support and keyworker, is adversely affected by a lack of clarity on who will be able to stay in the UK and there is a resultant negative effect on business streams</li> <li>▪ There is an increase in racial harassment in our communities</li> <li>▪ Managing the portfolio becomes more complex given the likely different geographical impact on London verses the rest of the UK</li> <li>▪ Wider political uncertainties as a result of Brexit (e.g. change of government)</li> <li>▪ Money laundering</li> </ul>	<ul style="list-style-type: none"> <li>• As a response to cumulative exposure, quarterly review of sales exposure with advice from JLL (property experts)</li> <li>• Treasury policy governing how and when new funding is raised; Only commit to new developments when funding is in place</li> <li>• Understand current workforce status - staff identified who could potentially be affected if their right to work in the UK changes</li> </ul>
<p>Genesis' stock is not in the condition that would be expected and incur unforeseen liability would be incurred as a result of insufficient data or poor quality data</p>	<ul style="list-style-type: none"> <li>• Rolling programme of stock condition surveys which cover 20% of GHA stock annually</li> <li>• Survey used to build our stock investment programme. 5 year rolling investment programme in place for existing stock</li> </ul>
<p>Insurance loss ratios continue to worsen and as a result our premiums rise further and/or Genesis become uninsurable</p>	<ul style="list-style-type: none"> <li>• Insurance Premium Reduction Plan incorporating improved business awareness, record keeping and claim reduction</li> <li>• Robust process support and data management/collection to enable improved claim repudiation</li> </ul>
<p>Failure to meet safeguarding, other duty of care standards leading to business, reputational and regulatory damage including:</p> <ol style="list-style-type: none"> <li>a. CQC</li> <li>b. data protection</li> <li>c. information and cyber security</li> </ol>	<ul style="list-style-type: none"> <li>• Safeguarding Strategy in place incorporating:             <ul style="list-style-type: none"> <li>- Communications</li> <li>- Mandatory and bespoke training</li> <li>- Staff one to ones</li> <li>- Safeguarding committee</li> <li>- Board and Executive reporting</li> </ul> </li> <li>• Data Protection - mandatory and bespoke training</li> <li>• Cyber Security Strategy in place</li> </ul>

	<ul style="list-style-type: none"> <li>• System access controls in place</li> <li>• Achieve and maintain ISO 27001 and PCI accreditation</li> </ul>
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**Internal controls performance and effectiveness**

Genesis' internal auditors (KPMG LLP) assessed the effectiveness of internal controls in mitigating Genesis' exposure to risk.

The internal control framework is designed to identify, evaluate and manage significant risks to GHA. The Board has received the Executive Directors' annual report on internal control assurance, reviewed the main policies designed to provide effective internal control, reviewed the fraud register which indicates whether the Regulator of Social Housing has been notified of any frauds identified, and reflected the information contained within it in its review.

The Board confirms that during the year there were no identified weaknesses in internal controls which resulted in material losses, contingencies or uncertainties that require disclosure in the financial statements or in the report of the auditor.

**Fraud and Anti-Corruption**

Genesis is committed to maintaining the highest possible ethical standards in all of its business activities. An Anti-Fraud Policy is in place covering the prevention, detection, investigation and reporting of fraud and any remedial action to prevent a recurrence. All cases of fraud and attempted fraud are reported to the Executive Team and to the Audit & Risk Committee.

The fraud register is reviewed by the Audit & Risk Committee every quarter.

Genesis' Anti-Bribery Policy makes clear that we have zero tolerance of any form of bribery. The Policy sets out Genesis' rules and expectations regarding the acceptance of gifts and hospitality.

Genesis operates a Whistleblowing Policy that enables employees and others to express any serious concerns regarding suspected misconduct or malpractice going on within the organisation.

Genesis is aware of its responsibilities with regard to detecting and reporting money laundering. Genesis' Anti-Money Laundering policy was revised and re-issued in February 2017.

**COMPLIANCE**

**Statement of Board Responsibility**

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

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

The financial statements are required by law to give a true and fair view of the state of affairs of the group and the association and of the surplus or deficit of the group and the association for that period.

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

- select suitable accounting policies and then apply them consistently;

- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statements of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015 and the Registered Social Landlords Determination of Accounting Requirements 2012.

The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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

#### **Regulation**

The Board is required to formally certify compliance with the Regulator of Social Housing's Governance and Viability standard and supporting Code of Practice on an annual basis. A detailed, evidence based assessment against each element of the new Standard and Code was carried out in preparation for making a statement of compliance to the Board. The Board approved the statement and formally certified its compliance with the Standard and Code at its meeting on 13 March 2018.

#### **DISCLOSURE TO THE AUDITORS**

##### **Going Concern**

Following the amalgamation event on 3 April the Board of Notting Hill Genesis have reviewed and approved the Genesis budget for 2018/19 and thirty year financial plan with cash flow forecasts. These have been combined with that of Notting Hill Housing to form a new budget and financial plan for the merged entity. Although Genesis Housing Association will not continue to exist in its current form it nevertheless continues its existence through Notting Hill Genesis.

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 reflecting the continued operation of the Genesis business as part of the merged entity.

##### **Disclosure of information to auditor**

In so far as each Member of the Board is aware:

- There is no relevant audit information of which the company's auditors are unaware; and
- Members of the Board have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that auditors are aware of that information.

##### **Appointment of external auditors**

BDO LLP are the current auditors. PwC are the auditors for Notting Hill Housing Group. A review of the external audit arrangements will commence shortly.



By order of the Board  
**Dipesh Shah OBE**  
Chairman

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GENESIS HOUSING ASSOCIATION LIMITED**

### **Opinion**

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

In our opinion, the financial statements:

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

### **Basis for opinion**

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

### **Conclusions relating to going concern**

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

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

### **Key audit matters**

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

### ***Net realisable value of housing properties developed for sale***

A number of housing properties developed for sale were under construction at the year-end. As explained in note 3 to the financial statements, for all housing properties developed for sale, management performed a review of their net realisable value at the year end.

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

#### ***Our response to the risks identified:***

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

The expected proceeds are based on either known amounts from exchanges and reservations for units or from valuation estimates, depending on the status of the development. For a sample of the expected proceeds from the sale of such properties we have agreed the amounts involved to third party property valuations. We considered the valuers independence and professional qualifications as well as the potential impact of the passing of time between the date of the valuation and the financial year end.

Sensitivity analysis was performed to determine the point at which a uniform reduction in anticipated sales prices or a rise in costs to complete would result in a material misstatement. Thresholds necessary to generate a material misstatement were in excess of levels that based on testing would trigger further testing.

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

Our testing included one scheme for which management had recognised a provision to write down costs incurred of £2.3m. Our testing included verification of the valuation attributed to the scheme, consideration of their independence and professional qualifications and discussions with the valuer.

### ***Impairment of housing properties and investment properties***

As summarised in note 3 the housing property portfolio for the Group is assessed for indicators of impairment at each balance sheet date. Where indicators are identified then a detailed assessment is undertaken to compare the carrying amounts of assets or cash-generating units for which impairment is indicated to their recoverable amount.

Due to the level of judgement involved in identifying indicators of impairment and the subsequent estimation of recoverable amounts, whether through sale or use, we consider the impairment of housing properties to be the most significant risk of material misstatement and therefore a key audit matter.

#### ***Our response to the risks identified:***

We obtained management's assessment of impairment, as presented to the Board of Genesis Housing Association and subsequently Notting Hill Genesis. This assessment set out their determination of indicators of impairment as guided by paragraph 14.6 of the Social Housing SORP.

For completed housing properties held for letting we obtained a summary of voids in the year and determined the basis of each void. Other indicators of potential impairment was also assessed.

For completed low cost home ownership (LCHO) properties the gross profit margin from staircasing sales in the year was determined with no indicator of impairment.

In relation to housing properties under construction one scheme was identified as budgeted to generate a negative net present value (NPV) and had now forecast to decline further. This mixed tenure scheme was assessed by management with those properties being developed for market rent, disclosed within investment properties, impaired by £14.0m. The fair value of these properties was agreed to a third party property valuation. We also considered the valuers independence and professional qualifications.

For one scheme where planning has not been granted we evidenced ongoing discussions with the GLA and considered the feasibility of a revised proposal to meet both the requirements of the GLA and to generate a positive return, and hence support the continued inclusion of land and pre-planning costs of £10m within the Group balance sheet.

For properties expected to be sold subsequent to the end of the financial year an indicator of potential impairment exists. Management compared the carrying amount of individual properties to their Value in Use for Service Potential, using depreciated replacement cost (DRC) as a basis. Properties with a higher carrying amount have been impaired down to their value in use.

We considered the appropriateness of key assumptions adopted by Management when calculating NPV and the use of RICS standard build cost tables to calculate DRC. Comparison was made between the discount rate assumption and the Group's current weighted average cost of debt, assumptions associated with changes to rental income were compared to the annual rent adjustments set by the regulator and property maintenance and repair costs used to calculate NPV were compared to actual costs per unit incurred in the year. In relation to RICS standard build cost tables, we considered their independence and professional competences and the size and spread of schemes used to create this information.

### **Our application of materiality**

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

We determined materiality for the financial statements as a whole to be £53.3m (2017 - £52.4m) which represents 1.5% of total assets (2017 - 1.5% of total assets).

We also apply a specific materiality level for all items comprising operating profit (including related disclosures) as that term is defined for the purposes of the entities lending covenants. This therefore involves adjusting operating profit for depreciation, amortisation, impairment and the net profit/loss on first tranche sale properties. The specific materiality level that we applied was £3.9m (2017 - £3.8m), which is 5.0% of adjusted operating profit. (2017 - 5.0%).

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

Materiality for the parent entity was set at £53.2m (2017 - £52.0m) with a specific materiality set at £3.9m (2017 - £3.8m).

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at 56% (2016 - 63%) of materiality or specific materiality depending on the financial statement area being audited. In setting the level of performance materiality. We considered a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.

We agreed with the Audit Committee that misstatements in excess of £1.0m for areas considered using financial statement materiality and £0.1m for areas considered using specific materiality (2017 - £1.0m / £0.1m), which were identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

## **An overview of the scope of our audit**

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

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

## **Classification of components**

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

Audit work on all significant components was performed by BDO UK both for the purposes of reporting on the individual financial statements and for group/consolidation purposes. Individual component audits were carried out using component materiality levels appropriate to each particular entity and the materiality levels used ranged from 0% to 100% of overall financial statement materiality.

## **Other information**

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

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

We have nothing to report in this regard.

## **Matters on which we are required to report by exception**

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

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

## **Responsibilities of the board**

As explained more fully in the board members responsibilities statement set out on pages 18 and 19, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

### **Other matters**

Following the recommendation of the audit committee, we were appointed by the board 3 April 2017 to audit the financial statements for the year ending 31 March 2017 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the years ending 31 March 2017 to 31 March 2018.

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

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

### **Use of our report**

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



Phil Cliftlands, Senior Statutory Auditor  
For and on behalf of BDO LLP, Statutory Auditor  
55 Baker Street  
London  
W1U 7EU  
London  
United Kingdom

Date: 31 July 2018

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

**Consolidated Statement of Comprehensive Income**  
*Year ended 31 March 2018*

	Note	Group 2018 £m	Exceptional items	Group 2018 £m	Group 2017 £m
Turnover	4, 5	324.5	-	324.5	264.3
Cost of sales	4, 5	(53.6)	-	(53.6)	(7.3)
Gross surplus		270.9		270.9	257.0
Operating costs (including exceptional impairment)	4, 5	(214.4)	(17.5)	(231.9)	(204.2)
<b>Operating surplus</b>		56.5	(17.5)	39.0	52.8
Surplus on sales of properties	10	42.8	-	42.8	27.1
Gift aid receivable		-	-	-	-
Interest receivable and similar income	11	0.2	-	0.2	0.2
Interest payable and similar charges	12	(59.8)	-	(59.8)	(62.2)
Other finance costs	13	(1.0)	(16.0)	(17.0)	(1.0)
Movement in fair value of ineffective hedged financial instruments	31	9.3	-	9.3	(4.2)
Movement in fair value of investment properties	17	7.9	-	7.9	5.7
<b>Surplus before taxation</b>		55.9	(33.5)	22.4	18.4
Taxation	14	(2.6)	-	(2.6)	(0.2)
<b>Surplus for the year</b>		53.3	(33.5)	19.8	18.2
<b>Other comprehensive income</b>					
Actuarial surplus/(loss) in respect of pension schemes	33	14.9	-	14.9	(1.5)
Movement in fair value of effective hedged financial instrument	31	4.9	-	4.9	5.2
<b>Total comprehensive income for the year</b>		73.1	(33.5)	39.6	21.9

**Statement of Comprehensive Income**  
*Year ended 31 March 2018*

	Note	Association	Exceptional items	Association	Association
		2018 £m		2018 £m	2017 £m
Turnover	4, 5	326.8	-	326.8	263.2
Cost of sales	4, 5	(56.5)	-	(56.5)	(6.2)
Gross surplus		270.3		270.3	257.0
Operating costs (including exceptional impairment)	4, 5	(214.1)	(17.5)	(231.6)	(204.0)
<b>Operating surplus</b>		56.2	(17.5)	38.7	53.0
Surplus on sales of properties	10	39.0	-	39.0	26.0
Gift aid receivable		3.5	-	3.5	-
Interest receivable and similar income	11	2.3	-	2.3	2.0
Interest payable and similar charges	12	(61.4)	-	(61.4)	(63.8)
Other finance costs	13	(1.0)	(16.0)	(17.0)	(1.0)
Movement in fair value of ineffective hedged financial instruments	31	9.3	-	9.3	(4.2)
Movement in fair value of investment properties	17	8.0	-	8.0	5.9
<b>Surplus before taxation</b>		55.9	(33.5)	22.4	17.9
Taxation	14	(2.6)	-	(2.6)	(0.2)
<b>Surplus for the year</b>		53.3	(33.5)	19.8	17.7
<b>Other comprehensive income</b>					
Actuarial surplus/(loss) in respect of pension schemes	33	14.9	-	14.9	(1.5)
Movement in fair value of effective hedged financial instrument	31	4.9	-	4.9	5.2
<b>Total comprehensive income for the year</b>		73.1	(33.5)	39.6	21.4

All amounts relate to continuing operations.  
The notes of pages 33 to 79 form part of these financial statements.

**Statement of Financial Position**  
*Year ended 31 March 2018*


	Note	Group 2018 £m	Group 2017 £m	Association 2018 £m	Association 2017 £m
<b>Fixed assets</b>					
Tangible fixed assets - housing properties	15	3,104.3	3,069.2	3,105.1	3,069.3
Tangible fixed assets - other	16	30.2	30.0	30.2	30.0
Investment properties	17	171.6	120.5	162.6	111.7
Investments - listed at market value	18	2.5	2.4	-	-
Investment - in subsidiaries	19	-	-	0.9	0.9
Investments - Jointly controlled entities	20	5.3	2.5	5.3	2.5
		<u>3,313.9</u>	<u>3,224.6</u>	<u>3,304.1</u>	<u>3,214.4</u>
<b>Current assets</b>					
Stock	21	58.0	91.1	47.7	74.1
Debtors - receivable within one year	22	35.5	44.2	55.3	60.0
Debtors - receivable after one year	22	7.3	4.0	7.3	4.0
Investments	23	42.5	33.5	42.5	33.5
Cash and cash equivalents		81.2	67.6	59.5	55.6
		<u>224.5</u>	<u>240.4</u>	<u>212.3</u>	<u>227.2</u>
<b>Creditors: amounts falling due within one year</b>	24	<u>(136.0)</u>	<u>(143.3)</u>	<u>(115.4)</u>	<u>(125.2)</u>
<b>Net current assets</b>		<u>88.5</u>	<u>97.1</u>	<u>96.9</u>	<u>102.0</u>
<b>Total assets less current liabilities</b>		<u>3,402.4</u>	<u>3,321.7</u>	<u>3,401.0</u>	<u>3,316.4</u>
<b>Creditors: amounts falling due after more one year</b>	25	<u>(2,563.5)</u>	<u>(2,507.1)</u>	<u>(2,573.5)</u>	<u>(2,513.2)</u>
<b>Provisions for liabilities</b>	32	<u>(1.0)</u>	<u>(1.4)</u>	<u>(1.0)</u>	<u>(1.4)</u>
<b>Net assets excluding pension liability</b>		<u>837.9</u>	<u>813.2</u>	<u>826.5</u>	<u>801.8</u>
Pension liability	33	<u>(18.0)</u>	<u>(32.9)</u>	<u>(18.0)</u>	<u>(32.9)</u>
<b>Net assets</b>		<u><u>819.9</u></u>	<u><u>780.3</u></u>	<u><u>808.5</u></u>	<u><u>768.9</u></u>
<b>Reserves</b>					
Cash flow hedge reserve		(17.4)	(22.3)	(17.4)	(22.3)
Income and expenditure reserve		420.1	381.2	411.3	372.4
Revaluation reserve		414.2	418.3	414.5	418.6
Restricted reserve		3.0	3.1	0.1	0.2
		<u>819.9</u>	<u>780.3</u>	<u>808.5</u>	<u>768.9</u>

The notes on pages 33 to 79 form part of these financial statements.

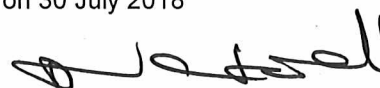
The financial statements were approved by the Board and authorised for issue on 30 July 2018



Dipesh Shah  
Chairman



James Wardlaw  
Senior Independent Director



Andrew Nankivell  
Secretary

**Consolidated Statement of Reserves**  
*Year ended 31 March 2018*  
**Group**

	Income and expenditure reserve £m	Revaluation reserve £m	Restricted reserve £m	Cash flow hedge reserve £m	Total reserves £m
Balance at 1 April as previously reported	388.9	418.3	3.1	(22.3)	788.0
Prior year adjustments (Note 40)	(7.7)	-	-	-	(7.7)
Balance at 1 April 2017	381.2	418.3	3.1	(22.3)	780.3
Surplus for the year	19.9	-	(0.1)	-	19.8
Actuarial (losses)/gains on defined benefit pension scheme	14.9	-	-	-	14.9
Movement in fair value of hedged financial instrument	-	-	-	4.9	4.9
Transfer to general reserve upon asset sale	4.1	(4.1)	-	-	-
Tax in respect of items of other comprehensive income	-	-	-	-	-
<b>Balance at 31 March 2018</b>	<b>420.1</b>	<b>414.2</b>	<b>3.0</b>	<b>(17.4)</b>	<b>819.9</b>

**Association**

	Income and expenditure reserve £m	Revaluation reserve £m	Restricted reserve £m	Cash flow hedge reserve £m	Total reserves £m
Balance at 1 April as previously reported	380.1	418.6	0.2	(22.3)	776.6
Prior year adjustments	(7.7)	-	-	-	(7.7)
Balance at 1 April 2017	372.4	418.6	0.2	(22.3)	768.9
Surplus for the year	19.9	-	(0.1)	-	19.8
Actuarial (losses)/gains on defined benefit pension scheme	14.9	-	-	-	14.9
Movement in fair value of hedged financial instrument	-	-	-	4.9	4.9
Transfer to general reserve upon asset sale	4.1	(4.1)	-	-	-
Tax in respect of items of other comprehensive income	-	-	-	-	-
<b>Balance at 31 March 2018</b>	<b>411.3</b>	<b>414.5</b>	<b>0.1</b>	<b>(17.4)</b>	<b>808.5</b>

## Consolidated Statement of Reserves

Year ended 31 March 2017

Group

	Income and expenditure reserve £m	Revaluation reserve £m	Restricted reserve £m	Cash flow hedge reserve £m	Total reserves £m
Balance at 1 April 2016	384.4	418.3	3.1	(27.5)	778.3
Prior year adjustments (Note 40)	(12.2)	-	-	-	(12.2)
Restated at 1 April 2016	372.2	418.3	3.1	(27.5)	766.1
Surplus for the year	18.2	-	-	-	18.2
Actuarial gains /(losses) on defined benefit pension scheme	(1.5)	-	-	-	(1.5)
Movement in fair value of hedged financial instrument	-	-	-	5.2	5.2
<b>Balance at 31 March 2017</b>	<b>388.9</b>	<b>418.3</b>	<b>3.1</b>	<b>(22.3)</b>	<b>788.0</b>

## Association

	Income and expenditure reserve £m	Revaluation reserve £m	Restricted reserve £m	Cash flow hedge reserve £m	Total reserves £m
Balance at 1 April 2016	376.1	418.6	0.2	(27.5)	767.4
Prior year adjustments (Note 40)	(12.2)	-	-	-	(12.2)
Restated at 1 April 2016	363.9	418.6	0.2	(27.5)	755.2
Surplus for the year	17.7	-	-	-	17.7
Actuarial (losses)/gains on defined benefit pension scheme	(1.5)	-	-	-	(1.5)
Movement in fair value of hedged financial instrument	-	-	-	5.2	5.2
<b>Balance at 31 March 2017</b>	<b>380.1</b>	<b>418.6</b>	<b>0.2</b>	<b>(22.3)</b>	<b>776.6</b>

The notes on pages 33 to 79 form part of these financial statements.

**Consolidated Statement of Cash Flows**  
*Year ended 31 March 2018*

	Note	2018 £m	2017 £m
<b>Net cash generated from operating activities</b>	38	117.7	52.2
<b>Cash flow from investing activities</b>			
Proceeds from sale of housing properties		82.7	69.8
Purchase of fixed assets - Housing Properties		(97.6)	(84.9)
Purchase of fixed assets - other		(6.9)	(6.3)
Proceeds from sale of other fixed assets		0.6	-
Purchase of investment properties		(43.9)	(45.2)
Proceeds from current assets investment		-	1.2
Purchase of current assets investment		(9.0)	-
Grants received		1.8	5.9
Purchase of investment in associates		(2.8)	-
Purchase of other long-term investment		(0.1)	-
Loan breakage and finance cost		(17.0)	-
Interest received		0.2	0.2
<b>Net cash used in investing activities</b>		<u>(92.0)</u>	<u>(59.3)</u>
<b>Cash flow from financing activities</b>			
Interest paid		(69.2)	(67.7)
New loans		120.1	68.2
Repayment of loans		(63.0)	(31.5)
Repayment of HCA grants		-	(0.9)
Repayment of HCA loans		-	(9.6)
<b>Net cash used in financing activities</b>		<u>(12.1)</u>	<u>(41.5)</u>
<b>Net change in cash and cash equivalents</b>		13.6	(48.6)
Cash and cash equivalents at beginning of the year		67.6	116.2
<b>Cash and cash equivalents at end of the year</b>		<u><u>81.2</u></u>	<u><u>67.6</u></u>

The notes on pages 33 to 79 form part of these financial statements.

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

**1 Legal status**

Genesis Housing Association Limited, a public benefit entity incorporated in England, is registered under the Co-operative and Community Benefit Societies Act 2014 (No: 31241R) and with the Homes and Community Agency (No: 4655).

**2 Accounting policies**

**Basis of preparation**

The financial statements have been prepared on the going concern basis and in accordance and compliance with The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ('FRS 102'), the Statement of Recommended Practice for registered social housing providers 'Housing SORP 2014' ('SORP 2014'), the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Following the amalgamation event on 3 April the Board of Notting Hill Genesis have reviewed and approved the Genesis budget for 2018/19 and thirty year financial plan with cash flow forecasts. These have been combined with that of Notting Hill Housing to form a new budget and financial plan for the merged entity. Although Genesis Housing Association will not continue to exist in its current form it nevertheless continues its existence through Notting Hill Genesis.

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 reflecting the continued operation of the Genesis business as part of the merged entity.

**Parent entity exemptions**

In preparing the financial statements of the parent Association, Genesis has taken advantage of the following disclosure exemptions available in FRS 102:

- No Statement of Cash Flows has been prepared for the parent Association;
- The aggregate remuneration of the key management personnel of the Association is not disclosed as their remuneration is included in the totals for the Group.

**Basis of consolidation**

The consolidated accounts incorporate the financial statements of Genesis Housing Association Limited and its wholly owned subsidiaries. Further details of the subsidiaries are disclosed in Notes 19 & 20. The results of subsidiaries are included in the consolidated Statement of Comprehensive Income from the date of incorporation or acquisition. Subsidiaries acquired during the year are consolidated using the purchase method. Intra-group surpluses or deficits are eliminated on consolidation. For newly acquired legal entities where the difference between the cost of acquisition of its shares and the fair value of the separable net assets acquired gives rise to goodwill, this is capitalised and written off on a straight line basis over its estimated economic life. Provision is made for impairment where appropriate. All subsidiaries' financial statements are made up to 31 March. The Group has chosen not to retrospectively apply FRS 102 to business combinations that occurred before the date of transition.

**Investments**

**Equity investments**

Investments in jointly controlled entities are accounted for under the equity accounting method recognising the Group's share of the results and net assets on consolidation.

**Listed investments**

Listed investments are stated at their market value. Gains and losses on revaluation are recognised in the Statement of Comprehensive Income.

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

**Investment properties**

Certain properties in the group are held for long-term investment and are not held as social housing. Investment properties consist of commercial properties and market rent properties. Investment properties are accounted for as follows:

- Investment properties are initially recognised at cost which includes purchase cost and any directly attributable expenditure.
- Investment properties whose fair value can be measured reliably are measured at fair value annually by external valuers. Investment properties are professionally valued annually based on market value. This uses traditional discounted cash flow methodology to capitalise the market rental values at a market capitalisation rate. There is an inevitable degree of judgement involved in that each property is unique and value can only ultimately be reliably tested in the market itself. The surplus or deficit on revaluation is recognised in the Statement of Comprehensive Income and accumulated in the income and expenditure reserve unless a deficit below original cost, or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised in the Statement of Comprehensive Income for the year. Depreciation does not apply to these properties.

**Fixed assets and depreciation**

**Housing**

**Tangible fixed assets – Housing properties**

Housing properties constructed or acquired (including land) on the open market since the date of transition to FRS 102 are stated at cost less depreciation and impairment (where applicable).

Cost includes the cost of acquiring land and buildings, development costs, interest capitalised accrued during the development period that specifically relates to financing of the development programme after deduction of interest on social housing grant, directly attributable administration costs, and expenditure incurred in improving or reinvesting in existing properties.

Expenditure on major refurbishment to properties is capitalised where the works increase the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the net rental income, a reduction in future maintenance costs, or a subsequent extension in the life of the property. All other repair and replacement expenditure is charged to the Statement of Comprehensive Income.

Mixed developments are held within Housing property and accounted for at cost less depreciation. Commercial elements of mixed developments are held as investment properties.

Housing properties in the course of construction, excluding the estimated cost of the element of shared ownership properties expected to be sold in first tranche, are included in Housing Properties and held at cost less any impairment, and are transferred to completed properties when ready for letting.

When Housing properties are developed for sale to another social landlord, the cost is dealt with in current assets under housing properties and stock for sale.

Completed Housing properties acquired from subsidiaries are at contractually agreed transfer price at the date of acquisition.

**Deemed cost on transition to FRS 102**

The Group took the option of carrying out a one-off valuation exercise of selected items of housing properties at the date of transition and to use that amount as deemed cost. To determine the deemed cost at 1st April 2014, the Group engaged independent valuation specialist, Jones Lang LaSalle, to value the Land element of housing properties on an existing use

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

value for social housing (EUV-SH). The proportion of the overall valuation assigned to Land by Jones Lang LaSalle ranged from 75-83%. Housing properties have subsequently been measured at cost less depreciation.

The change in the value of land was recognised in the revaluation reserve.

Deemed cost was only applied to land associated with social housing and shared ownership properties where the fair value of the land exceeded the historical cost but capped at the fair value of total value of the assets. No fair values at transition date were applied to either structure or any component. Any difference between historical cost depreciation and depreciation calculated on deemed cost was transferred to the Income and expenditure reserve for the asset concerned.

**Depreciation of housing property**

Housing land and property is split between land, structure and other major components that are expected to require replacement over time.

Freehold land is not subject to depreciation on account of its indefinite useful economic life. Depreciation is provided on all Housing property at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Component	Years
Structure	100
Roof	60
Heating	30
Bathroom	30
Windows	30
Electrical and Mechanical	30
Kitchen	20
Boiler	15

The expected useful life of each asset class is reviewed annually. Leasehold properties are depreciated over the course of the lease term. The portion of shared ownership property retained or expected to be retained is not depreciated on account of the high residual value. Neither the depreciable amount nor the expected annual depreciation charge for such assets is considered material, individually or in aggregate.

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

Following a comprehensive review of assets the cost allocation amended to accommodate the introduction of Electrical and Mechanical component.

Key changes in accounting estimates during the year were:

- Expected Useful life of structure reduced from 150 to 100 years
- Reduced the life over which Grant is amortised from 150 to 100 years to match Structure component life
- The transfer (regrouping) of pre-2000 components to Structure
- The useful life of Electrical & Mechanical component set at 30 years, effective from 1<sup>st</sup> April 2016

**Impairment of assets**

The Group's housing assets are assessed for indicators of impairment at each balance sheet date. Where indicators are identified then a detailed assessment is undertaken to compare the carrying amounts of assets or cash-generating units for which impairment is indicated to their recoverable amount. The recoverable amount of an asset or cash generating unit is the higher of its value in use, and its fair value less cost to sell. The carrying amount of an asset or cash generating unit is calculated as the net book value of the asset or cash-generating unit (cost or valuation less depreciation) less any amortised grant in the statement of Financial Position relating to the asset or cash-generating unit. The Group defines

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

cash generating units as schemes except where its schemes are not sufficiently large or where it is geographically sensible to group schemes into larger cash generating units. Where the recoverable amount of an asset or cash-generating unit is lower than its carrying value an impairment is recorded through a charge to the Statement of Comprehensive Income and disclosed as a separate line within operating expenditure where it is considered to be material.

**Stock swaps**

Housing properties acquired from other social landlords in exchange for non-monetary assets, or a combination of monetary and non-monetary assets, are measured at fair value.

**Other grants**

Grants received from non-government sources are recognised using the performance model. Under the performance model grants are recognised as follows:

- grant is recognised in income when the grant proceeds are received (or receivable) provided that the terms of the grant do not impose future performance-related conditions\*
- if the terms of a grant do impose performance-related conditions\* on the recipient, the grant is only recognised in income when the performance-related conditions\* are met
- any grants that are received before the revenue recognition criteria are met are recognised in the entity's financial statements as a liability

\*performance-related conditions are defined "A condition that requires the performance of a particular level of service or units of output to be delivered, with payment of, or entitlement to, the resources conditional on that performance"

**Disposal Proceeds Fund**

Receipts from Right to Acquire (RTA) sales are required to be retained in a ring fenced fund that can only be used for providing replacement housing. The sales receipts less eligible expenses are credited to the Disposal Proceeds Fund. Any sales receipts less eligible expenses held within disposal proceeds fund, which it is anticipated will not be used within one year is disclosed in the financial position under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

The DPF rules and accounting treatment have changed effective from 7th April 2017. However, the DPF balances accumulated prior to this date are still subject to the old rules. From 7th April 2017 no new net proceeds of disposals are required to be recognised in the DPF. On 6th April 2020, the provisions about DPF in the Housing and Regeneration Act 2008 sections 177-178 will no longer be effective.

**Low cost home ownership housing properties and staircasing**

Under low cost home ownership arrangements, the Group disposes of a long lease on low cost home ownership housing units for a share ranging between 25% and 75% of value. The Buyer has the right to purchase further proportions and up to 100% based on the market valuation of the property at the time each purchase transaction is completed.

Low cost home ownership properties are split proportionately between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover. The remaining element, "staircasing element", is classed as housing properties and included in completed housing property at cost and any provision for impairment. Sales of subsequent tranches are treated as a part disposal of Housing Properties and are included in Surplus on sales of properties. Such staircasing sales may result in capital grant being deferred or abated and any abatement is credited in the sale account in arriving at the surplus or deficit.

**Social Housing Grant ("SHG")**

Grants received in relation to assets that are presented at deemed cost at the date of transition have been accounted for using the performance model for land which has been revalued, and accruals method for structure which has remained at historic cost. Grants attributed to land and structure stated at historic cost have been accounted for using the accruals method as required by Housing SORP 2014.

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment.

Housing properties accounted for at cost recognise related government grants using the accrual model. Grants are held in the Statement of Financial Position under creditors amounts falling due after more than one year and creditors due within one year for amounts amortised in the current year. Grants are recognised in the Statement of Comprehensive Income on a straight line basis over the expected useful life of the asset for which they were received.

Where social housing grant funded property is sold, the grant becomes recyclable and is transferred to a recycled capital grant fund until it is reinvested in a replacement property. If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within creditors is released and recognised as income within the Statement of Comprehensive Income.

**Recycled Capital Grant Fund**

On the occurrence of certain relevant events, primarily the sale of dwellings, the Homes & Communities Agency (HCA) can direct the Association to recycle capital grants or to make repayments of the recoverable amount. The Group adopts a policy of recycling, for which a separate fund is maintained. If unused within a three year period, it will be repayable to the HCA with interest. Any unused recycled capital grant held within the recycled capital grant fund, which it is anticipated will not be used within one year is disclosed in the Statement of Financial Position under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

**Other fixed assets and depreciation**

Tangible fixed assets other than housing properties and investment properties are stated at cost less accumulated depreciation. Depreciation is applied to write off the cost less the estimated residual value of tangible fixed assets on a straight line basis over the expected useful life of the asset. No depreciation is provided on freehold land. The expected useful lives for each component are as follows:

Component	Years
Freehold office premises	60
Office improvements	7
Motor vehicles	4
Office furniture and computer equipment	4
Key workers' furniture	4
Tenants' furniture	3

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

**Supported housing schemes**

The Group receives Supporting People grants from a number of London Boroughs and County Councils. The grants received in the period as well as costs incurred by the Group in the provision of support services have been included in the Statement of Comprehensive Income. Any excess of cost over the grant received is borne by the Group where it is not recoverable from tenants.

**Service charges**

The Group adopts the variable method for calculating and charging service charges to its tenants and leaseholders. Expenditure is recorded when a service is provided and charged to the relevant service charge account or to a sinking fund account. Income is recorded based on the estimated amounts chargeable.

**Management of units owned by others**

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

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

**Schemes managed by agents**

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

**Leases**

Leases are classified as either operating or finance lease in accordance with FRS 102 section 20. A finance lease is classified as one that transfers substantially all the risks and rewards of ownership to the Group.

Assets acquired under finance leases are recognised as assets and liabilities in its statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, determined at the inception of the lease. Depreciation is charged on these assets to the Statement of Comprehensive Income over the shorter of the estimated useful economic life and the term of the lease. Operating lease rentals are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

**Employee benefits**

Genesis Housing Association Limited participates in three defined benefit pension schemes. The assets are held separately from those of the group. Pension scheme assets are measured using market values. Pension liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

As at 1 March 2016, the Group transferred out its pension liability from SHPS to an in-house scheme under the trusteeship of The Pensions Trust. All new members will form part of the defined contribution scheme and the contributions payable during the year are recognised in the Statement of Comprehensive Income. All previously operated defined benefit schemes are now closed except in relation to deferred members and pensioners. These assets and liabilities are recorded in the Statement of Financial Position. Contributions payable, net interest and actuarial gains/losses are recognised in the Statement of Comprehensive Income.

**Stock for sale and work in progress**

Stock for sale and work in progress are stated at the lower of cost and net realisable value. Cost is taken as production cost, which includes an appropriate proportion of attributable overheads. Net realisable value is based on estimated sales proceeds after allowing for all further costs to completion and selling costs.

**Long term contracts**

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

Contract work in progress is stated at costs incurred, less those transferred to the Statement of Comprehensive Income, after deducting foreseeable losses and payments on account not matched with turnover. Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account. Where payments on account exceed turnover recognised they are separately disclosed within creditors.

**Provisions**

Provisions are made to meet liabilities which are expected to arise in future years but are of uncertain timing or amounts. Arrears provisions are made and systematically reviewed on an ongoing basis taking into consideration current market conditions, historical write offs and other particular known factors which can affect payment of the amounts. The effect of the time value of money is not material and therefore the provisions are not discounted.

**Contingent Liabilities**

The group has disclosed contingent liabilities where there is a possible, but uncertain obligation to repay social housing grant in the future. Actual payment is contingent upon the future disposal of housing properties for which the grant was received.

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

**VAT**

The Group is VAT registered. As a large proportion of its income, including residential rents, is exempt, this gives rise to a partial exemption calculation. Irrecoverable VAT is charged to the Statement of Comprehensive Income.

**Taxation**

The charge for taxation is based on the surplus for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised on the basis of probability 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 Statement of Financial Position date.

**Cash and Current asset investments**

Cash, for the purpose of the Statement of Cash Flows comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Current asset investments comprise term deposits of less than three months (other than cash), government securities and investments in money market managed funds measured at fair value.

**Financial Instruments**

The company has financial assets and financial liabilities of a kind that qualify as basic financial instruments, except for cash flow hedges. Basic financial instruments are initially recognised at transaction value and subsequently measured at this amortised cost. In respect of the Group's financial instruments, the Group has adopted FRS102 Financial Instruments Measurement and Disclosures (chapters 11 and 12).

Financial Instruments are initially recorded at transaction price less any transaction costs. Subsequent measurement depends on the designation of the instrument as follows:

- Bonds, loans, short term borrowings and overdrafts are classified as other liabilities and are held at amortised cost using the effective rate of interest.
- Group on-lending is classified as other debtors and held at amortised cost.

The Group holds floating rate loans which expose the Group to interest rate risk. To mitigate against this risk the Group uses interest rate swaps. These instruments are measured at fair value at each reporting date, and are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group has designated each of the swaps against existing drawn floating rate debt. To the extent the hedge is effective, movements in fair value adjustments other than adjustments for own or counter party credit risk, are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any movements in fair value relating to ineffectiveness and adjustments for our own or counter party credit risk are recognised in the Statement of Comprehensive Income.

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

**Turnover**

Rent	Revenue is measured at fair value of the consideration received or receivable and represents the amount receivable for the services rendered net of empty properties.
Service charge income	Fixed service charge income is recognised in the year to which it relates. Variable service charge income is recognised in the year the related cost is recognised.
1st tranche shared ownership property sales and properties developed for outright sale	Property sales income is recognised when the risks and rewards of ownership have passed to the buyer upon legal completion of the sales, except in circumstances where specific legal contractual terms dictate that risks and rewards of ownership pass at different times.
Revenue grants	Revenue grants are recognised when the performance-related conditions are met or when the grant proceeds are received or become receivable if no conditions are imposed.
Amortisation of Government grant	Grants provided to construct social housing assets are recognised on a systematic basis over the useful economic life of the asset for which the grant is intended to compensate.
Interest receivable	Interest income is recognised on a receivable basis.
Gift aid	Gift aid is recognised on a received or receivable basis.
Supported housing services	Where the Trust and the Group hold the support contract with the Supporting People Administering Authority and carry the financial risk, all the project's income and expenditure are included in the Trust's and the Group's statement of comprehensive income.

**Cost of sales**

Cost of sales represents costs associated with first tranche sales and properties developed for outright sale. All costs of sales arose in the United Kingdom.

**Finance costs**

Finance costs are charged to the Statement of Comprehensive Income as they are incurred; issue costs and premiums are written off over the course of the loans concerned.

Interest on borrowings is capitalised to housing properties under construction up to the date of completion of each scheme. The interest capitalised is either on borrowings specifically financing a scheme or on net borrowings to the extent that they are deemed to be financing a scheme. Interest on intra-group loans is charged at an arm's length rate.

**Holiday accrual**

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

**Debtors and creditors**

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

**Recoverable amount of rental and other trade receivables**

The Group estimates the recoverable value of rental and other receivables and impairs the debtor by appropriate amounts. When assessing the amount to impair it reviews the age profile of the debt, historical collection rates and the class of debt.

**Leasehold sinking funds**

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

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

**3 Key judgements in applying accounting policies and key sources of estimated uncertainty**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year are addressed below.

**Useful economic lives of fixed assets**

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. The life of the structure component was changed from 150 to 100 years this year.

**Valuation of investment properties**

The fair value of investment properties is determined by using valuations from independent professional valuers. The valuation of commercial properties uses open market value with vacant possession. Properties rented on the open market are valued at market value subject to tenancies using a discounted cash flow methodology. There was an impairment charge of £14.0m to the comprehensive income statement in the light of an independent valuation report provided by Jones Lang LaSalle (JLL). The valuation and report were prepared in accordance with current RICS valuation- Global Standard 2017 published by the Royal Institute of Chartered Surveyors and the RICS Valuation-Professional Standard UK January 2014 (revised April 2015) (The RICS Red book).

The key assumptions used in the valuation were the capitalisation rate between 6.25% to 6.75%, a rental range of £18.00-£20.00per sq ft, the incorporation of the lease period and rent-free assumption of 12 to 18 months.

**Valuation of Stock for sale, work in progress**

Work in progress schemes are regularly reviewed for indicators of impairment such as whether works to development sites result in an adverse saleable value or if social, demographic or environmental changes lead to an impairment loss for a new scheme.

NPV is used as an indicator to assess whether work in progress need to be impaired. Method used to calculate NPV is based on following key assumptions used were 4.75 % discount rate, inflation RPI + Housing inflation (3.75%) and units valued below £500k is set at 4.5% per annum from year six, informed through a combination of our current run rate (c. 5%) and the national average (c. 4%).

The valuation of work in progress first tranche properties is determined using open market value with vacant possession. The key input in valuation was the capitalisation rate between 6.25% to 6.75%. The valuation of completed properties is applied using depreciation replacement cost method using RICS calculator to calculate the build construction cost.

During the year there was an impairment adjustment of £2.3m to the first tranche stock of shared ownership properties.

**Valuation of housing fixed assets**

Judgements are made as to whether there are indicators of impairment of group housing properties. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. The directors have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on EUV-SH as determined by external third party valuations, or depreciated replacement cost based on data published by RICS.

During the year there was an impairment charge of £1.2m against our General Needs stock.

**Notes** (forming part of the financial statements)  
***Year ended 31 March 2018***

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

**Judgement used in the preparation of pension fund accounts**

The Group has significant pension liabilities on schemes administered by the Pensions Trust and London Pensions Fund authority and details are shown in Note 33. An annual valuation is carried out by specialist, qualified, independent actuaries. The assumptions they use are agreed with the bodies administering the schemes. These include standard rates of inflation, mortality, discount rate and anticipated future salary increases. Variations in these assumptions can significantly influence the value of the liability recorded and the annual defined benefit expense. For the current year an actuarial surplus of £14.9m is recognised in the Statement of Comprehensive Income as other comprehensive income.

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

**4 Particulars of turnover, cost of sales, operating costs and operating surplus - Group**

	Turnover	Cost of sales	Impairment	Operating costs	Operating surplus
	2018	2018	2018	2018	2018
	£m	£m	£m	£m	£m
<b>Social housing lettings (Note 5)</b>	249.5	-	(1.2)	(203.7)	44.6
<b>Other social housing activities</b>					
First tranche sales	9.8	(8.1)	(2.3)	-	(0.6)
Other	4.9	(4.8)	-	(0.3)	(0.2)
	<u>264.2</u>	<u>(12.9)</u>	<u>(3.5)</u>	<u>(204.0)</u>	<u>43.8</u>
<b>Activities other than social housing activities</b>					
Outright sales	48.8	(40.7)	-	-	8.1
Lettings	11.5	-	(14.0)	(10.4)	(12.9)
	<u>60.3</u>	<u>(40.7)</u>	<u>(14.0)</u>	<u>(10.4)</u>	<u>(4.8)</u>
	<u>324.5</u>	<u>(53.6)</u>	<u>(17.5)</u>	<u>(214.4)</u>	<u>39.0</u>

**4 Particulars of turnover, cost of sales, operating costs and operating surplus - Group**

	Turnover	Cost of sales	Impairment	Operating costs	Operating surplus
	2017	2017	2017	2017	2017
	£m	£m	£m	£m	£m
<b>Social housing lettings (Note 5)</b>	240.5	-	-	(193.3)	47.2
<b>Other social housing activities</b>					
First tranche sales	6.3	(5.8)	-	-	0.5
Other	-	-	-	-	-
	<u>246.8</u>	<u>(5.8)</u>	<u>-</u>	<u>(193.3)</u>	<u>47.7</u>
<b>Activities other than social housing activities</b>					
Outright sales	4.4	(1.5)	-	-	2.9
Lettings	13.1	-	-	(10.9)	2.2
	<u>17.5</u>	<u>(1.5)</u>	<u>-</u>	<u>(10.9)</u>	<u>5.1</u>
	<u>264.3</u>	<u>(7.3)</u>	<u>-</u>	<u>(204.2)</u>	<u>52.8</u>

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

**4 Particulars of turnover, cost of sales, operating costs and operating surplus - Association**

	Turnover	Cost of sales	Impairment	Operating costs	Operating surplus
	2018	2018	2018	2018	2018
	£m	£m	£m	£m	£m
<b>Social housing lettings (Note 5)</b>	249.0	-	(1.2)	(203.6)	44.2
<b>Other social housing activities</b>					
First tranche sales	9.8	(8.1)	(2.3)	-	(0.6)
Others	7.7	(7.7)		(0.3)	(0.3)
	<u>266.5</u>	<u>(15.8)</u>	<u>(3.5)</u>	<u>(203.9)</u>	<u>43.3</u>
<b>Activities other than social housing activities</b>					
Outright sales	48.8	(40.7)	-	-	8.1
Lettings	11.5	-	(14.0)	(10.2)	(12.7)
	<u>60.3</u>	<u>(40.7)</u>	<u>(14.0)</u>	<u>(10.2)</u>	<u>(4.6)</u>
	<u><u>326.8</u></u>	<u><u>(56.5)</u></u>	<u><u>(17.5)</u></u>	<u><u>(214.1)</u></u>	<u><u>38.7</u></u>

**4 Particulars of turnover, cost of sales, operating costs and operating surplus - Association**

	Turnover	Cost of sales	Impairment	Operating costs	Operating surplus
	2017	2017	2017	2017	2017
	£m	£m	£m	£m	£m
<b>Social housing lettings (Note 5)</b>	240.4	-	-	(193.3)	47.1
<b>Other social housing activities</b>					
First tranche sales	6.3	(5.6)	-	-	0.7
Other	-	-	-	-	-
	<u>246.7</u>	<u>(5.6)</u>	<u>-</u>	<u>(193.3)</u>	<u>47.8</u>
<b>Activities other than social housing activities</b>					
Outright sales	3.5	(0.6)	-	-	2.9
Lettings	13.0	-	-	(10.7)	2.3
	<u>16.5</u>	<u>(0.6)</u>	<u>-</u>	<u>(10.7)</u>	<u>5.2</u>
	<u><u>263.2</u></u>	<u><u>(6.2)</u></u>	<u><u>-</u></u>	<u><u>(204.0)</u></u>	<u><u>53.0</u></u>

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

**5 Income and expenditure from social housing lettings – Group**

	General needs £m	Temporary housing £m	Supported housing £m	Low cost home ownership £m	Key worker £m	Total 2018 £m	2017 £m
<b>Income:</b>							
Rents net of identifiable service charge	114.9	42.5	15.3	11.9	9.7	194.3	191.7
Service charge income	13.2	0.1	12.0	5.9	0.6	31.8	29.7
<b>Net rental income</b>	<b>128.1</b>	<b>42.6</b>	<b>27.3</b>	<b>17.8</b>	<b>10.3</b>	<b>226.1</b>	<b>221.4</b>
Management fee receivable	0.1	0.5	0.1	-	0.3	1.0	1.1
Supporting people grant	0.7	-	6.2	0.2	-	7.1	8.0
Grants from local authorities and other activities	-	-	0.8	-	-	0.8	0.7
Amortised grant	4.1	0.6	0.7	1.9	0.3	7.6	5.7
Other income	3.7	0.4	2.0	0.5	0.3	6.9	3.6
<b>Turnover from social housing lettings</b>	<b>136.7</b>	<b>44.1</b>	<b>37.1</b>	<b>20.4</b>	<b>11.2</b>	<b>249.5</b>	<b>240.5</b>
<b>Expenditure:</b>							
Management	(39.5)	(6.0)	(13.5)	(13.1)	(4.5)	(76.6)	(68.8)
Service charge costs	(11.7)	-	(10.7)	(5.0)	-	(27.4)	(27.3)
Care and support	-	-	(6.2)	-	-	(6.2)	(7.8)
Routine maintenance	(13.8)	(1.7)	(3.1)	(0.6)	(1.0)	(20.2)	(16.4)
Planned maintenance	(7.4)	-	(1.7)	(0.3)	(0.4)	(9.8)	(8.6)
Bad debts	(0.9)	(0.2)	(0.3)	(0.1)	(0.2)	(1.7)	(3.1)
Depreciation of housing properties	(19.2)	-	(2.8)	-	(1.7)	(23.7)	(19.1)
Impairment of housing properties	(1.2)	-	-	-	-	(1.2)	-
Landlord rents	(0.1)	(36.8)	(1.2)	-	-	(38.1)	(42.2)
<b>Operating expenditure on social housing lettings</b>	<b>(93.8)</b>	<b>(44.7)</b>	<b>(39.5)</b>	<b>(19.1)</b>	<b>(7.8)</b>	<b>(204.9)</b>	<b>(193.3)</b>
<b>Operating surplus/(deficit) on social housing lettings</b>	<b>42.9</b>	<b>(0.6)</b>	<b>(2.4)</b>	<b>1.3</b>	<b>3.4</b>	<b>44.6</b>	<b>47.2</b>
Void losses	(0.7)	(1.2)	(1.3)	-	(0.3)	(3.5)	(4.5)

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

**5 Income and expenditure from social housing lettings – Association**

	General needs £m	Temporary housing £m	Supported housing £m	Low cost home ownership £m	Key worker £m	Total 2018 £m	Total 2017 £m
<b>Income:</b>							
Rents net of identifiable service charge	114.7	42.5	15.3	11.9	9.7	194.1	191.7
Service charge income	13.2	0.1	12.0	5.9	0.6	31.8	29.7
<b>Net rental income</b>	<b>127.9</b>	<b>42.6</b>	<b>27.3</b>	<b>17.8</b>	<b>10.3</b>	<b>225.9</b>	<b>221.4</b>
Management fee receivable	0.1	0.5	0.1	-	0.3	1.0	1.1
Supporting people grant	0.7	-	6.2	0.2	-	7.1	8.0
Grants from local authorities and other activities	-	-	0.8	-	-	0.8	0.7
Amortised grant	4.1	0.6	0.7	1.9	0.3	7.6	5.7
Other income	3.4	0.4	2.0	0.5	0.3	6.6	3.5
<b>Turnover from social housing lettings</b>	<b>136.2</b>	<b>44.1</b>	<b>37.1</b>	<b>20.4</b>	<b>11.2</b>	<b>249.0</b>	<b>240.4</b>
<b>Expenditure:</b>							
Management	(39.2)	(6.0)	(13.5)	(13.1)	(4.5)	(76.3)	(68.7)
Service charge costs	(11.8)	-	(10.7)	(5.0)	-	(27.5)	(27.3)
Care and support	-	-	(6.2)	-	-	(6.2)	(7.8)
Routine maintenance	(13.9)	(1.7)	(3.1)	(0.6)	(1.0)	(20.3)	(16.6)
Planned maintenance	(7.4)	-	(1.7)	(0.3)	(0.4)	(9.8)	(8.6)
Bad debts	(0.9)	(0.2)	(0.3)	(0.1)	(0.2)	(1.7)	(3.1)
Depreciation of housing properties	(19.2)	-	(2.8)	-	(1.7)	(23.7)	(19.1)
impairment of housing properties	(1.2)	-	-	-	-	(1.2)	-
Landlord rents	(0.1)	(36.8)	(1.2)	-	-	(38.1)	(42.1)
<b>Operating expenditure on social housing lettings</b>	<b>(93.7)</b>	<b>(44.7)</b>	<b>(39.5)</b>	<b>(19.1)</b>	<b>(7.8)</b>	<b>(204.8)</b>	<b>(193.3)</b>
<b>Operating surplus/(deficit) on social housing lettings</b>	<b>42.5</b>	<b>(0.6)</b>	<b>(2.4)</b>	<b>1.3</b>	<b>3.4</b>	<b>44.2</b>	<b>47.1</b>
Void losses	(0.7)	(1.2)	(1.3)	-	(0.3)	(3.5)	(4.5)

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

**6 Operating surplus**

The operating surplus is arrived at after charging:

	<b>Group 2018 £m</b>	Group 2017 £m	<b>Association 2018 £m</b>	Association 2017 £m
Depreciation of housing properties	23.7	19.1	23.7	19.1
Depreciation of other tangible fixed assets	5.9	4.5	5.9	4.5
Impairment of housing and investment properties	17.5	-	17.5	-
<b>Operating lease charges</b>				
- land & building	43.5	47.5	43.5	47.5
- offices	1.3	1.3	1.3	1.3
- hire of other assets	0.5	0.5	0.5	0.5
	<b>Group 2018 £'000</b>	Group 2017 £'000	<b>Association 2018 £'000</b>	Association 2017 £'000
Auditors' remuneration (excluding VAT):				
- audit fees	150	144	150	144
- audit related assurance services	65	6	65	6
- other assurance services	13	55	13	55
- taxation	-	3	-	3
- due diligence	45	26	45	0

**7 Employees**

Staff costs (including Executive Management Team) consist of:

	<b>Group 2018 £m</b>	Group 2017 £m	<b>Association 2018 £m</b>	Association 2017 £m
Wages and salaries	38.6	39.0	38.5	38.9
Social security costs	3.5	3.3	3.5	3.3
Cost of defined contribution pension scheme	1.5	1.2	1.5	1.2
	<b>43.6</b>	43.5	<b>43.5</b>	43.4

The average number of employees (including Executive Management Team) expressed as full-time equivalents (calculated based on a standard working week of 35 hours) during the year was as follows:

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

	<b>Group 2018 No.</b>	Group 2017 No.	<b>Association 2018 No.</b>	Association 2017 No.
Administration	210	216	210	216
Development	71	58	71	58
Housing management	434	435	434	435
Care and support	446	515	446	515
Community development and fund raising	20	12	20	12
	<u>1,181</u>	<u>1,236</u>	<u>1,181</u>	<u>1,236</u>

The full time equivalent number of staff whose remuneration, including performance related pay and benefits in kind, including pension contributions, fell within each band of £10,000 from £60,000 upwards was:

£	£	<b>Group 2018 No.</b>	Group 2017 No.
60,000	- 69,999	14	20
70,000	- 79,999	15	12
80,000	- 89,999	4	2
90,000	- 99,999	5	4
100,000	- 109,999	5	4
110,000	- 119,999	2	3
120,000	- 129,999	1	-
130,000	- 139,999	-	-
-140,000	- 149,999	-	-
150,000	- 159,999	-	-
160,000	- 169,999	-	1
170,000	- 179,999	1	-
180,000	- 189,999	1	-
190,000	- 199,999	-	-
200,000	- 209,999	-	-
210,000	- 219,999	-	-
220,000	- 229,999	-	-
230,000	- 239,999	-	-
240,000	- 249,999	-	1
250,000	- 259,999	1	-
		<u>49</u>	<u>47</u>

The Chief Executive is the highest paid employee.

**8 Employee information**

**Salary range**

Lowest paid employee	£ 13,650
Highest paid employee	222,640
Average salary per employee	29,361

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

**9 Directors and senior executive remuneration**

The key management personnel are defined as the members of the Board of Management, the Chief Executive and the Executive Management Team disclosed in the Strategic Report.

	Group 2018 £'000	Group 2017 £'000
Executive directors' emoluments	612	594
Amounts paid to non-executive directors	124	94
Compensation for loss of office	223	181
Contributions to defined contribution pension schemes	13	22
	<u>972</u>	<u>891</u>

	Group 2018 No.	Group 2017 No.
Number of directors in defined contribution pension schemes	1	3
Number of directors in third party schemes	-	2

The emoluments in respect of the highest paid director (Chief Executive) were as follows:

	Group 2018 £'000	Group 2017 £'000
Emoluments	250	248
	<u>250</u>	<u>248</u>

**10 Surplus on disposal of fixed assets**

Group	Shared ownership 2018 £m	Previously Sales to other		Right to buy/acquire 2018 £m	Total 2018 £m	Total 2017 £m
		rented properties 2018 £m	registered providers 2018 £m			
Housing properties:						
Disposal proceeds	31.6	42.7	6.6	1.8	82.7	69.8
Cost of disposals	(20.7)	(12.9)	(2.6)	(0.7)	(36.9)	(38.1)
Selling costs	(1.4)	(1.5)	(0.1)	-	(3.0)	(1.9)
Grant recycled	-	-	-	-	-	(2.7)
	<u>9.5</u>	<u>28.3</u>	<u>3.9</u>	<u>1.1</u>	<u>42.8</u>	<u>27.1</u>

**Notes** (forming part of the financial statements)  
 Year ended 31 March 2018

Association	Shared ownership 2018 £m	Previously rented properties 2018 £m	Sales to other registered providers 2018 £m	Right to buy/ acquire 2018 £m	Total 2018 £m	Total 2017 £m
Housing properties:						
Disposal proceeds	31.6	42.7	0.7	1.8	76.8	65.9
Cost of disposals	(20.7)	(12.9)	(0.5)	(0.7)	(34.8)	(35.0)
Selling costs	(1.4)	(1.5)	(0.1)	-	(3.0)	(2.2)
Grant recycled	-	-	-	-	-	(2.7)
	<u>9.5</u>	<u>28.3</u>	<u>0.1</u>	<u>1.1</u>	<u>39.0</u>	<u>26.0</u>

**11 Interest receivable and similar income**

	Group 2018 £m	Group 2017 £m	Association 2018 £m	Association 2017 £m
Bank interest	0.2	0.2	0.2	0.2
Interest from group undertakings	-	-	2.1	1.8
	<u>0.2</u>	<u>0.2</u>	<u>2.3</u>	<u>2.0</u>

**12 Interest payable and similar charges**

	Group 2018 £m	Group 2017 £m	Association 2018 £m	Association 2017 £m
Bank loans	(68.3)	(67.7)	(48.7)	(48.0)
Payable on loans from group undertakings	-	-	(19.6)	(19.7)
Amortisation of loan premium	0.8	0.9	0.7	0.7
Amortisation of loan arrangement costs	(1.7)	(1.7)	(1.5)	(1.5)
	<u>(69.2)</u>	<u>(68.5)</u>	<u>(69.1)</u>	<u>(68.5)</u>
Interest capitalised on construction of housing properties	9.4	6.3	7.7	4.7
	<u>(59.8)</u>	<u>(62.2)</u>	<u>(61.4)</u>	<u>(63.7)</u>

Finance costs have been capitalised into work in progress at a rate of 4.16% (2017: 4.37%)

**13 Other finance costs**

	Group 2018 £m	Group 2017 £m	Association 2018 £m	Association 2017 £m
Interest on pension scheme liabilities	(1.0)	(1.0)	(1.0)	(1.0)
loan breakage cost due to merger (exceptional item)	(16.0)	-	(16.0)	-
	<u>(17.0)</u>	<u>(1.0)</u>	<u>(17.0)</u>	<u>(1.0)</u>

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

£14.7m breakage cost paid due to restructuring of loan, £0.4m bank fee relates to loan and ISDA document restructure, and £0.9m relates to legal fee.

**14 Taxation on surplus on ordinary activities**

**Analysis of the charge in the period:**

	<b>Group 2018 £m</b>	<b>Group 2017 £m</b>	<b>Association 2018 £m</b>	<b>Association 2017 £m</b>
<i>UK corporation tax:</i>				
Current tax on surplus for the year	2.6	-	2.6	-
<b>Total current tax</b>	<b>2.6</b>	<b>-</b>	<b>2.6</b>	<b>-</b>
<i>Deferred tax:</i>				
Origination and reversal of timing differences	-	0.2	-	0.2
<b>Total deferred tax</b>	<b>-</b>	<b>0.2</b>	<b>-</b>	<b>0.2</b>
<b>Taxation on surplus on ordinary activities</b>	<b>2.6</b>	<b>0.2</b>	<b>2.6</b>	<b>0.2</b>

**Factors affecting the current tax charge for the year:**

	<b>Group 2018 £m</b>	<b>Group 2017 £m</b>	<b>Association 2018 £m</b>	<b>Association 2017 £m</b>
<b>Surplus on ordinary activities before taxation</b>	<b>22.4</b>	<b>25.0</b>	<b>22.4</b>	<b>24.5</b>
Current tax at 19% (2017: 20%)	4.2	6.5	4.2	6.5
Expenses not deductible for tax purposes	-	-	-	-
Surplus recovered by charitable exemption	(2.7)	(6.3)	(2.7)	(6.3)
Utilisation of tax losses	-	-	-	-
Over provided in this year	0.4	-	0.4	-
Under provided in prior years	0.7	-	0.7	-
Other timing differences	-	-	-	-
Chargeable gain on disposal of property	-	-	-	-
<b>Total tax charge for the year</b>	<b>2.6</b>	<b>0.2</b>	<b>2.6</b>	<b>0.2</b>

No deferred tax asset has been recognised in relation to taxable losses as the Group is not expected to make sufficient taxable profits in the future to utilise these losses.

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

**15 Tangible fixed assets - housing properties**

GROUP	Housing properties held for letting £m	Housing properties under construction £m	LCHO properties £m	LCHO properties under construction £m	Total £m
<i>Cost:</i>					
At 1 April 2017	2,566.8	102.5	589.5	45.2	3,304.0
Prior year adjustments	(3.7)	-	-	-	(3.7)
<b>Restated cost at 1 April 2017</b>	<b>2,563.1</b>	<b>102.5</b>	<b>589.5</b>	<b>45.2</b>	<b>3,300.3</b>
Additions	-	23.9	-	47.4	71.3
Works to existing properties	26.3	-	-	-	26.3
Disposals	(11.9)	-	(19.5)	-	(31.4)
Properties completed	24.7	(24.7)	23.0	(23.0)	-
Transfer due to changes in tenure	4.0	(3.4)	(4.7)	0.1	(4.0)
Write off	(0.3)	(0.2)	-	-	(0.5)
<b>At 31 March 2018</b>	<b>2,605.9</b>	<b>98.1</b>	<b>588.3</b>	<b>69.7</b>	<b>3,362.0</b>
<i>Depreciation:</i>					
At 1 April 2017	231.1	-	-	-	231.1
Charge for the year	23.7	-	-	-	23.7
Eliminated on disposals	(0.6)	-	-	-	(0.6)
<b>At 31 March 2018</b>	<b>254.2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>254.2</b>
<i>Impairment:</i>					
At 1 April 2017	-	-	-	-	-
Charge for the year	-	-	-	3.5	3.5
<b>At 31 March 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3.5</b>	<b>3.5</b>
<i>Net book value:</i>					
<b>At 31 March 2018</b>	<b>2,351.7</b>	<b>98.1</b>	<b>588.3</b>	<b>66.2</b>	<b>3,104.3</b>
At 31 March 2017	2,332.0	102.5	589.5	45.2	3,069.2
<b>Historic cost</b>	<b>2,183.1</b>	<b>-</b>	<b>568.4</b>	<b>-</b>	<b>2,751.5</b>

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

<b>ASSOCIATION</b>	<b>Housing properties held for letting £m</b>	<b>Housing properties under construction £m</b>	<b>LCHO properties £m</b>	<b>LCHO properties under construction £m</b>	<b>Total £m</b>
<i>Cost:</i>					
At 1 April 2017	2,566.8	102.6	589.5	45.2	3,304.1
Prior year adjustments	(3.7)	-	-	-	(3.7)
<b>Restated cost at 1 April 2017</b>	<b>2,563.1</b>	<b>102.6</b>	<b>589.5</b>	<b>45.2</b>	<b>3,300.4</b>
Additions	-	24.5	-	47.4	71.9
Works to existing properties	26.3	-	-	-	26.3
Disposals	(11.9)	-	(19.5)	-	(31.4)
Properties completed	24.7	(24.7)	23.0	(23.0)	-
Transfer due to changes in tenure	4.0	(3.4)	(4.6)	0.1	(3.9)
Write-offs	(0.3)	(0.2)	-	-	(0.5)
<b>At 31 March 2018</b>	<b>2,605.9</b>	<b>98.8</b>	<b>588.4</b>	<b>69.7</b>	<b>3,362.8</b>
<i>Depreciation:</i>					
At 1 April 2017	231.1	-	-	-	231.1
Charge for the year	23.7	-	-	-	23.7
Eliminated on disposals	(0.6)	-	-	-	(0.6)
<b>At 31 March 2018</b>	<b>254.2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>254.2</b>
<i>Impairment:</i>					
At 1 April 2017	-	-	-	-	-
Charge for the year	-	-	-	3.5	3.5
<b>At 31 March 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3.5</b>	<b>3.5</b>
<i>Net book value:</i>					
<b>Art 31 March 2018</b>	<b>2,351.7</b>	<b>98.8</b>	<b>588.4</b>	<b>66.2</b>	<b>3,105.1</b>
At 31 March 2017	2,332.0	102.6	589.5	45.2	3,069.3
<b>Historic cost</b>	<b>2,183.1</b>	<b>-</b>	<b>568.4</b>	<b>-</b>	<b>2,751.4</b>

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

The net book value of housing properties may be further analysed as:

	<b>Group</b>	Group	<b>Association</b>	Association
	<b>2018</b>	2017	<b>2018</b>	2017
	£m	£m	£m	£m
Freehold	2,477.1	2,424.2	2,477.8	2,424.3
Long leasehold	609.3	624.7	609.3	624.7
Short leasehold	17.9	20.3	18.0	20.3
	<u>3,104.3</u>	<u>3,069.2</u>	<u>3,105.1</u>	<u>3,069.3</u>
<b>Interest capitalisation:</b>				
Capitalised during the year	9.4	6.3	7.7	4.3
Cumulative interest capitalised	77.5	71.2	58.5	54.2
Rate used for capitalisation	4.66%	4.37%	4.74%	4.37%
<b>Works to properties:</b>				
Improvements to existing properties capitalised	26.3	25.0	26.3	25.0
	<u>26.3</u>	<u>25.0</u>	<u>26.3</u>	<u>25.0</u>

The opening balance on the Tangible Fixed Assets - Housing Properties has been restated down by £3.7m. This is made up of £3.76m costs write-off for components replaced during 2015/16 and 2016/17 and £234k costs of sales adjustments on sales. During the year the main transfers were £9.9m from Private Sale to Market Rent for the Madeley Road scheme; £4m from Shared Ownership to Intermediate Rent for the Providence Wharf scheme approved by board.

Genesis have provided property of £3.03bn in value as security on an Existing Use Value – Social Housing and Market Value Subject to Tenancies. Genesis does not have any unsecured borrowings.

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

**16 Other tangible fixed assets**

Group	Freehold office premises £m	Office improvements £m	Office furniture and equipment £m	Computer equipment and software £m	Motor vehicles £m	Total £m
<i>Cost:</i>						
At 1 April 2017	17.7	7.7	2.1	23.2	0.2	50.9
Additions	0.1	0.1	1.1	5.6	-	6.9
Disposals	(1.2)	-	-	-	-	(1.2)
Reclassification	-	(0.2)	-	-	-	(0.2)
At 31 March 2018	<u>16.6</u>	<u>7.6</u>	<u>3.2</u>	<u>28.8</u>	<u>0.2</u>	<u>56.4</u>
<i>Depreciation:</i>						
At 1 April 2017	2.6	3.5	1.9	12.7	0.2	20.9
Charge for the year	0.4	0.1	0.7	4.7	-	5.9
Disposals	(0.6)	-	-	-	-	(0.6)
At 31 March 2018	<u>2.4</u>	<u>3.6</u>	<u>2.6</u>	<u>17.4</u>	<u>0.2</u>	<u>26.2</u>
<b>Net book value</b>						
<b>At 31 March 2018</b>	<u><b>14.2</b></u>	<u><b>4.0</b></u>	<u><b>0.6</b></u>	<u><b>11.4</b></u>	<u><b>-</b></u>	<u><b>30.2</b></u>
At 31 March 2017	15.1	4.2	0.2	10.5	-	30.0

Association	Freehold office premises £m	Office improvements £m	Office furniture and equipment £m	Computer equipment and software £m	Motor vehicles £m	Total £m
<i>Cost:</i>						
At 1 April 2017	17.7	7.7	2.1	23.2	0.2	50.9
Additions	0.1	0.1	1.1	5.6	-	6.9
Disposals	(1.2)	-	-	-	-	(1.2)
Reclassification	-	(0.2)	-	-	-	(0.2)
At 31 March 2018	<u>16.6</u>	<u>7.6</u>	<u>3.2</u>	<u>28.8</u>	<u>0.2</u>	<u>56.4</u>
<i>Depreciation:</i>						
At 1 April 2017	2.6	3.5	1.9	12.7	0.2	20.9
Charge for the year	0.4	0.1	0.7	4.7	-	5.9
Disposals	(0.6)	-	-	-	-	(0.6)
At 31 March 2018	<u>2.4</u>	<u>3.6</u>	<u>2.6</u>	<u>17.4</u>	<u>0.2</u>	<u>26.2</u>
<b>Net book value</b>						
<b>At 31 March 2018</b>	<u><b>14.2</b></u>	<u><b>4.0</b></u>	<u><b>0.6</b></u>	<u><b>11.4</b></u>	<u><b>-</b></u>	<u><b>30.2</b></u>
At 31 March 2017	15.1	4.2	0.2	10.5	-	30.0

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

**17 Investment properties**  
**GROUP**

	<b>Market rent £m</b>	<b>Commercial £m</b>	<b>Total £m</b>
At 1 April 2017	111.7	27.6	139.3
Prior year adjustments	(18.8)	-	(18.8)
Restated 1 April 2017	92.9	27.6	120.5
Additions	40.3	3.6	43.9
Disposals	-	-	-
Transfer between investment properties and stock	13.1	0.2	13.3
Revaluations	8.2	(0.3)	7.9
Impairment	(14.0)	-	(14.0)
<b>At 31 March 2018</b>	<b>140.5</b>	<b>31.1</b>	<b>171.6</b>
<b>Historic cost</b>	<b>51.3</b>	<b>26.3</b>	<b>77.6</b>

**ASSOCIATION**

	<b>Market rent £m</b>	<b>Commercial £m</b>	<b>Total £m</b>
At 1 April 2017	111.8	18.7	130.5
Prior year adjustments	(18.8)	-	(18.8)
Restated 1 April 2017	93.0	18.7	111.7
Additions	40.3	3.5	43.8
Disposals	-	-	-
Transfer between investment properties and stock	13.1	-	13.1
Revaluations	8.2	(0.2)	8.0
Impairment	(14.0)	-	(14.0)
<b>At 31 March 2018</b>	<b>140.6</b>	<b>22.0</b>	<b>162.6</b>
<b>Historic cost</b>	<b>51.3</b>	<b>17.1</b>	<b>68.4</b>

The properties were valued as at 31 March 2018 on the basis of market value in accordance with RICS guidelines. The valuation was carried out by a qualified Member of the Royal Institute of Chartered Surveyors acting for Jones Lang LaSalle Limited. The 321 market rent units fair value increased by £8.2m and 25 commercial units reduced by £0.3m.

£9.9m Madely road private sales, £1.0m Chelmsford shared ownership and £2.2m Oaklands general need transferred to Market rent during the year for strategic purpose.

The property valuations were undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. Market rent properties were valued at open market value subject to tenancies and commercial properties at open market value with vacant possession.

There was a £14m impairment charge in year and £18.8m prior year adjustments have arisen as a result of difference in the methodology used to value market rent properties.

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

**18 Investments - listed at market value**

	2018 Cost £m	2018 Fair value £m	2017 Cost £m	2017 Fair value £m
Investments listed on a recognised stock exchange (Note 31)	<u>2.5</u>	<u>2.5</u>	<u>2.4</u>	<u>2.6</u>

All investments listed on a recognised stock exchange are held by subsidiaries.

**19 Investments - in subsidiaries**

The undertakings in which the Association's interest at the yearend is more than 50% are as follows:

<b>Subsidiary</b>	<b>Country of incorporation</b>	<b>Principal activity</b>	<b>Class and percentage of shares held</b>
Springboard Two Housing Association Limited	United Kingdom	Registered provider	Nil-managed on a unified basis
Genesis Community Foundation	United Kingdom	Charity - social regeneration	Nil-managed on a unified basis
Genfinance Limited	United Kingdom	Treasury	Ordinary-100%
Genfinance II plc	United Kingdom	Bond issuance	Ordinary-100%
Geninvest Limited**	United Kingdom	Non-regulated investments	Ordinary-100%
Genesis Purchasing Limited	United Kingdom	Procurement	Ordinary-100%
European Urban St Pancras 2 Limited	United Kingdom	Property development	Ordinary-100%
Stoke Quay New Homes Limited	United Kingdom	Property development and investment	Ordinary-100%
Central Chelmsford Development Agency Limited*	United Kingdom	Property development and investment	Ordinary-100%
Choices for Grahame Park Limited*	United Kingdom	Acquisition and development of site at Grahame Park	Ordinary-100%
Pathmeads Residential Limited	United Kingdom	Property management	Ordinary-100%
Genesis Oaklands Limited	United Kingdom	Property development	Ordinary - 100%
Genesis Homes Limited	United Kingdom	Dormant	Ordinary-100%
Genesis Housing Management Limited	United Kingdom	Dormant	Ordinary-100%
Pathmeads Property Services Limited	United Kingdom	Dormant	Ordinary-100%

\* held indirectly

\*\*Geninvest holds a 5.4% shareholding in Takeparts Limited a procurement company registered in the United Kingdom

**20 Investment in associated entities**

Genesis Housing group set up LINQ (a plc company) in conjunction with the Directors of Centrus (Treasury Advisors) whose shareholding is held by a company called LINQ Partners Ltd. There are further details in note 39.

Summary of Financial Information with LINQ partners

**Statement of Comprehensive Income**

	Share (%)	£m
Profit recognised in the year	75 %	4.50
Turnover	75 %	42.7

The number of dwellings sold during the year was 114 generating total cash of £34m

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

**Statement of Financial position**

Deferred income	25 %	1.5
Investment in Association	25 %	5.3
Net assets (LINQ housing)	-	71.6

**21 Stock**

At 31 March, the group and association had the following housing property stock for sale and work-in-progress:

	<b>Group 2018 £m</b>	<b>Group 2017 £m</b>	<b>Association 2018 £m</b>	<b>Association 2017 £m</b>
<b>Cost</b>				
Properties under construction				
- First tranche shared ownership	29.9	16.7	29.9	16.7
- Outright sale	23.1	38.5	12.8	21.5
Properties completed				
- First tranche shared ownership	4.4	2.1	4.4	2.1
- Market rent	-	19.4	-	19.4
- Outright sale	1.3	12.3	1.3	12.3
Land for sale	-	6.6	-	6.6
	<u>58.7</u>	<u>95.6</u>	<u>48.4</u>	<u>78.6</u>
<b>Stock write down</b>				
At 1 April	(4.5)	(8.5)	(4.5)	(8.5)
Transfers during the year	-	-	-	-
Released during the year	3.8	4.0	3.8	4.0
At 31 March 2018	<u>(0.7)</u>	<u>(4.5)</u>	<u>(0.7)</u>	<u>(4.5)</u>
<b>Net book value</b>	<u>58.0</u>	<u>91.1</u>	<u>47.7</u>	<u>74.1</u>

**22 Debtors**

	<b>Group 2018 £m</b>	<b>Group 2017 £m</b>	<b>Association 2018 £m</b>	<b>Association 2017 £m</b>
<b>Amounts receivable within one year:</b>				
Rent and service charge arrears	19.0	17.7	19.0	17.7
Provision for bad and doubtful debts	(9.2)	(10.4)	(9.2)	(10.4)
	<u>9.8</u>	<u>7.3</u>	<u>9.8</u>	<u>7.3</u>
Amounts owed by group undertakings	-	-	29.6	22.8
Trade debtors (Note 31)	4.8	2.9	3.4	2.9
Other debtors (Note 31)	10.2	24.2	3.6	17.2
Prepayments and accrued income	10.7	9.8	8.9	9.8
	<u>35.5</u>	<u>44.2</u>	<u>55.3</u>	<u>60.0</u>

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

Credit balances for gross rental arrears totalling £11.2m (2017: £10.9m) have been included within the Rent and service charge arrears balance above with a corresponding balance included within other creditors in Note 24.

Prior year service charges debtors £8.2m has been restated and shown in other debtors. Prior year intercompany loans were shown as gross, now have been restated as a net.

	<b>Group 2018 £m</b>	<b>Group 2017 £m</b>	<b>Association 2018 £m</b>	<b>Association 2017 £m</b>
<b>Amounts receivable after more than one year:</b>				
Amounts owed by group undertakings	-	-	-	-
Other debtors (Note 31)	7.3	4.0	7.3	4.0
	<u>7.3</u>	<u>4.0</u>	<u>7.3</u>	<u>4.0</u>

**23 Current Asset Investments**

	<b>Group 2018 £m</b>	<b>Group 2017 £m</b>	<b>Association 2018 £m</b>	<b>Association 2017 £m</b>
Cash at bank and investments charged to lenders	41.0	32.0	41.0	32.0
Cash at bank held for leaseholders	1.5	1.5	1.5	1.5
	<u>42.5</u>	<u>33.5</u>	<u>42.5</u>	<u>33.5</u>

Cash at bank is deposited in accordance with counterparty policy and is accessible on demand. Cash and investments charged to lenders are redeemable on maturity of corresponding loans of which £13.9m will be released within one year and £7.0m greater than one year. Genesis has provided cash of £20m as collateral in accordance with contractual agreements. This is redeemable on expiry. Cash and cash equivalents balance as at March 18 include £8.6m (2017: £8.1m) held as restricted cash and is a sinking fund for future major repairs on leasehold properties.

**24 Creditors: amounts falling due within one year**

	<b>Group 2018 £m</b>	<b>Group 2017 £m</b>	<b>Association 2018 £m</b>	<b>Association 2017 £m</b>
Housing loans	34.0	57.6	22.9	51.6
Trade creditors (Note 31)	7.7	6.6	7.2	5.8
Amounts owed to group undertakings	-	-	0.9	1.9
Taxation and social security	0.9	1.4	0.9	1.1
Other creditors (Note 31)	19.0	24.7	18.3	23.1
Deferred capital grant (Note 27)	8.0	5.7	8.0	5.7
Recycled capital grant fund (Note 28)	13.3	5.9	13.3	5.9
Disposal proceeds fund (Note 29)	1.8	0.3	1.8	0.3
Accruals and deferred income	51.3	41.1	42.1	29.8
	<u>136.0</u>	<u>143.3</u>	<u>115.4</u>	<u>125.2</u>

Prior year intercompany loans were shown as gross, now have been restated as a net.

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

**25 Creditors: amounts falling due after more than one year**

	<b>Group 2018</b>	Group 2017	<b>Association 2018</b>	Association 2017
	£m	£m	£m	£m
Housing loans	1,302.9	1,222.7	1,022.9	931.8
Bonds	253.4	252.6	-	-
<b>Total housing loans (Note 30)</b>	<b>1,556.3</b>	1,475.3	<b>1,022.9</b>	931.8
Amounts owed to group companies	-	-	543.9	549.2
Interest rate swap - cash flow hedge (Note 31)	104.8	119.0	104.8	119.0
Deferred capital grants (Note 27)	854.2	868.7	854.2	868.7
Recycled capital grants (Note 28)	28.5	26.9	28.5	26.9
Disposal proceeds fund (Note 29)	2.0	3.4	2.0	3.4
Cyclical and major repairs fund	9.6	9.1	9.7	9.3
Other creditors (Note 31)	7.7	4.3	7.5	4.9
Deferred tax	0.4	0.4	-	-
	<b>2,563.5</b>	2,507.1	<b>2,573.5</b>	2,513.2

Genesis have provided properties (Note 15) and cash (Note 23) as security where it is required to cover Mark-to-Market (MTM) positions on its standalone interest rate swaps and embedded swaps. last year Intercompany loans were shown as gross, now have been restated as a net.

**26 Contingent Liabilities**

	<b>Group 2018</b>	Group 2017
	£m	£m
<b>At end of the year</b>	<b>1,202.1</b>	1,206.3

The group has disclosed contingent liabilities where there is a possible but uncertain obligation to repay social housing grant in the future. Actual payment is contingent upon future disposal of housing properties for which the grant was received.

**27 Deferred capital grants**

	<b>Group 2018</b>	Group 2017	<b>Association 2018</b>	Association 2017
	£m	£m	£m	£m
At 1 April	874.4	868.1	874.4	868.1
Grants received during the year	1.8	5.9	1.8	5.9
Grants recycled	-	11.9	-	11.9
Grants disposed	(6.0)	(5.8)	(6.0)	(5.8)
Released to income during the year	(8.0)	(5.7)	(8.0)	(5.7)
<b>At 31 March</b>	<b>862.2</b>	874.4	<b>862.2</b>	874.4

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

**28 Recycled capital grant fund**

<b>GROUP</b>	<b>HCA</b>	<b>GLA</b>	<b>Total</b>	<b>HCA</b>	<b>GLA</b>	<b>Total</b>
	<b>2018</b>	<b>2018</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
At 1 April	4.0	28.8	32.8	3.5	39.9	43.4
Inputs to fund:						
- grants recycled from deferred capital grants	0.4	5.6	6.0	0.4	5.4	5.8
- grants recycled from statement of comprehensive income	0.2	2.5	2.7	0.2	2.3	2.5
-RTA discount		0.1	0.1			
- interest accrued	-	0.2	0.2	-	0.2	0.2
Recycling of grant:						
- other	-	-	-	(0.1)	(9.4)	(9.5)
Repayment of grant to the HCA/GLA	-	-	-	-	(9.6)	(9.6)
	<u>4.6</u>	<u>37.2</u>	<u>41.8</u>	<u>4.0</u>	<u>28.8</u>	<u>32.8</u>
Amounts 3 years or older where repayment may be required	-	-	-	-	-	-

**Disclosed as:**

Creditors: amounts falling due within one year	2.9	10.4	13.3	5.9
Creditors: amounts falling due after more than one year	1.7	26.8	28.5	26.9
			<u>41.8</u>	<u>32.8</u>

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

<b>ASSOCIATION</b>	<b>HCA 2018 £m</b>	<b>GLA 2018 £m</b>	<b>Total 2018 £m</b>	<b>HCA 2017 £m</b>	<b>GLA 2017 £m</b>	<b>Total 2017 £m</b>
At 1 April	4.0	28.8	32.8	3.5	39.9	43.4
Inputs to fund:						
- grants recycled from deferred capital grants	0.4	5.6	6.0	0.4	5.2	5.6
- grants recycled from statement of comprehensive income	0.2	2.5	2.7	0.2	2.5	2.7
-RTA discount	-	0.1	0.1	-	-	-
- interest accrued	-	0.2	0.2	-	0.2	0.2
Recycling of grant:						
- other	-	-	-	(0.1)	(9.4)	(9.5)
Repayment of grant to the HCA/GLA	-	-	-	-	(9.6)	(9.6)
At 31 March	<u>4.6</u>	<u>37.2</u>	<u>41.8</u>	<u>4.0</u>	<u>28.8</u>	<u>32.8</u>
Amounts 3 years or older where repayment may be required	2.9	10.4	13.3	-	-	-
<b>Recycled capital grant fund (continued)</b>						
<b>Disclosed as:</b>						
Creditors: amounts falling due within one year	2.9	10.4	13.3			5.9
Creditors: amounts falling due after more than one year	1.7	26.8	28.5			26.9
			<u>41.8</u>			<u>32.8</u>

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** (forming part of the financial statements)  
**Year ended 31 March 2018**

**29 Disposal Proceeds fund**  
**GROUP**

	HCA 2018 £m	GLA 2018 £m	Total 2018 £m	HCA 2017 £m	GLA 2017 £m	Total 2017 £m
At 1 April	0.4	3.4	3.8	0.3	6.5	6.8
Inputs to fund:						
Use /allocation of funds:						
- new build	-	-	-	-	0.2	0.2
- major repairs and works to existing stock	-	-	-	-	-	-
- transfers to other group members	-	-	-	-	-	-
- other	-	-	-	-	(2.4)	(2.4)
Repayment of grant to the HCA/GLA	-	-	-	-	(0.9)	(0.9)
<b>At 31 March</b>	<b>0.4</b>	<b>3.4</b>	<b>3.8</b>	<b>0.3</b>	<b>3.4</b>	<b>3.7</b>
Amounts 3 years or older where repayment may be required	0.4	1.4	1.8	-	-	-
<b>Disclosed as:</b>						
Creditors: amounts falling due within one year	0.4	1.4	1.8	0.3	-	0.3
Creditors: amounts falling due after more than one year	-	2.0	2.0	-	3.4	3.4
	<b>0.4</b>	<b>3.4</b>	<b>3.8</b>	<b>0.3</b>	<b>3.4</b>	<b>3.7</b>

**ASSOCIATION**

	HCA 2018 £m	GLA 2018 £m	Total 2018 £m	HCA 2017 £m	GLA 2017 £m	Total 2017 £m
At 1 April	0.4	3.4	3.8	0.3	6.5	6.8
Inputs to fund:						
- funds recycled from deferred capital grants	-	-	-	-	0.2	0.2
Use / allocation of funds:						
- new build	-	-	-	-	-	-
- major repairs and works to existing stock	-	-	-	-	-	-
- transfers to other group members	-	-	-	-	-	-
- other	-	-	-	-	(2.4)	(2.4)
Repayment of grant to the HCA/GLA	-	-	-	-	(0.9)	(0.9)
<b>At 31 March</b>	<b>0.4</b>	<b>3.4</b>	<b>3.8</b>	<b>0.3</b>	<b>3.4</b>	<b>3.7</b>
Amounts 3 years or older where repayment may be required	-	-	-	-	-	-
<b>Disclosed as:</b>						
Creditors: amounts falling due within one year	0.4	1.4	1.8	0.3	-	0.3
Creditors: amounts falling due after more than one year	-	2.0	2.0	-	3.4	3.4
	<b>0.4</b>	<b>3.4</b>	<b>3.8</b>	<b>0.3</b>	<b>3.4</b>	<b>3.7</b>

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

**30 Loans and borrowings**

Maturity of debt:

<b>GROUP</b>	<b>Bank loans 2018 £m</b>	<b>Bonds 2018 £m</b>	<b>Other loans 2018 £m</b>	<b>Total 2018 £m</b>
In 1 year or less, or on demand	28.9	0.1	5.0	34.0
In more than 1 year but not more than 2 years	29.6	0.1	-	29.7
In more than 2 years but not more than 5 years	239.3	0.3	-	239.6
More than 5 years	1,034.1	252.9	-	1,287.0
	<u>1,331.9</u>	<u>253.4</u>	<u>5.0</u>	<u>1,590.3</u>

<b>GROUP</b>	<b>Bank loans 2017 £m</b>	<b>Bonds 2017 £m</b>	<b>Other loans 2017 £m</b>	<b>Total 2017 £m</b>
In 1 year or less, or on demand	57.4	0.2	-	57.6
In more than 1 year but not more than 2 years	30.1	0.1	-	30.2
In more than 2 years but not more than 5 years	146.0	0.5	5.0	151.5
More than 5 years	1,041.6	252.0	-	1,293.6
	<u>1,275.1</u>	<u>252.8</u>	<u>5.0</u>	<u>1,532.9</u>

<b>ASSOCIATION</b>	<b>Bank loans 2018 £m</b>	<b>Inter- company loans from Treasury companies 2018 £m</b>	<b>Total 2018 £m</b>
In 1 year or less, or on demand	22.9	6.0	28.9
In more than 1 year but not more than 2 years	23.6	6.0	29.6
In more than 2 years but not more than 5 years	221.6	18.0	239.6
More than 5 years	777.7	509.3	1287.0
	<u>1,045.8</u>	<u>539.3</u>	<u>1,585.1</u>

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

<b>ASSOCIATION</b>	<b>Bank loans</b>	<b>Inter- company loans from Treasury companies</b>	<b>Total</b>
	<b>2017</b>	<b>2017</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
In 1 year or less, or on demand	51.6	6.1	57.7
In more than 1 year but not more than 2 years	24.2	6.0	30.2
In more than 2 years but not more than 5 years	128.4	18.1	146.5
More than 5 years	779.2	514.3	1,293.5
	<u>983.4</u>	<u>544.5</u>	<u>1,527.9</u>
	<u>983.4</u>	<u>544.5</u>	<u>1,527.9</u>

During the year, the group agreed new facilities of £200m and in the process incurred issue costs of £0.7m, representing 0.35% of new loans borrowed. Loans of £120.1m were drawn from agreed facilities and £63.0m of loans were repaid in the year. Issue costs have been deducted from the initial carrying value and will be charged to the Statement of Comprehensive Income as part of the interest charge calculated using the effective interest rate method.

All new loans agreed in the year were recognised as basic in accordance with Section 11 of FRS 102. At 31 March 2018 the group had undrawn loan facilities of £318.6m (2017: £238.6m) with an average interest rate of 4.16%. Properties held as security are disclosed in Note 15.

**31 Financial instruments**

<b>Financial assets</b>	<b>Group</b>	<b>Group</b>	<b>Association</b>	<b>Association</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Financial assets measured at historical cost:				
- Trade receivables (Note 22)	4.8	2.9	3.4	2.9
- Other receivables (Note 22)	10.2	24.2	3.6	17.2
- Investments (Note 18)	2.5	2.4	-	-
- Investments in short term deposits (Note 23)	42.5	33.5	42.5	33.5
- Cash and cash equivalents	81.2	67.6	59.5	55.6
Financial assets measured at fair value through profit or loss:				
- Fixed Asset investments	42.5	33.5	42.5	33.5
Financial assets that are debt instruments measured at amortised cost:				
	<u>183.7</u>	<u>164.1</u>	<u>151.5</u>	<u>142.7</u>
<b>Total financial assets</b>	<u>183.7</u>	<u>164.1</u>	<u>151.5</u>	<u>142.7</u>

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

**Financial liabilities**

	<b>Group 2018 £m</b>	<b>Group 2017 £m</b>	<b>Association 2018 £m</b>	<b>Association 2017 £m</b>
Financial liabilities measured at amortised cost:				
- Loans and bonds payable	<b>(1,590.2)</b>	(1,532.9)	<b>(1,045.9)</b>	(983.3)
Financial liabilities measured at historical cost:				
- Trade creditors (Note 24)	<b>(7.7)</b>	(6.6)	<b>(7.2)</b>	(5.8)
- Other creditors (Note 24 & 25)	<b>(26.7)</b>	(29.0)	<b>(25.8)</b>	(28.0)
Derivative financial instruments designated as hedges of variable interest rate risk (Note 25)	<b>(104.8)</b>	(119.0)	<b>(104.8)</b>	(119.0)
<b>Total financial liabilities</b>	<b><u>(1,729.4)</u></b>	<b><u>(1,687.5)</u></b>	<b><u>(1,183.7)</u></b>	<b><u>(1,136.1)</u></b>

Financial assets measured at fair value through the Statement of Comprehensive Income comprise fixed asset investments in listed and unlisted company shares and current asset investments in a trading portfolio of listed company shares.

Financial assets are measured at amortised cost comprise of trade debtors, other debtors, amounts owed by joint ventures and associated undertakings.

Financial liabilities measured at amortised cost comprise bank loans and overdrafts, bonds, trade creditors and other creditors. Derivative financial instruments designated as hedges of variable interest rate risk comprise interest rate swaps.

**Hedge of variable interest rate risk arising from bank loan liabilities:**

To hedge the potential volatility in future interest cash flows arising from movements in LIBOR, the group has entered into floating to fixed interest rate swaps with a nominal value equal to that initial borrowings, the same term as the loans and interest re-pricing dates identical to those of the variable rate loans.

The derivatives are accounted for as a hedge of variable interest rate risks, in accordance with FRS 102 and had a fair value of £104.8m (2017: £119.0) at the Statement of Financial Position date. The cash flows arising from the interest rate swaps will continue until their maturity, coincidental with the repayment of the term loans. The change in fair value in the period was a favourable £14.2m (2017: favourable change in value of £1.0m) with £4.9m (2017: £5.2m) of the charge being recognised in other comprehensive income as the swaps were 100% effective hedges and £9.3m (2017: £(4.2)m) in the Statement of Comprehensive Income as the ineffective portion of the hedging instrument.

Hedge accounting is applied to financial assets and financial liabilities of the Group where a hedging relationship qualifies for hedge accounting and if, and only if, all of the following conditions are met:

- At the inception of the hedge, or at the point of transition an economic relationship between the hedged item and the hedging instrument has to exist. Documentation shall include identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness or otherwise in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk;
- The hedge effectiveness or otherwise should be reliably measured. The Group has chosen to test the effectiveness of its hedges on a quarterly basis.

**Hedging instruments**

A hedging instrument is classified as an instrument whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item.

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

**Hedged items**

A hedged item is an item that exposes the Group to risk of changes in fair value or future cash flows and is designated as being hedged. A hedged item may include a single or group of recognised assets or liabilities, a firm commitment or a highly probable transaction.

**Risk**

The main risk arising from the Group's financial instruments are interest rate risk, liquidity risk and credit risk.

**Interest rate risk**

Genesis finances its operations through a mixture of retained reserves, government grant, other public subsidies to support development activities and loan borrowings. Interest rate risk is managed by the Treasury team in accordance with the Board approved Treasury Management Policy. Genesis's interest rate strategy is reviewed annually and focused on achieving the prescribed balance between fixed and variable debt at an acceptable level of risk and cost. Covenant compliance and sensitivity analysis of interest rates are monitored on a regular basis.

Cash flow hedges are entered into to hedge exposure to the variability in cash flows attributable to movements in interest rates using interest rate swap contracts whereby the Group agrees to pay interest at a fixed rate and receive interest at a floating rate. The interest rate swaps are designated as a hedge of the variability in the debt interest payments due to changes in the benchmark interest rate (LIBOR). This method reflects the risk management objective of the hedging relationship that is to swap a series of future variable cash flows to a fixed rate. The movement through the cash flow reserve for the year ended 31 March 2018 was £4.9m.

**Liquidity risk**

Liquidity risk is managed in accordance with the Treasury Management Policy approved by Board. Genesis has a policy to maintain sufficient cash to cover the 3 months net cash requirement and sufficient liquidity to cover the next 12 months net liquidity requirement. The maturity profile of the debt has been established to reflect the long-term nature of Genesis's assets and to reduce risk by staggering the repayment of the principal of the loan. At the year-end 81% of Genesis's borrowings were due to mature in more than five years. To date all payments have been made on time.

**Credit risk**

Credit risk is managed by the Treasury team in accordance with the Treasury Management Policy approved by Board. Genesis considers the security of principal sums invested to rank above seeking the highest possible return on the investment. Repayment of interest and capital to lenders is made on a punctual basis. Genesis monitors available resources on a regular basis, through a review of its business plan. It is considered that Genesis has sufficient resources to cover these repayments and therefore the risk of being unable to meet its obligations to the lenders is considered to be low. The housing loans are secured by specific charges on housing properties and repayable at varying rates of interest.

Within the Group, Genfinance and Genfinance II Plc is dependent on receipt of funds from Genesis Housing Association in order to meet its contractual obligations under the Nationwide and Bond Loan Agreements. The credit risk is that Genesis Housing Association, as the sole counterparty, fails to reimburse the companies. The Directors consider the credit risk to be very low owing to the fact that Genesis Housing Association is a financially strong business, with strong asset base, that consistently generates a surplus, supported by a regulator with strong oversight and which had an investment grade credit rating of Baa2 from Moody's and A- from Standard and Poor's. The maximum credit risk currently faced by Genfinance is £288m (2017: £294m) and for Genfinance II is £250m (2017: £250m), being the issued amount of funds raised from external bank and investors, and on-lent to Genesis Housing Association.

This credit risk is further mitigated through a secured loan agreement, backed by social housing assets owned by Genesis Housing Association. These assets are subject to regulation by Homes England and therefore offer a level of protection in terms of regulatory scrutiny. If there are any payments not made to Genfinance and Genfinance II, they have the right to enforce the security under the loan agreement

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

**Market risk**

Genesis's treasury management function is responsible for developing and implementing an appropriate financial strategy to ensure it has the required level of liquidity to fund the capital investment programme and day to day activities of the business. Close monitoring of financial covenants against the business plan to assess risk scenarios is completed on a regular basis.

Genfinance II borrows on a fixed rate basis from the capital markets and then on-lends these funds to Genesis Housing Association Limited on a similar fixed rate basis. Genfinance borrows on both a fixed rate and variable rate basis from Nationwide and then on-lends these funds to Genesis Housing Association Limited on a similar fixed and variable rate basis. Genfinance and Genfinance II do not bear any risk apart from the underlying credit risk to Genesis Housing Association Limited, which is discussed above.

**32 Provision for liabilities**

**GROUP**

	<b>Dilapidations</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>
At 1 April 2017	1.4	1.4
Additions	-	-
Utilised in year	(0.4)	(0.4)
<b>At 31 March 2018</b>	<b>1.0</b>	<b>1.0</b>

	<b>£m</b>	<b>£m</b>
At 1 April 2017	1.4	1.4
Additions	-	-
Utilised in year	(0.4)	(0.4)
<b>At 31 March 2018</b>	<b>1.0</b>	<b>1.0</b>

The dilapidation provision is for estimated costs to be incurred for temporary housing and office leases with landlords under short leaseholds when they are handed back.

**33 Pensions**

Several pension schemes are operated by the group.

**PCHA:**

Genesis operates a defined benefit scheme in the UK which is closed for future accrual. This is a separate trustee administered fund holding the pension scheme assets to meet long term pension liabilities. A full actuarial valuation was carried out as at 30 September 2016 and updated to 31 March 2018 by a qualified actuary, independent of the scheme's sponsoring employer (Genesis). The major assumptions used by the actuary are shown below.

This most recent actuarial valuation showed a deficit of £12,715,000. The trustees and Genesis have agreed that contributions of £1,606,000 per annum will be paid for a period of 7 years from 31 March 2018 to eliminate this deficit. Genesis has agreed to pay the scheme expenses £78,000 per annum and the Pension Protection Fund (PPF) levy paid separately.

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

**Genesis:**

Genesis operates a defined benefit scheme in the UK. This is a separate trustee administered fund holding the pension scheme assets to meet long term pension liabilities. This report only refers to the defined benefit section of the scheme which is closed for future accrual. This is a separate trustee administered fund holding the pension scheme assets to meet long term pension liabilities. A full actuarial valuation was carried out as at 30 September 2016 and updated to 31 March 2018 by a qualified actuary, independent of the scheme's sponsoring employer (Genesis). The major assumptions used by the actuary are shown below.

This most recent actuarial valuation showed a deficit of £17,220,000. The trustees and Genesis have agreed that contributions of £1,660,000 per annum (increasing by 3 % each year with the first increase on 1 April 2019) will be paid for a period of 8 years and 6 months from 1 April 2018 to eliminate this deficit. Employer (Genesis) has agreed to pay the scheme expenses £8,000 per month annum and the Pension Protection Fund (PPF) levies and group life premiums are paid separately.

**LPFA:**

The Local Government Pension Scheme: A defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme regulations 2013 and currently provides benefits based on career average revalued earning. To assess the value of the Genesis liability at 31 March 2018, Barnet Waddingham rolled forward the value of the Genesis liabilities calculated for the funding valuation as at 31 March 2016, using financial assumptions that comply with FRS102.

**Genesis Pension Scheme**

**Employee benefit obligations**

*The amounts recognised in the Statement of Financial Position are as follows:*

	2018 £m	2017 £m
Present value of funded obligations	53.4	53.7
Fair value of planned assets	(43.6)	(41.9)
Net liability	9.8	11.8
Amounts in the financial position		
Liabilities	(9.8)	(11.8)

*The amounts recognised in surplus are as follows:*

	2018 £m	2017 £m
Interest on obligation	0.3	0.5
Expenses	0.1	0.1
<b>Total</b>	0.4	0.6
Actual return on plan assets	1.9	0.5

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

**Changes in the present value of the defined benefit obligation are as follows:**

	2018	2017
	£m	£m
Opening defined benefit obligation	53.7	47.7
Current service cost	-	-
Expenses	0.1	0.1
Interest cost	1.4	1.6
Actuarial losses (gains)	(0.4)	6.8
Benefits paid & expenses	(1.4)	(2.5)
	53.4	53.7
<b>Closing defined benefit obligation</b>	<b>53.4</b>	<b>53.7</b>

**Changes in the fair value of plan assets are as follows:**

	2018	2017
	£m	£m
Opening fair value of plan assets	41.9	33.9
Assets allocated to the scheme	-	-
Actuarial gains	0.8	8.1
Contributions by the company	1.2	1.2
Benefits paid & expenses	(1.4)	(2.5)
Interest income	1.1	1.2
	43.6	41.9
<b>Closing fair value of plan assets</b>	<b>43.6</b>	<b>41.9</b>

The Group expects to contribute £1.7m to the scheme for the period commencing 1 April 2018.

The major categories of plan assets as a percentage of total plan assets are as follows:

	2018	2017
Equities	61.9 %	65.1%
Bonds	32.5%	29.7%
Property	5.1%	4.9%
Cash	0.5 %	0.3%

None of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

**Principal actuarial assumptions at the financial position date (expressed as weighted averages):**

	2018	2017
Discount rate at 31 March	2.6%	2.7%
Inflation (RPI)	3.2%	3.3%
Inflation (CPI)	2.2%	2.3%
Allowance for pension in payment increases of CPI or 5 % p.a. if less	2.3%	2.4%
Salary Growth	4.2%	2.3%
Life expectancy from age 65:		
Male	22.3 years	23.2 years
Female	24.0 years	24.9 years
<b>PCHA 2001 Pension Scheme</b>		

**Employee benefit obligations**

**The amounts recognised in the Statement of Financial Position are as follows:**

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

	2018	2017
	£m	£m
Present value of funded obligations	54.6	65.9
Fair value of planned assets	(48.6)	(47.6)
	6.0	18.3
Amounts in the Statement of Financial Position		
Liabilities	(6.0)	(18.3)

**The amounts recognised in surplus are as follows:**

	2018	2017
	£m	£m
Expenses	0.2	0.1
Net interest cost	0.5	0.5
	0.7	0.6
<b>Total</b>	0.7	0.6
Actual return on plan assets	2.1	7.0

**Changes in the present value of the defined benefit obligation are as follows:**

	2018	2017
	£m	£m
Opening defined benefit obligation	65.9	55.5
Interest cost	1.7	1.9
Actuarial losses/(gains)	(11.3)	9.9
Expenses	0.2	0.1
Benefits paid & expenses	(1.9)	(1.5)
	54.6	65.9
<b>Closing defined benefit obligation</b>	54.6	65.9

**Changes in the fair value of plan assets are as follows:**

	2018	2017
	£m	£m
Opening fair value of plan assets	47.6	41.3
Actuarial gains/(losses)	0.9	5.6
Contribution by employer	0.8	0.8
Benefits paid & expenses	(1.9)	(1.5)
Interest income	1.2	1.4
	48.6	47.6
<b>Closing fair value of plan assets</b>	48.6	47.6

The Group expects to contribute £1.7m to the scheme for the period commencing 1 April 2018. The major categories of plan assets as a percentage of total plan assets are as follows:

	2018	2017
Equities	54.7%	58.6%
Bonds	43.6%	39.9%

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

Cash	1.7%	1.5%
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None of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

**Principal actuarial assumptions at the Statement of Financial Position date (expressed as weighted averages):**

	2018	2017
Discount rate at 31 March	2.6%	2.7%
inflation (RPI)	3.2%	3.3%
Inflation (CPI)	2.2%	2.3%
Allowance for pension in payment increase of RPI or 5 % p.a. if less	3.1 %	3.2%

Life expectancy from age 65:

Male	22.4 years	23.2 years
Female	24.1 years	24.9 years

**LPFA Pension Scheme**  
**Employee benefit obligations**

**The amounts recognised in the Statement of Financial Position are as follows:**

	2018	2017
	£m	£m
Present value of funded obligations	12.1	12.5
Fair value of planned assets	(10.0)	(9.8)
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	2.1	2.7
Present value of unfunded obligations	0.1	0.1
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
Net liability	2.2	2.8
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
Liabilities	(2.2)	(2.8)

**The amounts recognised in surplus are as follows:**

	2018	2017
	£m	£m
Current service cost	0.1	0.1
Net Interest on defined liability (asset) obligation	0.1	0.1
Administration expenses	-	-
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
Total	0.2	0.2
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

**Changes in the present value of the defined benefit obligation are as follows:**

	2018	2017
	£m	£m
Opening defined benefit obligation	12.6	10.5
Service cost	0.1	0.2
Interest cost	0.3	0.3
Actuarial losses	(0.3)	1.9
Benefits paid	(0.3)	(0.3)
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
Closing defined benefit obligation	12.4	12.6
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

Changes in the fair value of plan assets are as follows:

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

	2018	2017
	£m	£m
Opening fair value of plan assets	9.7	8.3
Interest on assets	0.2	0.3
Return on assets less interest	0.3	1.5
Contribution by employer	0.1	0.1
Estimated benefits paid net of transfers	(0.3)	(0.3)
	10.0	9.9
Closing fair value of plan assets	10.0	9.9

The Group expects to contribute £0.2m in 2018/19.

The major categories of plan assets as a percentage of total plan assets are as follows:

	2018	2017
UK equities	61%	59%
Bonds	22%	21%
Property	7%	5%
Other	5%	6%
Cash	5%	9%

None of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

**Principal actuarial assumptions at the financial position date (expressed as weighted averages):**

	2018	2017
Discount rate at 31 March	2.6 %	2.6%
Expected return on plan assets at 31 March	2.3 %	2.6%
Future salary increases	3.9 %	4.1%
Life expectancy from age 65:		
Males	21.5 years	21.4 years
Females	24.2 years	24.1 years

**Summary**

	Scheme assets (£m)	Scheme liabilities (£m)	Net liabilities (£m)
<b>Year ended 31 March 2018</b>			
Genesis	43.6	(53.4)	(9.8)
PCHA	48.6	(54.6)	(6.0)
LPFA	10.0	(12.2)	(2.2)
<b>Total</b>	<b>102.2</b>	<b>(120.2)</b>	<b>(18.0)</b>
<b>Year ended 31 March 2017</b>			
Genesis	41.9	(53.7)	(11.8)
PCHA	47.6	(65.9)	(18.3)
LPFA	9.8	(12.6)	(2.8)
<b>Total</b>	<b>99.3</b>	<b>(132.2)</b>	<b>(32.9)</b>
<b>Actuarial surplus / (loss)</b>	<b>2.9</b>	<b>12.9</b>	<b>14.9</b>

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

During the year a £14.9m actuarial surplus (2017: £1.5m actuarial loss) was recognised in the statement of comprehensive income.

**34 Share capital**

<b>Association</b>	<b>2018</b>	2017
	<b>Number</b>	Number
At 1 April	60	61
Shares issued	2	-
Shares cancelled	(8)	(1)
<b>At 31 March</b>	<b>54</b>	<b>60</b>

Each share has a nominal value of £1 which carries no right to interest, dividend or bonus. When a shareholder ceases to be a shareholder, the share is cancelled, and the amount paid up becomes the property of the Association.

**Operating leases**

**35**

The group and the association had minimum lease payments under non-cancellable operating leases for properties as set out below:

<b>Amounts payable as lessee</b>	<b>Group</b>	Group	<b>Association</b>	Association
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>£m</b>	£m	<b>£m</b>	£m
Not later than 1 year	<b>13.3</b>	36.6	<b>13.3</b>	36.6
Later than 1 year and not later than 5 years	<b>41.0</b>	50.1	<b>41.0</b>	50.1
Later than 5 years	<b>213.3</b>	219.1	<b>213.3</b>	219.1
	<b>267.6</b>	305.8	<b>267.6</b>	305.8

During the year £45.3m was recognised in the Statement of Comprehensive Income in respect of operating leases (2017: £49.3m)

**36 Capital Commitments**

	<b>Group</b>	Group	<b>Association</b>	Association
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>£m</b>	£m	<b>£m</b>	£m
Contracted but not provided for:				
Construction	-	-	-	-
Maintenance	-	-	-	-
Approved by the Board and contracted for:				
Construction	<b>392.8</b>	231.6	<b>461.0</b>	312.9
Maintenance	-	-	-	-
	<b>392.8</b>	231.6	<b>461.0</b>	312.9
<b>Total</b>	<b>392.8</b>	231.6	<b>461.0</b>	312.9

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

The Group expects to finance the above contracted commitments by:

	<b>Group 2018</b>	Group 2017	<b>Association 2018</b>	Association 2017
	£m	£m	£m	£m
Sale of properties	24.1	21.8	24.1	21.8
Capital grant	0.7	1.2	0.7	1.2
Cash and available loan facilities	368.0	208.6	436.2	289.9
	<u>392.8</u>	<u>231.6</u>	<u>461.0</u>	<u>312.9</u>

At 31 March 2018, the Group has cash and borrowing facilities available of £399.8m (2017: £306.2m).

**37 Housing stock**

	<b>Group 2018</b>	Group 2017	<b>Association 2018</b>	Association 2017
	Units	Units	Units	Units
<b>In development:</b>				
Units for rent	455	406	455	398
Low cost home ownership	628	455	519	339
Outright sales	258	110	258	110
Other – non-social housing				
Market let	477	410	160	16
Intermediate rent	49	-	49	-
Commercial	4	2	2	-
	<u>1,871</u>	<u>1,383</u>	<u>1,443</u>	<u>863</u>
<b>Social housing accommodation managed:</b>				
General needs	14,308	14,583	14,308	14,583
Affordable rent	812	619	812	619
Supported housing and housing for older people	2,653	2,820	2,653	2,820
Temporary housing units	2,392	2,665	2,392	2,665
Low cost home ownership units	4,034	4,032	4,034	4,032
Leasehold units	3,145	2,920	3,145	2,920
Key worker accommodation	1,342	1,369	1,342	1,369
	<u>28,686</u>	<u>29,008</u>	<u>28,686</u>	<u>29,008</u>
<b>Total social housing stock managed</b>				
<b>Non-social housing accommodation managed:</b>				
Market let	996	911	996	911
Intermediate rent	606	615	606	615
Commercial	351	243	351	243
	<u>1,953</u>	<u>1,769</u>	<u>1,953</u>	<u>1,769</u>
<b>Total non-social housing stock managed</b>				
<b>Total housing stock managed</b>	<u>30,639</u>	<u>30,777</u>	<u>30,639</u>	<u>30,777</u>
Units owned but managed by others	<u>1,264</u>	<u>1,303</u>	<u>1,264</u>	<u>1,303</u>

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

**38 Note to the Statement of Cash Flows**

	2018	2017
	£m	£m
<b>Cash flows from operating activities</b>		
Operating surplus for the year	39.0	52.8
<b>Adjustments for non-cash items</b>		
Depreciation of fixed assets - housing properties	23.5	19.1
Depreciation of fixed assets - other	5.9	4.5
Impairment of housing and investment properties	17.5	-
Others -write off prior year costs	(0.5)	-
Interest payable and finance costs	-	5.5
Difference between net pension expense and cash contribution	-	(1.5)
(Increase)/Decrease in stock	23.8	(43.4)
(Increase)/Decrease in trade and other debtors	5.4	(8.4)
Increase in trade and other creditors	4.3	26.1
(Decrease)/Increase in provisions	(0.5)	-
Increase/(Decrease) in Pension liability	-	(2.7)
Increase in listing investment	-	0.2
Corporation tax payment on account	(0.7)	-
<b>Net cash generated from operating activities</b>	<b>117.7</b>	<b>52.2</b>

**39 Related parties**

As at 31 March 2018 the ultimate controlling party of the group is Genesis Housing Association, a registered social housing provider.

**Board members**

The Board of Genesis included one tenant member who holds a tenancy agreement on normal terms and cannot use their position to their advantage. The rent charged include service charges for the year was £ 7,331 (2017: £5,486) and the tenant had zero balance outstanding at the 31 March 2018 (2017: Credit balance of £28).

Payable by the Association	Purchase of		Maintenance		Interest		Other	
	2018	2017	2018	2017	2018	2017	2018	2017
<i>Subsidiary</i>	£m	£m	£m	£m	£m	£m	£m	£m
Genesis Community Foundation	-	-	-	-	-	-	-	-
Genfinance Limited	-	-	-	-	(19.2)	(4.6)	-	-
Genfinance II plc	-	-	-	-	(15.2)	(15.2)	-	-
Geninvest Limited								
Central Chelmsford Development Agency Limited	(39.6)	(46.4)	-	-	-	-	-	-
Choices for Grahame Park Limited	(12.3)	(21.4)	-	-	-	-	-	-
Genesis Purchasing Limited	(50.3)	(17.4)	-	-	-	-	-	-
Genesis Oaklands limited	(15.5)	-	-	-	-	-	-	-
	(117.7)	(85.2)	-	-	(34.4)	(19.8)	-	-

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

*Purchase of housing properties:*

The Association purchases properties from property development subsidiaries.

*Interest:*

Inter-company interest is charged to the Association on loans provided by subsidiaries whose purpose is to raise finance for the group. The interest charges match those paid by the subsidiaries to the respective third party lenders.

**Year-end balances with non-regulated entities:**

	2018	2017
	£m	£m
Genesis Community Foundation	0.3	0.3
Genfinance Limited	(286.2)	(292.2)
Genfinance II plc	(257.7)	(257.0)
Geninvest Limited	0.1	1.0
Central Chelmsford Development Agency Limited	4.0	13.2
Choices for Grahame Park Limited	7.7	-
European Urban St Pancras 2 Limited	5.3	(1.1)
Stoke Quay New Homes Limited	0.3	0.3
Genesis Purchasing Limited	4.7	8.1
Geneis Oaklands Limited	6.8	-
Pathmeads Property Services Limited	(0.8)	(0.8)
	(515.5)	(528.2)

**Year-end balances with regulated entities:**

	2018	2017
	£m	£m
Springboard Two	-	-
	-	-

**Transactions and balances with Jointly Controlled entities:**

Genesis Housing Group set up LINQ (a plc company) in conjunction with the Directors of Centrus (Treasury Advisors). Their shareholding is held by a company called LINQ Partners Ltd. The simple concept is that we bring properties and housing management to the table and they bring funding.

The shareholding in LINQ Housing in two categories, one which gives voting rights and one which gives economic return. In order for this entity to be off balance sheet for Genesis Housing Group, Genesis Housing Group cannot hold more than 25% of the voting rights and so the shares are distributed 25% each to ourselves and LINQ Partners and the balance are held by a Trust. The purpose of the trust is to hold any future value for a social purpose should the structure collapse.

The economic return of the organisation is distributed with respect to a share class 75% in favour of Genesis Housing Group and 25% in favour of LINQ partners.

The purpose of doing this is to create a vehicle which will hold PRS properties for a period of not less than 50 years. By using the rent roll of these properties to fund their purchase from Genesis Housing Group we release the funds tied up in these properties to facilitate simply building more homes. The funding is also tied in for a 50-year period, meaning there is little value to not holding them for this period.

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

The funder of the structure is M&G. After the 50-year period has expired the unencumbered properties are still the property of the shareholders (75% Genesis).

Genesis Housing Group will continue to manage these properties and one of the requirements of the various legal documents is that a Registered Provider remains in the structure.

In respect of property units previously sold by Genesis to LINQ the economic return of the organisation is distributed with respect to a share class 100% in favour of Genesis once all property units have been sold on the open market. Any units acquired by LINQ from other sources are not subject to the same profit allocation.

During the current year Genesis sold 114 units to LINQ Partners Ltd for total consideration of £34m generating a net surplus of £4.8m and the Acre Lane site was sold to Notting Hill Housing Association for £5.9m. Genesis Housing Association and Notting Hill Housing Trust merged post year end, this transaction was completed prior to this merger and was at arm's length.

**40 Prior year adjustments**

A number of prior year adjustments have been made following further investigation of the 2017 figures. A total adjustment of £26.5m has been made to the 2018 Income and expenditure reserve.

Group	Note	2017 as previously stated £m	Adjustments £m	2017 Restated £m
Fixed assets	A	3,247.1	(22.5)	3,224.6
Current assets	B	244.3	(3.9)	240.4
Creditors: amounts falling due within one year	B	(143.2)	(0.1)	(143.3)
<b>Net current assets</b>		<b>101.1</b>	<b>(26.5)</b>	<b>97.1</b>
<b>Total assets less current liabilities</b>		<b>3,348.2</b>	<b>(26.5)</b>	<b>3,321.7</b>
Creditors: amounts falling due after more than one year		(2,507.1)	-	(2,507.1)
Provision for liabilities		(1.4)	-	(1.4)
<b>Net assets excluding pension liabilities</b>		<b>839.7</b>	<b>(26.5)</b>	<b>813.2</b>
Pension liabilities		(32.9)	-	(32.9)
<b>Net assets</b>		<b>806.8</b>	<b>(26.5)</b>	<b>780.3</b>
<b>Capital and reserves</b>		<b>806.8</b>	<b>(26.5)</b>	<b>780.3</b>

A – The fixed assets have been restated at £22.5m lower than previously reported:

1. Additional depreciation £3.9m relates to pre-17-18 major repairs capitalised and write back £0.2 difference between fixed assets register and general ledger.

**Notes** (forming part of the financial statements)  
**Year ended 31 March 2018**

2. £12.2m and £6.6m prior year adjustments relating to 2016 and earlier and 2017 respectively have arisen as result of a difference in the methodology used to value of market rent properties.

B - Current assets have reduced by £4.0m:

Creditors have been restated £0.1m higher than previously reported:

1. previous year balance has no supporting information

Debtors have been restated £3.9m lower than previously reported:

2. £0.9m relates to CHP non-recoverable income
3. £1.3m difference in general ledger and 2016 signed accounts -unadjusted transaction
4. £0.7m loan premium adjustment not posted in association last year
5. £0.3m invoices recorded twice
6. £0.2 difference between north gate housing system and general ledger
7. £ (0.2) write back of old debtors balances
8. 0.7m write off other debtors balance due to no supporting information.

**Subsequent Events:**

On 3 April 2018, our parent company Genesis Housing Association amalgamated with Notting Hill Housing Trust (NHHT) to form Notting Hill Genesis which is a charity incorporated as a community benefit society under the Co-operative and Community Benefits Society Act 2014 and is a Registered Provider of Social Housing, Registered Number:4880.