CHOICE HOUSING IRELAND LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

Registered under Industrial & Provident Societies Act: IP000408

Registered Housing Association: R56

Registered Charity: NIC100095

CONTENTS

Directory

(Who served during the year)

DIRECTORS

Mrs H Bell (Chair)	Mr R Moore (Vice Chair)
Mr W Reilly	Mr K Slattery
Mr J Cullen	Prof. B Rima
Mr J Higgins	Mr C McAreavey
Mr R Roulston (Resigned Apr 2017)	Mr B White (Resigned Sept 2017)
Mrs S Doran (Resigned Sept 2017)	Mr T Kennedy (Resigned Sept 2017
Mr J Tinman (Resigned Sept 2017)	Ms L O'Dowd
Mrs M Elliott (Resigned Sept 2017)	Ms L Millen (Resigned Apr 2017)
Ms N Taggart (Appointed Apr 2017)	Ms H Harrison (Appointed Apr 2017)
Mr A Logan (Appointed Apr 2017)	Ms M Donnelly (Appointed Apr 2017)

COMPANY SECRETARY Mr B McKenna

GROUP SENIOR MANAGEMENT TEAM

Mr M McDonnell	(Group Chief Executive)
Mr M Rafferty	(Group Director of Finance & Resources)
Mr N M T Sheridan	(Group Director of Development & Assets)
Mrs C Ervine	(Group Director of Tenant & Client Services)
Mr B McKenna	(Group Director of Governance & Communications)
Mr L Jackson	(Group Director of Organisational Development)
Mr J Anderson	(Group Director of Growth)
Ms S Cosgrove	(Chief Executive Oaklee Housing)
Mr W Farrelly	(Managing Director Choice Services (Ireland) Limited)

REGISTERED OFFICE Leslie Morrell House, 37-41 May Street, Belfast BT1 4DN

BANKERS

First Trust Bank	31-35 High Street, Belfast BT1 2AL
Barclays Bank	Donegall Square North, Belfast BT1 5LU
Ulster Bank	Donegall Square East, Belfast BT1 5UB
Bank of Ireland	Donegall Square South, Belfast BT1 5LR
Housing Finance Corp	107 Cannon Street, London EC4N 5AF
Danske Bank	Donegall Square West, Belfast BT1 6JS
Nord LB	One Wood Street, London, EC2V 7WT

EXTERNAL AUDITORS KPMG, The Soloist Building, 1 Lanyon Place, Belfast, BT1 3LP

INTERNAL AUDITORS TIAA, 53-55 Gosport Business Centre, Aerodrome Road, Hampshire PO13 0FQ

SOLICITORS Elliott Duffy Garrett, 34 Upper Queens Street, Belfast BT1 6FD

Directory (continued)

At the date of signing these accounts the following individuals were serving on the various subsidiary boards and committees within the Group:

Oaklee Housing Board	Maple & May Limited Board	Oaklee Employment Services Limited Board
J Cullen (Chair)	H Bell	R Moore
D Jamieson (Vice Chair)	T Kennedy (Resigned Apr 2017)	H Bell (Appointed Apr 2017)
E Breen	P Leonard	B McKenna (Secretary)
J Buckley	R Moore (Resigned Apr 2017)	
M Buckley	W Reilly	
W Cusack	Prof B Rima (Appointed Apr 2017)	
F Feely	H Harrison (Appointed Apr 2017)	
R Moore	D Gilmore (Appointed Apr 2017, Deceased Jan 2018)	
L Morrell	C McAreavey (Appointed April 2017) (Chair)	
H Bell	B McKenna (Secretary)	
V Sheridan		
K Slattery		
A Whelan		
S Cosgrove (Secretary, Appointed Aug 2017)		

Choice Services (Ireland) Limited Board	Maple And May (Homes) Limited Board	Acorn Housing Board
H Bell (Chair, Appointed Apr 2017)	H Bell	J Cullen (Chair)
R Moore (Vice Chair)	J Cullen (Resigned Apr 2017)	K Slattery
J Buckley (Appointed Apr 2017)	P Leonard	V Sheridan
B McKenna (Secretary)	R Moore (Resigned Apr 2017)	D Williams (Secretary, Appointed Mar 2018)
	Prof B Rima (Appointed Apr 2017)	
	W Reilly	
	H Harrison (Appointed Apr 2017)	
	D Gilmore (Appointed Apr 2017, Deceased Jan 2018)	
	C McAreavey (Appointed Apr 2017) (Chair)	
	B White (Resigned Apr 2017)	
	B McKenna (Secretary)	

Directory (continued)

Communications & Integration Committee	Tenant & Client Services Committee	Development & Growth Committee
T Kennedy (Chair)	N Taggart (Chair, Appointed Apr 2017)	B Reilly (Chair)
P Brannigan (Vice Chair)	S Doran (Chair, Resigned Sept 2017)	C McAreavey (Vice chair)
A Logan	L O'Dowd (Vice Chair)	D Gilmour (Deceased Jan 2018)
R Roulston	L Millen (Vice Chair, Resigned Apr 2017)	Prof B Rima
F Sharkey	D Cochrane	B Watson (Resigned Sept 2017)
G Skelton	J Hunter	H Harrison (Appointed Jun 2017)
N Taggart	Prof B Rima	Paul Leonard
	J Tinman (Resigned Sept 2017)	
	J Cullen (Appointed Apr 2017)	
	B Jeffrey (Appointed Apr 2017)	

Finance Committee	Nominations & Governance Committee	Audit & Risk Committee
R Moore (Chair, Appointed Mar 2018)	H Bell (Chair)	K Slattery (Chair)
H Bell (Vice Chair, Appointed Mar 2018)	R Moore (Vice Chair)	M Elliott (Chair, Resigned Sept 2017)
J Cullen (Appointed Mar 2018)	J Cullen	J Higgins (Vice Chair)
J Higgins (Appointed Mar 2018)	S Doran (Resigned Sept 2017)	M Donnelly (Appointed Jun 2017)
S Corrigan (Appointed Mar 2018)	T Kennedy (Resigned Sept 2017)	A Logan (Appointed Apr 2017)
		G Skelton (Appointed Apr 2017)

Statement of Board's Responsibilities in respect of the Report of the Board of Management and Strategic Report and the Financial Statements

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

Industrial and Provident Society law requires the Board of Management to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The Associations financial statements are required to give a true and fair view of the state of affairs of the Group and Parent and of its surplus or deficit for that period. In preparing these financial statements, the Board of Management is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent will continue in business.

The Board of Management is responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that the financial statements comply with the Industrial and Provident Societies Acts (Northern Ireland) 1969 to 2006, the Housing (Northern Ireland) Order 1992 and the Registered Housing Associations (Accounting Requirements) Order (Northern Ireland) 1993. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

The Board of Management 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.

On behalf of the board

Hazel Bell Director	Robert Moore Director

Date: 26 September 2018

Report of the Board of Management and the Strategic Report

The Board of Management present their report and the audited financial statements of the Group for the year ended the 31 March 2018.

Principal Activity

Choice Housing Ireland Limited is a public benefit entity administered by a Board and involved in the development and management of affordable rented accommodation. It is a registered non-profit making Housing Association providing housing in Northern Ireland for people in need. The Association is recognised by HMRC as having Charitable Status within the meaning of section 506 of the Income and Corporation Taxes Act 1988. It is a charity registered with the Charity Commission Northern Ireland under registration number NIC100095.

Choice Housing Ireland Limited and its subsidiaries (“Choice” or the “Group”) provides low cost accommodation through its two registered housing associations: Choice Housing Ireland Limited (“CHI” or “the Parent”) and Oaklee Housing (“OH”) in the Republic of Ireland. Additionally its subsidiaries provide the following services:

- Maple And May Limited (“M&M”) (formerly Choice Housing Enterprises Limited) provides affordable housing in the private rented sector;
- Maple And May (Homes) Limited (“MMH”) (formerly Choice Affordable Housing Limited) provides affordable home ownership;
- Choice Services (Ireland) Limited (“CSL”) provides maintenance services to the Group;
- Oaklee Employment Services Limited (“OES”) provides relief staffing services, primarily within our Group.
- Acorn Housing (“Acorn”) provides social housing in the Republic of Ireland

During the year ended 31 March 2018 the operations of Oaklee Employment Services were discontinued. The wind up of the company was completed on 14th August 2018.

Our Vision, Mission and Values

The Choice Group corporate plan to 2020, entitled ‘Leading Change and doing things differently’ sets a clear vision for the organisation to make a real and lasting difference to the lives of our tenants and their communities across the island of Ireland.

Relationships grounded in our corporate values will be fundamental to the successful delivery of our objectives for the coming year. More specifically, Choice should be viewed as trustworthy, customer-centred and dynamic in everything that we do and say.

Only through effective partnership working – both within our organisation and with external stakeholders - can we leverage our significant scale and scope to address the challenges that we collectively face, and exploit the opportunities to transform neighbourhoods.

Leadership within the housing association sector has never been more important. As one of the largest social enterprises on the island, Choice will draw upon the skills, experience and commitment of our people, to generate sustainable profits for our social purpose. We must be prepared and able to take risks on behalf of those in housing need.

Report of The Board of Management and The Strategic Report (continued)

We believe the following words accurately describe our corporate values:

- Trustworthy
- Customer-focused
- Dynamic

Our Business Plan 2018/19

Our Group Business Plan for 2018-2019 seeks to 'do more, better, quicker' for our customers, colleagues and partners and seeks to deliver against our four strategic objectives.

Strategic Objective 1: Great Homes

- Increase pipeline of Social Housing Development Programme (SHDP) & Growth starts through integrated business development, stakeholder engagement, land-banking, design & build
- Complete draw-down of EIB monies
- Continue to focus on energy efficiency and sustainable development
- Implement recommendations arising from the review of Supporting People within Choice

Strategic Objective 2: Great Service

- Demonstrate 'best in class' compliance management
- Ensure homes are available for letting as quickly as possible
- Ensure integrated approach to maintenance across response, planned and cyclical
- Implement an effective financial inclusion service for tenants to reduce arrears
- Speed up the resolution of Anti-Social Behaviour cases and introduce further preventative measures through community engagement & good relations work
- Implement the new Tenant Engagement Strategy & Incentive Scheme
- Progress improvements identified through staff survey including well-being, internal communication, staff engagement, etc.
- Invest in stable, cohesive and integrated communities
- Progress strategic approach to asset management with alignment of investment priorities and up-to-date stock condition data
- Drive out anticipated benefits from the redesign of our customer-facing teams
- Monitor welfare reform and minimise negative impacts for tenants and Choice
- Launch PRS property management and consider other in-sourcing opportunities to both improve service and reduce costs
- Progress strategy for both acquiring and retaining appropriate skills across Group
- Ensure integrated Learning & Development plan and clear career pathways with succession planning
- Implement the new rent policy

Report of The Board of Management and The Strategic Report (continued)

Strategic Objective 3: Digital Transformation

- Promote channel shift to improve service to tenants and reduce costs
- Streamline the purchase to pay process and complete repairs ‘gateway’ transition
- Enable effective job costing and integrated mobile working
- Strengthen Group cyber security protocols and readiness for General Data Protection Regulation
- Harness potential of new technologies in development, asset and energy management, procurement, etc.
- Promote digital inclusion and enhanced accessibility for tenants (across Group) through online portal, etc.
- Increase ‘self-service’ for management and staff in human resources management.

Strategic Goal 4: Customer Excellence

- Improve Value For Money in both construction and maintenance projects
- Drive further efficiencies through smart procurement & process re-engineering
- Create a framework for assessing return on assets across the portfolio
- Ensure more effective budget setting and cross-departmental budget management
- Effectively manage staff absence, grievance & disciplinary processes; and
- Rolling programme of in-house ‘lean reviews’ and change project support.

Operational Performance during the Year

This section describes the operational performance of the Parent during the year. Targets are set for key performance indicators and they are used in the managing of performance, and in setting the strategies for continuous improvement. Key Performance Indicator data are also used by the Department for Communities to assess the performance of each association against its peer group and the sector in total.

Response Maintenance Service

The table below shows the Parent’s performance in completing works orders within the target timescales:

Report of The Board of Management and The Strategic Report (continued)

Works Order Performance - % Completed within Target

Priority	2018	2017
Emergency (24 hrs)	94%	90%
Urgent (4 days)	92%	86%
Routine (20 days)	90%	85%

Performance has improved against last year due in part to the creation of Choice Services (Ireland) Limited a dedicated maintenance company and a subsidiary of Choice Housing Ireland Limited. Other response maintenance contractors have performed satisfactorily during the year.

Planned Maintenance Programme

In 2017/2018, £17.7 million was spent by the Parent on the planned maintenance programme (£12.7 million in 2016/2017). The most significant projects completed were fire alarm and/or communal lighting replacements, kitchen replacements, heating upgrades, lift installation and window/door replacements, warden call systems and internal re-decorating and carpeting over multiple schemes. Sixteen sites went under significant remodeling and refurbishment works to alter the housing category from shared accommodation to self-contained apartments. This programme will continue in 2018/2019.

Arrears

A specialist income recovery team focuses on arrears management and performance this year has been satisfactory with a small decrease in past tenant arrears. Resources have been strengthened in the area of past tenant arrears to combat this adverse trend. Whilst the timing and effect of Welfare Reform are still unknown, the Income Recovery team continue to dedicate their time to the collection of rents. The table below shows the arrears balances of the Parent after deduction of expected benefits, and the percentage of rental income.

	2018	**2017**
	£m	**£m**
Current Arrears of Parent (after deduction of expected benefits)	£1.582	£1.263
	(4.5%)	(2.3%)
Past Tenant Arrears	£0.321	£0.477
	(0.9%)	(0.9%)
Total Arrears at year end	**£1.903**	**£1.740**
	(5.4%)	**(3.2%)**

Report of The Board of Management and The Strategic Report (continued)

Voids

The proactive management of voids is seen as a key issue. A specialist allocations team aims to improve performance in this area. Included within its terms of reference are;

- Arrangements for offers of accommodation;
- Marketing;
- External liaison with agencies;
- Financial incentives;
- Strategic approach including voids toolkit; and
- Voids audits by housing managers.

Rent loss through voids by the Parent in the financial year was £1,459k representing 3.13% of gross rent receivable (2016/2017 £1,743k and 3.82%). A voids working group comprising senior management representatives has been established to oversee performance improvement in this area. The number of maintenance and housing voids has increased in the 2017/2018 year. In April 2017 there were 79 maintenance voids and 36 housing voids and at March 2018 there were 77 maintenance voids and 85 housing voids. The total voids at the same periods decreased from 297 in April 2017 to 218 in March 2018. Weekly rent loss from voids has been reduced from £26,921 in April 2017 to £15,444 in March 2018.

New Development

The numbers of homes and bed spaces of the Parent in new schemes are shown below:

	2018	**2017**
Units Completed	318	139
Units Started	221	342

The reduction in units started arises as a result of 178 units (9 Schemes) being caught up in the planning system which prevented establishment on site by 31 March 2018. Increase in units completed was due to the high level of starts flowing through from prior years and a fall in the number of contractors going into administration (2018: 1, 2017: 3) which requires the engagement of finishing contractors, inevitably leading to delays.

There was expenditure of £32.0m, (2016/17 £40.2m) during the year on new developments. At 31 March 2018 there were 25 schemes “on site” comprising 565 units including 92 units at Hannahstown, Belfast, 74 units at Larne Road, Ballymena and 51 units at Nelson Drive, Derry. We completed 318 units including 106 units at Old Belfast Road, Bangor, and 32 units at Greenisland House, Greenisland.

Staff

One of the key performance indicators in relation to staff management is the percentage of working days lost through sickness absence. In 2017/18 the Parent achieved a performance of 5.4% (2016/17 5.0%).

Complaints

A total of 60 formal complaints were registered by tenants of the Parent during the year, compared to 53 for the previous year. These are analysed as follows:

Report of The Board of Management and The Strategic Report (continued)

Breakdown of Complaints		
	2018	**2017**
Neighbourhood disputes	4	14
Property/Maintenance	39	29
Arrears/Service Charges	0	0
Applications	6	3
Staff	3	6
Security	1	0
Other	7	1
Total	**60**	**53**

The majority of complaints were satisfactorily resolved at the first stage of the Parent's procedure. A total of 5 of the 60 complaints received progressed to second stage.

Choice Services Centre

Choice Services Centre is a specialist in-house contact centre tasked with providing a responsive and accessible service to tenants. The following table shows its performance levels:

	2018	**2017**
Total Calls Received	124,516	126,934
Lost Calls	3.90%	7.5%
Resolved At First Contact	76.8%	79.7%
Tasks Resolved By Officer Grade Staff	84.0%	88.6%
Advisor Quality Assessment	94.1%	95.9%

Report of The Board of Management and The Strategic Report (continued)

Financial Performance

Income and Expenditure

The table below provides a summary of the Group Income and Expenditure account.

	2018 **£m**	**2017** **£m**
Turnover	62.9	63.5
EBITDA[1]	16.8	16.5
Surplus for the year	7.5	8.8

Group turnover has decreased by 0.9% reflecting a decrease in amortised deferred grant offset by an increase in units let and rental increases of 2%.

[1] EBITDA is calculated by adding back depreciation, impairment, write-off of major repairs and amortisation of grants and contributions, interest receivable, interest payable and taxation to the surplus for the year.

Assets and Liabilities

The Group is in a strong financial position at the year-end, as shown by the following summary:

	2018 **£m**	**2017** **£m**
Total Fixed Assets	826.7	760.3
Net Current (Liabilities)	(17.4)	(52.0)
	809.3	**708.3**
Longer Term Liabilities	704.4	614.7
Reserves	104.9	93.6
	809.3	**708.3**

Report of The Board of Management and The Strategic Report (continued)

Total fixed assets have increased from £760m to £827m due to major expenditure on various housing schemes by both Choice Housing Ireland Limited and Oaklee Housing. There were 12 properties sold to tenants under the Statutory House Sales Scheme. Net current liabilities have decreased from £52m (2017) to £17m (2018) due to increased cash reserves as a result of EIB loan draw downs in the current year and a reduction in the current loan balances as a result of the conversion of revolving credit facilities to fixed term loans. The Group closely monitors its liquidity position in line with its prudent treasury policy and holds sufficient cash on hand to meet all near-term liabilities. At the end of August 2018 the Group had committed, but undrawn facilities of £109m.

Cashflows

During the year the business generated net cash-flow from operating activities of £11m (2017: £18m) and repaid loan capital of £4.1m (2017: £3.2m). The Group received loans of £78m (2017: £7m) which will be used to finance social housing in the coming year.

Loan Covenants

External private finance is raised by the Parent and the financial covenants are in respect of the financial performance of the Parent for all loans except EIB where the covenants are in respect of the Group performance. The covenant ratios are as follows:

Ratio compliance	Lender	Requirement	Actual
Interest cover	Barclays	>1.05:1	2.60:1
Interest cover (consecutive years)	Barclays / First Trust / Danske	>1.20:1	2.81:1
Interest cover (consecutive years)	EIB	>1.20:1	2.70:1
Interest cover	EIB	>1.10:1	2.52:1
Interest cover	Danske	>1.05:1	2.60:1
Interest cover	First Trust	>1.05:1	2.60:1
Gearing	EIB	<60%	27%
Gearing	Barclays / First Trust / Danske	<50%	27%

The Parent and Group were fully compliant with these covenants during the year, as shown below:

	Parent		Group	
Interest Cover	**2018**	**2017**	**2018**	**2018**
Adjusted EBITDA[2]	£14.504m	£15.614m	£16.954m	£17.004m
	Times	**Times**	**Times**	**Times**
Net Interest	£5.577m	£5.207m	£6.738m	£6.054m
Interest Cover Ratio	**2.60**	**3.00**	**2.52**	**2.81**
Minimum Required	**1.05**	**1.05**	**1.10**	**1.10**

Report of The Board of Management and The Strategic Report (continued)

[2] Adjusted EBITDA is calculated by adding back depreciation, impairment, write-off of major repairs and amortisation of grants and contributions to the operating surplus.

Gearing	**2018 £m**	**2017 £m**
Gross Debt	186	135
Reserves [3]	684	661
Gearing (%)	**27%**	**20%**
Maximum Allowed	**50%**	**50%**

[3] Reserves are calculated by summing capital & reserves, Housing Association Grants (HAG), other capital grants, pension assets/liabilities and financial instrument assets/liabilities.

Treasury Policy and Capital Structure

The Group has a formal detailed treasury management policy which is approved by the Board. The policy sets out investment policies, borrowing policies, liquidity policies, interest rate management policies and treasury management procedures. The policy provides that no more than 50% of outstanding debt will be on a floating rate basis.

At the balance sheet date all drawn borrowings from First Trust Bank, Concessionary Loans, EIB and DfC are fixed. 75% of the borrowings from Barclays are hedged against interest rate volatility. 100% of the borrowings from Nord LB are hedged against interest rate volatility. The loan and bond with THFC are on a fixed rate basis. The majority of HFA borrowings are fixed.

Counterparty risk is mitigated by closely monitoring credit ratings and restricting deposits to £3m or to the corresponding level of debt with that counterparty. The new revolving credit facilities are on a floating rate basis.

The Group has established and maintains strong relationships with a number of banks and financial institutions to facilitate future funding requirements and to ensure a balanced spread. At the balance sheet date the Group had gross debt of £231m (24% of which is on a floating rate basis) and cash balances of £29m. This will meet current development funding requirements. The Cash Flow Statement shows that the Group generated cash-flow from operations of £11m and paid interest of £7m.

Corporate Governance

The Group has recently reviewed its governance arrangements to ensure compliance with best practice, including work done in the review of the Corporate Governance Code. We are satisfied that we achieve a high degree of compliance with these requirements.

Report of The Board of Management and The Strategic Report (continued)

Management of Risk
Risk identification and assessment

As the Group's objectives are established and updated, any risks that may prevent their achievement are identified and assessed in terms of their impact on the organisation and their likelihood of occurrence. This activity is carried out at appropriate levels throughout the Group.

Major risks

Through the above process and by other regular review, those risks which present the greatest threats to the Group are identified and reported to the Audit & Risk Committee and the Group Board. The Group Board receives information on actions being taken to manage those key risks and the results of those actions.

The current corporate risk register has 5 risks with a 'red' residual rating. Details on each with proposed mitigation are as follows:

- NI Public sector spending cuts – mitigated through political lobbying by the Senior Management team ('SMT') and Northern Ireland Federation of Housing Associations (NIFHA). Our VFM strategy aims to enhance our efficiency which will enable us to better withstand future cuts.
- Welfare reform – mitigated through engagement with external stakeholders, internal delivery model review, business improvement work stream, staff training and debt advisory service.
- Oaklee Growth – mitigated through appropriate funding model and strong financial controls.
- Brexit – we are carefully assessing the potential risks arising from Brexit and will build in appropriate mitigations into our plans.
- Development Land/Planning-continuing issues regarding the availability of development land threaten our future development programme. We are proactively dealing with this issue, including exploration of alternative procurement models.

Effectiveness of control mechanisms

For those risks which are identified as being the most significant for any part of the Group, the existing control environment is assessed to establish ways in which it can be improved. Areas identified for improvement will be regularly followed up until action points are fully addressed. Where a view is formed that the Group cannot exercise adequate control over the relevant risk (for example due to external influences) then the relevant strategic objective will be revisited to establish whether or not it can be amended to reduce risk and, if not, whether the level of risk is acceptable.

Report of The Board of Management and The Strategic Report (continued)

The results for the year

The Group's surplus after tax for the year was £7.5m compared with a surplus after tax of £8.8m for the previous year.

Donations

The Group made charitable donations of £5k during the year (2017: £11k). There were no political donations in the current or prior year.

Employee involvement

The Group continues to regard communication with its employees as a key aspect of its policies. Information is given to employees about employment matters and about the financial and economic factors affecting the Group's performance through management channels, quarterly in-house magazines and attendance at internal seminars and training programmes.

Employment of disabled people

The Group is committed to providing equal opportunities to employees. The employment of the disabled is included in this commitment and the recruitment, training, development and promotion of disabled people are based on the aptitudes and abilities of the individual. Should employees become disabled during their employment, every effort will be made to continue their employment and, if necessary, appropriate training will be provided.

Supplier payment policy

The Group follows the Better Payment Practice Code for all suppliers. The four principles of the code are: to agree payment terms at the outset and stick to them; to explain payment procedures to suppliers; to pay bills in accordance with any contract agreed with the supplier (or as required by law); and to tell suppliers without delay when an invoice is contested and then settle disputes quickly.

Future performance

The Group's future performance and financial risks will be affected by government policy, the economic environment, internal growth and efficiency initiatives. There are currently no known significant post balance sheet events that will have an impact on future operations. The key issues of Brexit, Sector Reclassification and Welfare Reform have the potential to have a significant impact and the organisation is considering its response.

Report of The Board of Management and The Strategic Report (continued)

Disclosure of information to auditors

The directors who held office at the date of approval of this Report of the Board confirm that, so far as they are each aware, there is no relevant information of which the Group's auditors are unaware; and each director has taken all the steps necessary that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Auditor

The continuation of KPMG as Statutory Auditor will be noted at the forthcoming Annual General Meeting.

By order of the Board

Hazel Bell (Chair)

26 September 2018

Board of Management's Statement of Internal Financial Controls

The Board acknowledges that it has the ultimate responsibility for ensuring that the Group has in place a system of controls, appropriate for the various business environments in which it operates. These controls are designed to give reasonable assurance about:

- The reliability of any financial information that is published by, or is used within, the Group;
- The maintenance of proper accounting records; and
- The protection of the Group's assets against their unauthorised use or disposition.

It is the Board's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable (and not absolute) assurance against material financial misstatement or loss. The key elements of these systems include ensuring that:

- There are formal policies and procedures in place (including the documentation of key systems and rules that relate to the delegation of authorities) which allow the monitoring of controls and which seek to prevent the unauthorised use of the Group's assets;
- Experienced staff, who are suitably qualified, are responsible for important business functions, and are subject to annual appraisal procedures set up to maintain high standards of performance;
- Regular management accounts are prepared promptly which provide relevant, reliable and up-to-date financial information, and significant variances from budgets are investigated as appropriate;
- All significant initiatives, major commitments and investment projects are subject to formal authorisation procedures, through relevant committees that are controlled by Board members;
- The Board's Audit & Risk Committee reviews reports (from management, and from both internal and external auditors) so that it may have reasonable assurance that control procedures are in place and are being followed: these reviews include a general review of the major risks facing the Group;
- The Audit & Risk Committee makes regular reports to the Board, and
- Formal procedures have been established for instituting action needed to correct weaknesses identified in the above reports.

The Board is satisfied that there have been no material losses, contingencies or uncertainties that require disclosure in the financial statements as a result of weakness in the internal financial controls.

By order of the Board

Hazel Bell (Chair)

26 September 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHOICE HOUSING IRELAND LIMITED

1 Report on the audit of the financial statements

Opinion

We have audited the financial statements of Choice Housing Ireland Limited ('the Association') for the year ended 31 March 2018 set out on pages 29 to 70, which comprise the Group and Parent Income & Expenditure Account, the Group and Parent Statement of Other Comprehensive Income, the Group and Parent Balance sheets, the Consolidated Statement of Changes in Equity, the Parent Statement of Changes in Equity, the Consolidated Cash Flow Statement and related notes, including the summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is applicable law and FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

In our opinion, the accompanying Group and Parent financial statements:

- give a true and fair view of the state of the Group and Parent's affairs as at 31 March 2018 and of its surplus for the year then ended;
- have been properly prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts (Northern Ireland) 1969 to 2006, as amended by the Credit Unions and Co-operative and Community Benefit Societies Act (Northern Ireland) 2016, Article 19 of the Housing (Northern Ireland) Order 1992 and the Registered Housing Associations (Accounting Requirements) Order (Northern Ireland) 1993, Charities (Northern Ireland) Act 2008 and regulation 8 of the Charities Accounts and Reports (Northern Ireland) Regulations 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 Association in accordance with ethical requirements that are relevant to our audit of financial statements in the UK, including the Financial Reporting Council (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.

We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHOICE HOUSING IRELAND LIMITED *(continued)*

Other information

The Board of Management are responsible for preparation of other information presented in the Annual Report accompanying the financial statements. The other information comprises the information included in the Board of Management and Strategic Report and the Board of Management's Statement of Internal Financial Controls.

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

In connection with our audit of the financial statements, ISAs (UK) require that we read the other information and, in doing so, consider whether that information is materially inconsistent with the financial statements or our knowledge obtained from our audit work, or otherwise appears to be materially misstated.

Our conclusions on other matters on which we are required to report by the Industrial and Provident Societies Acts (Northern Ireland) 1969 to 2006 are set out below

In our opinion the information given in the Board of Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under ISAs (UK) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

Under the Industrial and Provident Societies Acts (Northern Ireland) 1969 to 2006 as amended by the Credit Unions and Co-operative and Community Benefit Societies Act (Northern Ireland) 2016 we are required to report to you if, in our opinion:

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

We have nothing to report in respect of the above responsibilities.

2 Respective responsibilities and restrictions on use

Responsibilities of directors for the financial statements

As explained more fully in the Statement of Board's Responsibilities set out on page 5, the Board of Management are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

2 Respective responsibilities and restrictions on use (continued)

In preparing the financial statements, the Board of Management are responsible for assessing 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 of Management either intends to liquidate the Association or to cease operations, or has 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 fuller description of our responsibilities is provided on IAASA's website at https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsiblities_for_audit.pdf.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Association's members, as a body, in accordance with the Industrial and Provident Societies Acts (Northern Ireland) 1969 to 2006, as amended by the Credit Unions and Co-operative and Community Benefit Societies Act (Northern Ireland) 2016. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

26 September 2018

John Poole ***(Senior Statutory Auditor)***
for and on behalf of KPMG, Statutory Auditor
Chartered Accountants
The Soloist Building
1 Lanyon Place
Belfast
BT1 3LP

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2018

		GROUP		PARENT	
	Note 28	**2018**	**2017 (Restated)**	**2018**	**2017 (Restated)**
		£'000	**£'000**	**£'000**	**£'000**
Turnover	2.1	62,877	63,537	56,327	58,568
Operating expenditure					
Operating costs	2.1	(48,448)	(48,428)	(44,415)	(44,888)
Operating surplus		**14,429**	**15,109**	**11,912**	**13,680**
Gain on disposal of tangible fixed assets		600	659	600	659
Interest receivable and similar income	4	61	76	170	184
Interest payable and similar charges	5	(6,799)	(6,130)	(5,747)	(5,391)
Net finance charges relating to pension scheme	20.1	(165)	(137)	(165)	(137)
Amounts written off investments	13	-	-	772	-
Gain on disposal of interest in Associate		-	-	-	200
Transfer to disposal proceeds fund	19	(564)	(647)	(564)	(647)
Gift aid transfer		-	-	-	13
Movement in fair value of financial instruments	27.1	(50)	(108)	(44)	(108)
Surplus before tax		**7,512**	**8,822**	**6,934**	**8,453**
Taxation	7	(23)	3	-	-
Surplus for the year		**7,489**	**8,825**	**6,934**	**8,453**

The consolidated results relate wholly to continuing activities.

The notes on pages 29 to 70 form part of these financial statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

		GROUP		PARENT	
	Note	**2018**	**2017**	**2018**	**2017**
		£'000	**£'000**	**£'000**	**£'000**
Surplus for the year		**7,489**	**8,825**	**6,934**	**8,453**
Other comprehensive income					
Re-measurement of net defined benefit liability	20.1	2,302	(2,906)	2,302	(2,906)
Foreign exchange differences on translation of foreign operation	22.2	112	241	-	-
Effective portion of changes in fair value of cash flow hedges	22.3	1,339	(175)	1,591	(175)
Total other comprehensive income for the year		**3,753**	**(2,840)**	**3,893**	**(3,081)**
Total comprehensive income for the year		**11,242**	**5,985**	**10,827**	**5,372**

The notes on pages 29 to 70 form part of these financial statements.

BALANCE SHEET

AT 31 MARCH 2018

	Note	GROUP 2018 £'000	GROUP 2017 £'000	PARENT 2018 £'000	PARENT 2017 £'000
Fixed assets					
Tangible assets					
Housing Properties	8,9	817,945	754,577	718,127	678,939
Other tangible fixed assets	10,11	3,495	3,959	3,426	3,948
Investment property	12	5,270	1,810	210	400
Financial Assets	13.1	-	-	2,083	1,311
		826,710	**760,346**	**723,846**	**684,598**
Current assets					
Stock	14	414	61	12	11
Trade and other Debtors	15	13,795	8,093	19,096	10,462
Cash and cash equivalents		29,326	16,262	27,168	14,368
		43,535	**24,416**	**46,276**	**24,841**
Creditors: amounts falling due within one year	16	(60,945)	(76,386)	(56,747)	(71,184)
Net current liabilities		**(17,410)**	**(51,970)**	**(10,471)**	**(46,343)**
Total assets less current liabilities		**809,300**	**708,376**	**713,375**	**638,255**
Creditors: amounts falling due after more than one year	17	(700,093)	(608,003)	(608,617)	(541,916)
Provisions for liabilities					
Pension Liability	20.1	(4,351)	(6,759)	(4,351)	(6,759)
Net assets		**104,856**	**93,614**	**100,407**	**89,580**
Capital and reserves					
Share capital	21	-	-	-	-
Foreign exchange translation reserve	22.2	346	234	-	-
Cash-flow hedge reserve	22.3	(8,508)	(9,847)	(8,256)	(9,847)
Revenue reserve		113,018	103,227	108,663	99,427
Total reserves		**104,856**	**93,614**	**100,407**	**89,580**

The Group meets the definition of a Public Benefit Entity (PBE) as defined by FRS102.

The notes on pages 29 to 70 form part of these financial statements.

BALANCE SHEET

AT 31 MARCH 2018 (continued)

These financial statements were approved by the board of directors on 26 September 2018.

Signed on behalf of the Board of Management:

Hazel Bell _________________________ **Noreen Taggart___________________________**

(Chair) **(Board Member)**

Company Registration No: IP 000408

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

	Revenue Reserve	Foreign Currency Translation Reserve	Cash flow Hedge Reserve	Total Equity
	£'000	£'000	£'000	£'000
Balance at 1 April 2016	**97,308**	**(7)**	**(9,672)**	**87,629**
Surplus for the year	8,825	-	-	8,825
Other comprehensive income for the year				
Foreign exchange differences on translation of foreign operation	-	241	-	241
Effective portion of changes in fair value of cash flow hedges	-	-	(175)	(175)
Re-measurement of net defined benefit liability	(2,906)	-	-	(2,906)
Total comprehensive income for the year	5,919	241	(175)	5,985
Balance at 31 March 2017	**103,227**	**234**	**(9,847)**	**93,614**
Surplus for the year	7,489	-	-	7,489
Other comprehensive income for the year				
Foreign exchange differences on translation of foreign operation	-	112	-	112
Effective portion of changes in fair value of cash flow hedges	-	-	1,339	1,339
Re-measurement of net defined benefit liability	2,302	-	-	2,302
Total comprehensive income for the year	9,791	112	1,339	11,242
Balance at 31 March 2018	**113,018**	**346**	**(8,508)**	**104,856**

The notes on pages 29 to 70 form part of these financial statements.

PARENT STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

	Revenue Reserve	Cash flow Hedge Reserve	Total Equity
	£'000	**£'000**	**£'000**
Balance at 1 April 2016	**93,880**	**(9,672)**	**84,208**
Surplus for the year	8,453	-	8,453
Other comprehensive income for the year			
Effective portion of changes in fair value of cash flow hedges	-	(175)	(175)
Re-measurement of net defined benefit liability	(2,906)	-	(2,906)
Total comprehensive income for the year	**5,547**	**(175)**	**5,372**
Balance at 31 March 2017	**99,427**	**(9,847)**	**89,580**
Surplus for the year	6,934	-	6,934
Other comprehensive income for the year			
Effective portion of changes in fair value of cash flow hedges	-	1,591	1,591
Re-measurement of net defined benefit liability	2,302	-	2,302
Total comprehensive income for the year	**9,236**	**1,591**	**10,827**
Balance at 31 March 2018	**108,663**	**(8,256)**	**100,407**

The notes on pages 29 to 70 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 £'000	2017 £'000
Net cash from operating activities	25	**12,406**	**17,575**
Cash flows from investing activities			
Purchase of tangible fixed assets		(77,000)	(56,153)
Expenditure on investment property		(3,032)	(848)
Proceeds from sale of tangible fixed assets		1,193	784
Grants received		11,548	27,940
Interest received		61	321
Net cash used in investing activities		**(67,230)**	**(27,956)**
Cash flow from financing activities			
Interest paid		(6,550)	(6,159)
New secured loans		78,497	7,016
Repayments of borrowings		(4,103)	(3,249)
Net cash used in/generated from financing activities		**67,844**	**(2,392)**
Net change in cash and cash equivalents		13,020	(12,773)
Cash and cash equivalents at 1 April		16,262	28,865
Effect of exchange rate fluctuations on cash held		44	170
Cash and cash equivalents at 31 March 2018		**29,326**	**16,262**

The notes on pages 29 to 70 form part of these financial statements.

NOTES

(forming part of the financial statements)

1 ACCOUNTING POLICIES

Choice Housing Ireland Limited (the 'Association or Parent') is established under the Industrial and Provident Societies Act (Northern Ireland) 1969. Its registration number is IP408. It is registered with the Department for Communities (DFC) (formerly the Department for Social Development) as number R56. The registered office is located at 37-41 May St, Belfast, County Antrim BT1 4DN.

These Group and Parent financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in September 2015. These financial statements comply with the Industrial and Provident Societies Acts (Northern Ireland) 1969 to 2006 as amended by the Credit Unions and Co-Operative and Community Benefit Societies Act (Northern Ireland) 2016, Article 19 of the Housing (Northern Ireland) Order 1992, the Registered Housing Associations (Accounting Requirements) Order (Northern Ireland) 1993 and the Statement of Recommended Practice for Registered Social Landlords update 2014. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The accounting policies set out below have, unless otherwise stated, been applied consistently to material items for all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1.24 of the accounts.

1.2 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, and investment property.

1.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Association and its subsidiary undertakings made up to 31 March 2018. A subsidiary is an entity that is controlled by the Parent undertaking. The results of subsidiary undertakings are included in the consolidated income and expenditure account from the date that control commences until the date that control ceases. Control is established when the Association has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

An associate is an entity in which the Group has significant influence, but not control, over the operating and financial policies of the entity. Significance influence is presumed to exists when the investors holds between 20% and 50% of the equity voting rights. The Group's share of the profits less losses of associates is included in the Group Income and Expenditure account and its interest in their net assets, is included in investments in the consolidated balance sheet.

In the Parent undertaking financial statements, investments in subsidiaries and associates are carried at cost less impairment.

NOTES (continued)

1 ACCOUNTING POLICIES (continued)

1.4 Foreign currency

Transactions in foreign currencies are translated into the functional currency of the Group companies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the Income and Expenditure account.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in Other Comprehensive Income.

1.5 Going concern

For the continuing delivery of its development programme the Parent is dependent on grant funding from the Department for Communities, and bank financing.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. In discussions with the Group's bankers about its borrowing needs there has been nothing to suggest that renewal of existing short term facilities may not be forthcoming on acceptable terms. Further undrawn long-term facilities will meet development programme funding requirements into the foreseeable future.

After making enquiries, the directors have a reasonable expectation that the Parent and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

1.6 Classification of financial instruments issued by the Group

In accordance with FRS 102.22, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

(b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability.

NOTES (continued)

1 ACCOUNTING POLICIES (continued)

1.7 Basic financial instruments

Rental debtors and other debtors

Rental debtors and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Creditors

Creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

1.8 Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments).

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in Income and Expenditure account except as follows:

- Hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in Income and Expenditure. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

NOTES (continued)

1 ACCOUNTING POLICIES (continued)

1.8 Other financial instruments (continued)

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in Other Comprehensive Income. Any ineffective portion of the hedge is recognised immediately in the Income and Expenditure account.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in Other Comprehensive Income is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in Income and Expenditure the hedging gain or loss is reclassified to Income and Expenditure.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the Income and Expenditure account immediately.

1.9 Tangible fixed assets

Housing stock held by the Group, for the provision of social benefit, is accounted for within tangible fixed assets.

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Housing property cost is defined as the expense of construction or purchase together with any incidental charges incurred therein. Any outlay on any asset that adds to its value or extends its useful life is treated as capital expenditure. Subsequent capital expenditure on schemes to rehabilitate housing, including disabled adaptations, is capitalised and the estimated cost of the original component is written off.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease.

The Group assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the Income and Expenditure account on a straight-line basis over the estimated useful lives of each component of tangible fixed assets. Land is not depreciated. The Group operates a full component accounting policy in relation to the capitalisation and depreciation of its completed housing.

NOTES (continued)

1 ACCOUNTING POLICIES (continued)

1.9 Tangible fixed assets (continued)

Housing properties are split between land, structure and major components which require periodic replacement. Replacement or refurbishment of these components is capitalised and depreciated over their estimated useful life, which has been set taking into account professional guidance and the Group's asset management strategy. The related replaced asset is written off. In determining the remaining useful lives for the housing stock, the Group has taken account of views from both internal and external professional sources. The expected useful lives are reviewed on a regular basis.

In instances where acquisition accounting is applied, the Group recognises the acquired housing assets at the Existing Use Value for Social Housing at the date of acquisition.

The estimates of the useful lives of the major classes of asset are:

Asset Category	Useful Life (Years)
Housing properties	
Main fabric (new build)	100
Main fabric (rehabilitated properties)	60
Roof structure and covering	50
Windows & External Doors	40
Gas Boilers/Fires	15
Kitchen	18
Bathrooms/WCs	30
Mechanical Systems	20
Electrics	30
Lift	30
Defects insurance	10
Other assets	
The Group's office buildings	50
Office furniture and equipment	3-5
Computer and telephone hardware	2-5
Computer software	2-3
Furniture in schemes	3-5
Fixtures and Fittings in schemes	3-10
Motor vehicles	4
Tools	2-5

The estimate of useful economic life of the mechanical component was revised from 100 years to 20 years.

The cost of tangible fixed assets other than housing properties is their purchase price, together with any incidental costs of acquisition.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Group expects to consume an asset's future economic benefits. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of housing assets is the greater of their net realisable value and their existing use value for social housing, taking into account the grant attributable to them.

An impairment loss is recognised in the Income and Expenditure account whenever the carrying amount of an asset exceeds its recoverable amount

NOTES (continued)

1 ACCOUNTING POLICIES (continued)

1.9 Tangible fixed assets (continued)

Development costs

Development costs are capitalised where they are directly attributable to bringing the properties into working condition for their intended use. Such costs generally include the labour costs of our own employees arising directly from the acquisition or development of the property and incremental costs that would only have been avoided if the property concerned had not been acquired or constructed.

The Group has a policy not to capitalise interest on any properties under development.

1.10 Government grants

Government grants are included within creditors in the balance sheet and credited to the Income and Expenditure account over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred. The accruals model is adopted and grants are classified as grants relating to assets.

Government grants received for housing properties are recognised in Income over the useful life of the housing property structure and its individual components (excluding land) on a pro rata basis.

Grants received specifically for components of a housing property (e.g. funding for replacement of boilers) are recognised in Income over the expected useful life of the component.

On disposal of an asset for which government grant was received and where there is no obligation to repay the grant, any unamortised grant remaining within liabilities in the Balance Sheet relating to this asset is derecognised as a liability and recognised as revenue in the Income and Expenditure account.

Where there is a requirement to either repay or recycle a grant received for an asset that has been disposed of, a liability is included in the Balance Sheet to recognise this obligation, measured at best estimate.

Property received at below market value is treated as a non-exchange transaction as described more fully in 1.20 below.

Grants and contributions receivable relating to both completed schemes and schemes being built are shown separately within debtors. Those received in advance of the related expenditure are shown separately within creditors.

Choice Housing Ireland Limited - In certain circumstances any grant or contribution may be repayable in part or in full, but any such amounts will rank as subordinated or unsecured debt on the relevant property.

Oaklee Housing - Amounts due in respect of mortgages on assets vested in the company under the Capital Loan and Subsidy Scheme and Capital Assistance Scheme (“financial assistance”) are shown as liabilities in the balance sheet and disclosed as deferred grants income within the creditors note. The financial assistance is provided towards the costs incurred in providing rental dwellings and the provision of a service in accordance with the Capital Loan and Subsidy Scheme and Capital Assistance Scheme, over a 30 year period. The financial assistance is recognised in the Income and Expenditure account so as to match them with the expenditure towards which they are intended to contribute. They are classified as grants relating to revenue. Amounts received from local authorities in relation to the Capital Loan and Subsidy Scheme are recognised when the facility is drawn down, and amortised over a 30 year period in line with the effective interest rate method. The finance cost of the mortgage is allocated to periods over the 30 year term of the mortgage at a constant rate on the carrying amount.

NOTES (continued)

1 ACCOUNTING POLICIES (continued)

1.10 Government grants (continued)

The amount of the twice yearly mortgage repayment and interest charges due in respect of the borrowings advanced by the Housing Finance Agency to fund the loans paid by the local authority under the Capital Loan and Subsidy Scheme will be recouped by the Department for Communities ("the Department") to local authorities, thereby relieving the company of this charge provided that a number of service conditions are met by the company.

All subsidies provided to meet the mortgage repayment during the year are included within Turnover on the face of the Income and Expenditure account. The subsidy in relation to the notional interest charge on the financial assistance is netted off against that interest charge, with the offsetting amounts being disclosed in the notes to these accounts. Amounts received from local authorities in relation to the Capital Assistance Scheme are recognised when the facility is drawn down, and amortised over a 30 year period in line with the effective interest rate method. The finance cost of the mortgage is allocated to periods over the 30 year term of the mortgage at a constant rate on the carrying amount.

The repayments and interest charges due from the approved housing body to the local authority may be fully waived, provided the company continues to comply with the service conditions of the scheme and the mortgage deed contract. All subsidies provided to meet the mortgage repayment during the year are included within Turnover on the face of the Income and Expenditure account. The subsidy in relation to the notional interest charge on the financial assistance is netted off against that interest charge, with the offsetting amounts being disclosed in the notes to these accounts.

1.11 Investment property

Investment properties are properties not held for social benefit which are held together to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

Subsequent to initial recognition

i. investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised in Income and Expenditure in the period that they arise; and

ii. no depreciation is provided in respect of investment properties applying the fair value model.

If a reliable measure is not available without undue cost or effort for an item of investment property, this item is thereafter accounted for as tangible fixed assets in accordance with section 17 until a reliable measure of fair value becomes available.

1.12 Stocks - Properties held for sale and work in progress

Completed properties and properties under construction for open market sales are recognised at the lower of cost and estimated selling price less costs to complete. Cost comprises materials, direct labour and direct development overheads. Assessing net realisable value requires use of the estimation techniques. In making this assessment, management considers publically available information and internal forecasts on future sales activity. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

NOTES (continued)

1 ACCOUNTING POLICIES (continued)

1.13 Impairment excluding stocks, investments and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through Income and Expenditure account is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Group would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in Income and Expenditure account. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through Income and Expenditure account.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, and stocks, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or housing scheme is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

An impairment loss is recognised if the carrying amount of an asset or its Cash Generating Unit (CGU) exceeds its estimated recoverable amount. Impairment losses are recognised in Income and Expenditure account. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.14 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Income and Expenditure account in the periods during which services are rendered by employees.

NOTES (continued)

1 ACCOUNTING POLICIES (continued)

1.14 Employee benefits (continued)

Defined benefit plans

The Group participates in the Northern Ireland Local Government Officers Pension Scheme, which is a funded defined benefit scheme.

The Group takes no part in the administration of this fund. Contributions to it are in accordance with the instructions of the Trustees of the scheme, which follows actuarial advice given to them.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior year; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the year by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Group's obligations. A valuation is performed every three years by a qualified actuary using the projected unit credit method. The Group recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the year are recognised in Income and Expenditure account.

Re-measurement of the net defined benefit liability / asset is recognised in Other Comprehensive Income in the year in which it occurs.

Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probably that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

1.15 Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

NOTES (continued)

1 ACCOUNTING POLICIES (continued)

1.16 Turnover

Turnover excludes value-added tax and represents rental and service charge income receivable (net of void losses), fees receivable, and amortisation of grants. Rental income is recognised on the execution of tenancy agreements. Other income is recognised as receivable on the delivery of services provided.

In the current period the Group have changed the treatment of rates within turnover. The rates are now attributed to turnover on a gross basis whereas in prior years rates costs would have been netted against rates income. Notes 2 and 28 to the financial statements illustrate the impact on the stated prior year income statement.

1.17 Expenses

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, recognised in Income and Expenditure account using the effective interest method and the unwinding of the discount on provisions. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are expensed as incurred.

Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable are recognised in Income and Expenditure account as they accrue, using the effective interest method.

1.18 Taxation

Certain activities of the Group are not taxable as the entities have Charitable status.

Tax on the Income and Expenditure account for the year comprises current and deferred tax. Tax is recognised in the Income and Expenditure account except to the extent that it relates to items recognised directly in equity or Other Comprehensive Income, in which case it is recognised directly in Equity or Other Comprehensive Income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.19 Properties managed by agents

Most of the Group's special needs stock is managed by agents with the relevant skills and expertise to support the tenants in these schemes. Some of these schemes receive a revenue grant, which is passed to the managing agent.

Where the financial risk in these schemes falls primarily on the managing agents, the related income and expenditure that arise from day-to-day operations have been excluded from these accounts, whilst the property rental income arising and the related direct costs of management and maintenance are included.

NOTES (continued)

1 ACCOUNTING POLICIES (continued)

1.20 Non Exchange transactions

Property received at below market value is treated as a non-exchange transaction. The difference between the fair value of the asset donated or acquired and the consideration paid for the asset is recognised as a government grant and included in the Balance Sheet as a liability. The terms of the donation or acquisition are considered to be performance-related conditions and the grant is amortised to turnover in the year of performance of the conditions.

1.21 Disposal proceeds fund

Surpluses arising from the sale of property to tenants are transferred to the Disposal Proceeds Fund, along with any related Housing Association Grant. The net surpluses can be used by the Group to fund works on property that would not be eligible for housing association grant or (in certain circumstances) attract loan finance. If the surpluses are not used within two years of their receipt they may be payable in part or in full to the Department for Communities and the amounts potentially repayable are included within creditors.

1.22 Tenant services fund

Surpluses or deficits arising from a difference between tenant service and support charges and the related cost of service provision are held on the balance sheet as debtors or creditors, with the balance being recovered from or released to future income streams.

In the current period the Group have changed the presentation of TSF movements with the income statement. The TSF movements are now included within operating costs on the face of the income statement whereas in prior years the TSF movements would have been separately disclosed below the operating surplus/(deficit) line. Notes 2 and 18 to the accounts illustrate the impact on the stated prior year income statement.

1.23 Concessionary Loans

The Group has taken the public benefit entity exemptions within FRS 102 PBE 34.89 – 34.97 in respect of concessionary loans. These are loans made and received within the Group and externally at below the prevailing market rate of interest that are not repayable on demand and are for the purposes of furthering the objectives of the Group. These loans are initially measured at the amount received or paid and recognised in the statement of financial position. In subsequent years the carrying amount of concessionary loans in the financial statements is adjusted to reflect any accrued interest payable or receivable. To the extent that a loan that has been made is irrecoverable, an impairment loss is recognised in Income and Expenditure.

1.24 Critical Accounting Estimates

The Board of Management makes estimates and assumptions concerning the future in the process of preparing the Group financial statements. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(i) Useful economic lives of components of housing properties – this estimate has been derived using in-house data gathered over many years.
(ii) Valuation of pension assets and liabilities -this is based on independent expert valuations

NOTES (continued)

2 TURNOVER, OPERATING COSTS AND OPERATING SURPLUS – PARENT

	2018			2017 (Restated)
	Operating Turnover	**Operating Costs**	**Operating Surplus/deficit**	**Operating Surplus**
	£'000	**£'000**	**£'000**	**£'000**
Social Housing Activities	56,283	(43,562)	12,721	13,911
Non Social Housing Activities	44	(853)	(809)	(231)
Total per Statement of Comprehensive Income	**56,327**	**(44,415)**	**11,912**	**13,680**

2.1 TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM SOCIAL HOUSING ACTIVITIES - Parent

	2018						2017 (Restated)
	General Needs	**Sheltered**	**Supported**	**Agents**	**Admin**	**Total**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Income from Lettings :							
Rent	25,954	6,028	2,383	2,248	24	36,637	35,604
Rates	3,772	879	138	64	-	4,853	4,666
Services	1,284	1,277	539	24	-	3,124	3,123
Services – Heat	39	353	46	-	-	438	578
Supporting People	34	1,014	300	-	-	1,348	1,432
Other Income	91	52	19	-	19	181	164
Amortisation of Grant *[1]	8,034	1,168	903	1,100	-	11,205	14,744
Gross Income	**39,208**	**10,771**	**4,328**	**3,436**	**43**	**57,786**	**60,311**
Less: Voids	(918)	(334)	(167)	(40)	-	(1,459)	(1,743)
Net Income	**38,290**	**10,437**	**4,161**	**3,396**	**43**	**56,327**	**58,568**

**[1] Amortisation of grant above includes £Nil (2017 £291k) resulting from the transfer of property from NIHE in 2015 accounted for as a non-exchange transaction.*

NOTES (continued)

2.1 TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM SOCIAL HOUSING ACTIVITIES – Parent (continued)

Operating Costs :

	2018						2017 (Restated)
	General Needs	Sheltered	Supported	Agents	Admin	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Services	1,712	1,542	492	13	-	3,759	3,617
Heat	51	483	48	-	-	582	445
Supporting People	31	1,165	1	-	-	1,197	1,094
Management	9,171	37	667	171	-	10,046	8,701
Rates Payable	3,572	760	103	38	-	4,473	4,261
Maintenance Administration	1,274	420	184	156	-	2,034	1,844
Planned & Cyclical Maintenance	1,726	649	225	239	36	2,875	3,461
Reactive Maintenance	4,133	1,104	416	518	51	6,222	5,065
Major Repairs	446	79	142	67	-	734	1,884
Property Lease Charges	7	-	-	-	-	7	18
Bad Debts	335	-	-	-	-	335	374
Exchange Movement	-	-	-	-	(52)	(52)	(126)
Depreciation – Social Housing	8,650	1,772	890	1,063	-	12,375	13,799
Depreciation – Non Social Housing	14	1	9	-	614	638	643
Transfer to Tenants' Services Fund	(487)	(602)	39	11	229	(810)	(192)
Operating Costs	**30,635**	**7,410**	**3,216**	**2,276**	**878**	**44,415**	**44,888**
Operating Surplus	**7,655**	**3,027**	**945**	**1,120**	**(835)**	**11,912**	**13,680**

NOTES (continued)

2.2 TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM SOCIAL HOUSING ACTIVITIES - PARENT

	2018						2017
	General Needs	**Sheltered**	**Supported**	**Agents**	**Admin**	**Total**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
DFC Management Allowances							
Management Allowances	2,340	1,014	225	415	-	**3,994**	3,896
Management Costs	(9,171)	(37)	(667)	(171)	-	**(10,046)**	(8,701)
(Deficit)/Surplus	(6,831)	977	(442)	244	-	**(6,052)**	(4,805)
DFC Maintenance Allowances							
Maintenance Allowances	2,998	1,188	284	510	-	**4,980**	4,857
Planned & Cyclical Maintenance	(2,068)	(876)	(334)	(242)	-	**(3,520)**	(4,026)
Reactive Maintenance	(4,365)	(1,305)	(511)	(528)	-	**(6,709)**	(5,473)
Deficit	(3,435)	(993)	(561)	(260)	-	**(5,249)**	(4,642)

Turnover excluding Other Income and Amortisation of Grant

	2018	**2017**
	Total	**Total**
	£'000	**£'000**
Technical	30,325	29,176
Non-technical	14,616	14,484
Total	**44,941**	**43,660**

GROUP

The addition of the turnover of Oaklee Housing, Acorn Housing, Maple & May, Maple & May (Homes) and Choice Services (Ireland) (net of consolidation adjustments) of £6,550k (2017: £4,969k) resulted in a Group turnover of £62,877k (2017: £63,537k). The addition of the operating costs of Oaklee Housing, Acorn Housing, Oaklee Employment Services, Maple & May, Maple & May (Homes) and Choice Services (Ireland) (net of consolidation adjustments) of £4,033k (2017: £3,540k) resulted in Group operating costs of £48,448k (2017: £48,428k).

NOTES (continued)

3 EMPLOYEES

The average number of persons employed by the Association (including the Group Senior Executives) during the year, analysed by category was:

	Group		Parent	
	2018	**2017**	**2018**	**2017**
	No.	**No.**	**No.**	**No.**
Corporate Services	**77**	82	**72**	74
Development & Growth	**32**	30	**27**	27
Housing	**179**	180	**167**	162
Maintenance	**121**	63	**62**	55
	409	355	**328**	318

The costs incurred in respect of these employees were:

	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
Wages and salaries	**9,238**	7,142	**7,357**	6,609
Social security costs	**819**	653	**674**	603
Other pension costs	**1,757**	1,011	**1,660**	998
	11,814	8,806	**9,691**	8,210

Redundancy costs were incurred during the 2018 year of £96k (2017: £46k). Included in the above are employee capitalised costs of £1,989k (2017: £1,105k).

3.1 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Remuneration of Group Senior Executives

The remuneration paid to eight (2017 eight) Group Senior Executives was as follows:

	Group		Parent	
	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
Emoluments (excluding pension and redundancy payments but including benefits in kind and exceptional costs)[1]:	962	667	763	667
Aggregate pension paid for Group senior executives	199	105	178	105
Emoluments of the highest paid Executive (excluding pension and redundancy payments but including benefits in kind and exceptional costs)	145	145	145	145
Total expenses reimbursed to the Group Senior Executives and not chargeable to income tax	3	5	3	5

Redundancy costs relating to Group Senior Executives of £Nil (2017: £17k) were incurred during the year as a consequence of merger activity and are not included in above.

[1] The cost increase is attributable to the fact that four of the senior executives came into post during 2016/17 and 2017/18 was the first year where a full year's pay cost was incurred.

NOTES (continued)

3.1.1 Remuneration of Group Senior Executives by Salary Band

The numbers of Group Senior Executives whose emoluments (including pension contributions but excluding redundancy related payments) fell within the following ranges were:

	Group		Parent	
Band	**2018**	**2017**	**2018**	**2017**
£ 0 - £ 80,000	-	1	-	1
£ 80,001 - £ 90,000	-	2	-	1
£ 90,001 - £100,000	1	-	1	-
£100,001 - £110,000	2	1	2	1
£110,001 - £120,000	3	1	2	1
£120,001 - £130,000	-	-	-	-
£130,001 - £140,000	-	2	-	2
£140,001-£150,000	2	-	2	-
£150,001 - £160,000	1	1	1	1
Total	**9**	**8**	**8**	**7**

Those Group Senior Executives who are members of the NILGOSC Pension Scheme are on the same terms as all other members.

3.1.2 Remuneration of Board Members - Parent

The members of the Board are not remunerated.

Total expenses (in single pounds) reimbursed to the Board Members and not chargeable to income tax are:

	2018	2017		2018	2017
	£	£		£	£
Mr T Quin	-	107			
Mr R Moore	-	-		-	-
Mrs H Bell	403	532		-	-
Mr J Cullen	1,079	1,525		-	-
Mr J L Deane	-	-		-	-
Mrs S Doran	-	132		-	-
Mrs S Hogg	-	695		-	62
Mr J Higgins	-	-		-	-
Mr K Slattery	906	915		-	-
Mrs M Elliot	-	-		-	-
Ms M Donnelly	-	-		518	-
Ms H Harrison	-	-			

The total expenses paid to members of the Board were £2,906 for the year ended 31 March 2018 (2017: £3,968).

NOTES (continued)

4 INTEREST RECEIVABLE AND SIMILAR INCOME

	Group		Parent	
	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
Interest receivable from bank deposits	61	76	61	76
Interest receivable from Group companies	-	-	109	108
	61	**76**	**170**	**184**

The subsidy received by Oaklee Housing in relation to the notional interest charge on the financial assistance of £2,360k (2017: £2,278k) has been netted off against the notional interest charge of £2,360k (2017: £2,278k).

5 INTEREST PAYABLE AND SIMILAR CHARGES

	Group		Parent	
	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
On bank loans, overdrafts and other loans:				
Repayable otherwise than by instalments	258	288	258	288
Repayable by instalments	6,541	5,842	5,489	5,103
	6,799	**6,130**	**5,747**	**5,391**

6 SURPLUS ON ORDINARY ACTIVITIES

	Group		Parent	
	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
The surplus for the year is stated after charging (or crediting):				
Depreciation on housing and other fixed assets	14,556	15,766	13,025	14,499
Write-off of major repairs on owned tangible fixed assets	784	1,900	772	1,888
Amortisation of grants and contributions	(12,815)	(15,771)	(11,205)	(14,453)
Surplus on sale of housing assets	(600)	(659)	(600)	(659)
Change in fair value of investment property	(618)	(142)	-	-
Change in fair value of derivatives recognised in income and expenditure	50	(108)	44	(108)
Impairment loss on investments	-	-	(772)	-
Impairment loss on property	-	-	-	-
Internal Audit services	66	55	55	55
Capitalisation of own labour and overhead	(1,989)	(1,402)	(1,989)	(1,402)

NOTES (continued)

6 SURPLUS ON ORDINARY ACTIVITIES (continued)

	Group	
	2018	**2017**
	£'000	**£'000**
Auditor's Remuneration:		
Audit of these financial statements	49	47
Audit of accounts of subsidiaries	34	16
Total External Audit Services	**83**	**63**
Other services	11	6
Total Non-Audit Services	**11**	**6**

7 TAXATION

The Parent is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore meets the definition of a charitable company for UK corporation tax purposes. Accordingly the Parent is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Oaklee Housing has charitable status in the Republic of Ireland and no liability to Irish Corporation Tax arises, again to the extent that its income or gains are applied solely towards the promotion of its main charitable object as set out in its Governing Instrument.

No tax is payable in Maple And May (Homes) Limited, Oaklee Employment Services Limited, Acorn Housing or Choice Services (Ireland) Limited as all companies generated a tax adjusted loss for the year.

Maple And May Limited, as a subsidiary of the Parent, can gift its taxable profits to the Parent under a gift aid arrangement, thereby reducing their taxable profits to £Nil. All of the taxable profits of the company must be gifted to the Parent, in cash, on or before 1 January following the accounting period end to meet this arrangement.

The tax charge of £23k in year ended 31 March 2018 (2017: £3k) relates to a deferred tax charge in Maple And May Limited.

NOTES (continued)

8 FIXED ASSETS – HOUSING - GROUP

	Housing	Schemes being built	Total
Cost	**£'000**	**£'000**	**£'000**
At 31 March 2017	836,718	57,490	894,208
FX Adjustment	2,393	63	2,456
Additions	43,348	33,362	76,710
Transfers	38,698	(38,698)	-
Disposals	(3,697)	-	(3,697)
At 31 March 2018	**917,460**	**52,217**	**969,677**
Depreciation			
At 31 March 2017	(139,631)	-	(139,631)
FX Adjustment	(277)	-	(277)
Charge for the year	(13,912)	-	(13,912)
Depreciation on disposals	2,088	-	2,088
At 31 March 2018	**(151,732)**	**-**	**(151,732)**
Net Book Value			
At 31 March 2017	697,087	57,490	754,577
At 31 March 2018	**765,728**	**52,217**	**817,945**

The tenure for these properties at cost is:

	Freehold	Long Leasehold	Total
	£'000	**£'000**	**£'000**
At 1 April 2017	787,151	107,057	894,208
At 31 March 2018	**850,469**	**119,208**	**969,677**

Bank loans and HFA loans are secured by specific charges on some of the Group's properties.

NOTES (continued)

9 FIXED ASSETS – HOUSING - PARENT

	Housing	Schemes Being Built	Total
Cost	**£'000**	**£'000**	**£'000**
At 31 March 2017	753,645	55,316	808,961
Additions	20,699	32,512	53,211
Transfers	38,698	(38,698)	-
Disposals	(3,684)	-	(3,684)
At 31 March 2018	**809,358**	**49,130**	**858,488**
Depreciation			
At 31 March 2017	(130,022)	-	(130,022)
Charge for the year	(12,421)	-	(12,421)
Depreciation on disposals	2,082	-	2,082
At 31 March 2018	**(140,361)**	**-**	**(140,361)**
Net Book Value			
At 31 March 2017	623,623	55,316	678,939
At 31 March 2018	**668,997**	**49,130**	**718,127**

The tenure for these properties at cost is:

	Freehold	Long Leasehold	Total
	£'000	**£'000**	**£'000**
At 31 March 2017	735,742	73,219	808,961
At 31 March 2018	**780,893**	**77,595**	**858,488**

Bank loans are secured by specific charges on some of the Parent's properties.

NOTES (continued)

10 OTHER FIXED ASSETS - GROUP

	Office Land and Buildings	Vehicles	Office Furniture & Equipment	Computers	Software	Tools	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 31 March 2017	5,837	165	1,503	1,655	1,943	-	11,103
Additions	-	4	17	166	67	35	289
Disposal	-	-	(287)	(165)	(63)	-	(515)
At 31 March 2018	**5,837**	**169**	**1,233**	**1,656**	**1,947**	**35**	**10,877**
Depreciation							
At 31 March 2017	(3,107)	(88)	(1,349)	(1,178)	(1,422)	-	(7,144)
Charge for the year	(70)	(10)	(48)	(250)	(250)	(16)	(644)
Disposals	-	-	184	161	61	-	406
At 31 March 2018	**(3,177)**	**(98)**	**(1,213)**	**(1,267)**	**(1,611)**	**(16)**	**(7,382)**
Net book value							
At 31 March 2017	2,730	77	154	477	521	-	3,959
At 31 March 2018	**2,660**	**71**	**20**	**389**	**336**	**19**	**3,495**

Office Land is held freehold.

NOTES (continued)

11 OTHER FIXED ASSETS – PARENT

	Office Land and Buildings	Vehicles	Office Furniture & Equipment	Computers	Software	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 31 March 2017	5,837	165	1,503	1,644	1,943	11,092
Additions	-	-	11	161	19	191
Disposals	-	-	(287)	(165)	(63)	(515)
At 31 March 2018	**5,837**	**165**	**1,227**	**1,640**	**1,899**	**10,768**
Depreciation						
At 31 March 2017	(3,107)	(88)	(1,349)	(1,178)	(1,422)	(7,144)
Charge for the year	(70)	(9)	(46)	(246)	(233)	(604)
Disposals	-	-	184	161	61	406
At 31 March 2018	**(3,177)**	**(97)**	**(1,211)**	**(1,263)**	**(1,594)**	**(7,342)**
Net book value						
At 31 March 2017	2,730	77	154	466	521	3,948
At 31 March 2018	**2,660**	**68**	**16**	**377**	**305**	**3,426**

Office Land is held freehold.

12 INVESTMENT PROPERTY

	Group	Parent
	£'000	£'000
At 1 April 2017	1,810	400
Additions	3,032	-
Disposals	(190)	(190)
Gain in value	618	-
At 31 March 2018	**5,270**	**210**

Investment properties consist of domestic properties in Maple And May Limited and commercial properties in Choice Housing Ireland Limited, held for rental.

NOTES (continued)

12 INVESTMENT PROPERTY (continued)

Maple And May Limited

The valuation supporting the fair value of the investment property was determined by an independent professional valuation carried out in March 2018.

Choice Housing Ireland Limited

Leslie Morrell House (a portion of the property is carried as an investment property and the remainder is used in the business): The valuation is based on a valuation made by professional valuers in May 2016. The valuation was on the basis of "Market Value" which is defined as "The estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion". This has been adjusted to account for a change in rental value since the date of valuation.

Ladas Drive: The property was sold during the year ended 31 March 2018.

13 FINANCIAL ASSETS

Subsidiary	Country of Registration	Nature of Business
Maple And May Limited	Northern Ireland	Provision of property rental and related services
Oaklee Employment Services Limited	Northern Ireland	Dormant entity
Oaklee Housing	Republic of Ireland	Registered Housing Association
Choice Services (Ireland) Limited	Northern Ireland	Maintenance services
Maple And May (Homes) Limited	Northern Ireland	Development of affordable housing
Acorn Housing	Republic of Ireland	Provision of property rental and related services

Maple And May Limited is a company with share capital, all of which is owned by the Parent.

Maple And May (Homes) Limited is a company with share capital, all of which is owned by the Parent.

Oaklee Employment Services Limited is a limited company with share capital, all of which is owned by the Parent. During the year ending 31 March 2018 the operations of Oaklee Employment Services Limited were discontinued. The wind up of the company was completed on 14th August 2018.

Oaklee Housing is a company limited by guarantee and without share capital. The accounts of Oaklee Housing are consolidated in the group accounts of the Parent because the Parent, as a member of Oaklee Housing, is entitled to the number of votes which equals ten times the number of votes of all other members, in respect of financial matters.

Choice Services (Ireland) Limited is a company with share capital, all of which is owned by the Parent.

Acorn Housing is a designated activity company with share capital, all of which is owned by the Parent.

NOTES (continued)

13.1 FINANCIAL ASSETS

	Group	Parent
	£'000	£'000
Balance as at 31 March 2017	-	1,311
Additions	-	-
Disposals	-	-
Reversal of Impairment/(Impairment) of Assets	-	772
Balance as at 31 March 2018	**-**	**2,083**

In prior years, the Parent's investment in Maple And May Limited was impaired by £1,389k. In the current year a reversal of £772k has been posted to the investment as a result of the uplift in the underlying net assets of the subsidiary.

14 STOCK

	Group		Parent	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Work-in-progress	326	50	-	-
Stock - Materials	76	-	-	-
Fuel	12	11	12	11
	414	**61**	**12**	**11**

15 DEBTORS

	Group		Parent	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Rental Debtors Gross – Technical	1,150	1,066	1,150	1,066
Rental Debtors Gross – Non-Technical	2,274	1,822	1,903	1,740
Less provision for bad and doubtful debts	(1,420)	(1,253)	(1,373)	(1,215)
Net Rental Debtors	**2,004**	**1,635**	**1,680**	**1,591**
Housing asset grant receivable	7,926	3,119	7,867	3,119
Prepayments and accrued income	1,140	927	880	781
Amounts due from Group companies	-	-	6,718	3,166
Other debtors	2,725	2,412	1,951	1,805
	13,795	**8,093**	**19,096**	**10,462**
Due within one year	13,795	8,093	12,742	7,763
Due after one year	-	-	6,354	2,699
	13,795	**8,093**	**19,096**	**10,462**

The term "Technical" refers to the portion of the rental debt which will be paid out of expected Housing Benefit and Supporting People payments.

NOTES (continued)

15 DEBTORS (continued)

Parent debtors include £6,354k due from Group companies after more than one year (2017: £2,699k).

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Parent	
	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
Loans	18,209	32,600	16,927	29,687
DFC loans	230	226	230	226
Other tax and social security	207	(11)	107	(36)
Rental and service charge paid in advance	901	680	741	623
Accruals and deferred income	13,816	11,848	11,580	11,045
Housing grant received in advance	10,108	12,782	10,108	12,782
Tenant services fund	632	1,469	632	1,469
Due to contractors for certified work and retentions	4,072	3,678	4,011	3,675
Disposal proceeds fund (note 19)	1,222	1,184	1,222	1,184
Deferred grant income (note 18)	11,548	11,930	11,189	10,529
	60,945	**76,386**	**56,747**	**71,184**

17 CREDITORS: AMOUNTS FALLING AFTER MORE THAN ONE YEAR

	Group		Parent	
	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
Loans	195,588	115,139	163,579	98,971
Concessionary loans	16,529	11,078	5,010	5,010
DFC loans	749	979	749	979
Disposal proceeds fund (note 19)	797	647	796	647
Accruals and deferred income	-	135	-	135
Financial instruments (note 27)	8,586	9,875	8,328	9,875
Deferred grants income (note 18)	477,844	470,150	430,155	426,299
	700,093	**608,003**	**608,617**	**541,916**

NOTES (continued)

17 CREDITORS: AMOUNTS FALLING AFTER MORE THAN ONE YEAR (continued)

Terms and debt repayment schedule – Group

	Currency	Nominal interest rate	Year of maturity	Repayment schedule	31 March 2018	31 March 2017
		Range	**Range**		**£'000**	£'000
Bank loans	£ and €	0.8% to 6.2% (Variable & Fixed)	2018 to 2044	Monthly & Quarterly	**138,862**	81,766
DFC loan	£	1.63% to 12.32% (Fixed)	2018-2024	Bi-annually	**979**	1,205
Concessionary loans	£ and €	0% to 2% (Fixed)	2018 to 2048	Bullet repayment on maturity	**16,529**	11,078
The Housing Finance Corporation ("THFC") loans	£	4.42% to 6.35% (Fixed)	2026 to 2043	Quarterly and bi-annually	**46,807**	46,892
Housing Finance Agency (HFA)	€	3 months EURIBOR + 2.75% to 3.85% (Variable & Fixed)	2040 to 2047	Bi-Annually	**28,128**	19,081
Total					**231,305**	160,022

Terms and debt repayment schedule – Parent

	Currency	Nominal interest rate	Year of maturity	Repayment schedule	31 March 2018	31 March 2017
					£'000	£'000
Bank loans	£	0.82% to 6.1% (Variable & Fixed)	2018 to 2042	Monthly & Quarterly	**133,699**	81,766
DFC loan	£	9.63% to 12.38% (Fixed)	2018 to 2024	Bi-annually	**979**	1,205
Concessionary loans	£	0% (Fixed)	2019 to 2020	fixed instalments	**5,010**	5,010
THFC loans	£	4.03% to 6.35% (Fixed)	2030 to 2043	Quarterly and bi-annually	**46,807**	46,892
Total					**186,495**	134,873

Hedging
£30m of Barclays loans included in Parent and Group above have been hedged using interest rate swaps to fix the interest payable (Barclays Swap £20m 5.35% 2040 and Barclays £10m Cap and Floor Swap 2040). €5.9m of Nord LB loans included in Group above have been hedged using interest rate swaps to fix the interest payable (Norddeutsche LG FRL EURIBOR Floor 2044).

Security
Bank loans and EIB loans are secured by way of mortgages upon the deeds of the related properties financed by the loans. Nord LB loans are secured by way of mortgage upon the deeds of the related properties and charge over the assets of the entity.
The Housing Finance Corporation Limited (THFC) loans are secured by way of a fixed charge over the Association's housing assets. HFA Loans are secured by way of mortgages upon the deeds of the related properties financed by the loans. Concessionary and DFC loans are unsecured.

Included within Loans, Concessionary loans and DFC loans are amounts repayable after five years of £215,915k (2017: £108,792k).

NOTES (continued)

18 DEFERRED GRANT INCOME

18.1 GRANT RECONCILIATION - NET

	Group		Parent	
	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
At 1 April 2017	482,080	475,262	436,828	432,116
FX Adjustment	1,303	3,424	-	-
Additions	19,805	19,681	16,701	19,681
Released to income in year	(12,815)	(15,771)	(11,205)	(14,453)
Disposals	(981)	(516)	(980)	(516)
At 31 March 2018	**489,392**	**482,080**	**441,344**	**436,828**
Amounts to be released within one year	11,548	11,930	11,189	10,529
Amounts to be released in more than one year	477,844	470,150	430,155	426,299
	489,392	**482,080**	**441,344**	**436,828**

18.2 GRANT RECONCILIATION - GROSS

			Parent	Group
	HAG	**Other**	**Total**	**Total**
Gross	**£'000**	**£'000**	**£'000**	**£'000**
At 1 April 2017	547,114	7,414	554,528	610,901
FX Adjustment	-	-	-	1,627
Net Grant additions	16,590	111	16,701	19,805
Disposals	(1,098)	-	(1,098)	(1,099)
At 31 March 2018	**562,606**	**7,525**	**570,131**	**631,234**
Amortisation				
At 1 April 2017	(116,246)	(1,454)	(117,700)	(128,821)
FX Adjustment	-	-	-	(324)
Grant amortised in turnover	(11,105)	(100)	(11,205)	(12,815)
Disposal	118	-	118	118
At 31 March 2018	**(127,233)**	**(1,554)**	**(128,787)**	**(141,842)**
Grant Creditor at 1 April 2017	430,868	5,960	436,828	482,080
Grant Creditor at 31 March 2018	**435,373**	**5,971**	**441,344**	**489,392**

NOTES (continued)

19 DISPOSAL PROCEEDS FUND

The movements in the disposal proceeds fund during the year were:

	Group		Parent	
	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
At 1 April	1,831	1,808	1,831	1,808
House sales	564	647	564	647
Transfers in	-	-	-	-
Expenditure	(377)	(624)	(377)	(624)
At 31 March	**2,018**	**1,831**	**2,018**	**1,831**

The disposal funds surpluses must be used as follows:

Within the next year (note 16)	1,222	1,184	1,222	1,184
Within the next two years (note 17)	796	647	796	647
	2,018	**1,831**	**2,018**	**1,831**

NOTES (continued)

20 Employee Benefits

20.1 Pensions

The Parent contributes to the Northern Ireland Local Government Officers Superannuation Scheme (NILGOSC). This is a defined benefit scheme and the benefits currently provided are on a Career Average Revaluation Earnings (‘CARE’) basis, based on an accrual rate of 1/49. Death in service benefits include three times pensionable salary, and spouse pension paid to a qualifying spouse.

The valuation used for the disclosures has been based on the most recent actuarial valuation at 31 March 2017 by a qualified independent actuary in order to assess the liabilities of the scheme using the Projected Unit Method. A full actuarial valuation is carried out every three years. Pension scheme assets were stated at their estimated market value at 31 March 2018.

Group and Parent

Net Pension Liability

	2018	2017
	£’000	£’000
Defined benefit obligation	(42,705)	(42,419)
Plan assets	38,354	35,660
Net pension liability	**(4,351)**	**(6,759)**

Movements in present value of defined benefits obligations

	2018	2017
	£’000	£’000
At 1 April	42,419	33,615
Current service cost	1,457	1,052
Interest expense	1,075	1,190
Re-measurement: actuarial gains/(losses)	(1,968)	6,816
Member contributions	235	248
Benefits paid	(513)	(502)
At 31 March	**42,705**	**42,419**

NOTES (continued)

20.1 Pensions (continued)

Movements in fair value of plan assets

	2018	2017
	£'000	£'000
At 1 April	35,660	29,480
Interest Income	910	1,053
Re-measurement: return on plan assets less interest income	334	3,910
Contributions by employer	1,728	1,471
Contributions by members	235	248
Benefits paid	(513)	(502)
At 31 March	**38,354**	**35,660**

Re-measurement of net defined liability

	2018	2017
	£'000	£'000
Re-measurement: actuarial gains/(losses)	1,968	(6,816)
Re-measurement: return on plan assets less interest income	334	3,910
Net re-measurement – recognised in Other Comprehensive Income	**2,302**	**(2,906)**

Expense recognised in the Income and Expenditure Account:

	2018	2017
	£'000	£'000
Operating costs: - Current service cost	1,441	1,037
Administration costs	16	15
Net interest on net defined benefit liability	165	137
Total expense recognised in Income & Expenditure	**1,622**	**1,189**

NOTES (continued)

20.1 Pensions (continued)

The fair value of the plan assets and the return on those assets were as follows:

	2018	2018	2017	2017
	Fair value	Fair value	Fair value	Fair value
	£'000	%	£'000	%
Equities	27,231	71.0	26,566	74.5%
Property	3,912	10.2	3,744	10.5%
Bonds	4,833	12.6	4,101	11.5%
Cash	2,378	6.2	1,249	3.5%
	38,354		**35,660**	
Actual Return on Plan Assets	**1,244**		**4,963**	

The principal actuarial assumptions used by the actuary and expressed (expressed as weighted averages) at the year-end were as follows:

Assumptions used for calculations	**2018**	**2017**
Discount rate	2.60%	2.50%
Future increase in retail price index	3.05%	3.20%
Future increase in consumer price index	2.05%	2.20%
Future rate of salary increase	3.55%	3.70%
Average future rate of pension increases	2.05%	2.20%

The main assumptions relating to member longevity underlying the pension liabilities at the balance sheet date are as follows:

Average expected future life expectancy after 65 for:	**2018 Years**	**2017 Years**
Male staff currently aged 65	22.8	22.8
Female staff currently aged 65	25.3	25.3
Male currently aged 45	24.6	24.6
Female currently aged 45	27.2	27.2

The Company operates a defined contribution pension plan. The total expense relating to these plans in the current year was £201k (2017: £145k).

20.2 Holiday Pay Entitlement

The employees of the Group have unused holiday entitlements at 31 March 2018 amounting to a liability of £109k (2017: £135k). These have been reported within staff costs and accruals.

NOTES (continued)

21 SHARE CAPITAL – PARENT AND GROUP

Ordinary Shares of £1 each, fully paid

	2018	2017
	(Figures are in single pounds)	
	£	£
At 1 April	86	114
Share capital issued, fully paid	2	5
Transfer to capital reserve	(1)	(33)
At 31 March	**87**	**86**

The Parent's share capital is classified as equity and the shares are not entitled to a dividend, are never redeemable, and will not be repaid if the Parent is wound up.

Every Board member has owned one share since their election to the Board. The names of all Board members who held office during the year are listed on page 2 and 3.

No Board member holds or exercised an option to buy shares in or debentures of the Parent.

22 RESERVES

22.1 CAPITAL RESERVE – PARENT AND GROUP

Capital reserve represents the value of shares surrendered on cessation of membership.

	Group	
	2018	2017
	(Figures are in single pounds)	
	£	£
At 1 April	111	78
Transfer from share capital	1	33
At 31 March	**112**	**111**

22.2 FOREIGN EXCHANGE TRANSLATION RESERVE – PARENT AND GROUP

Foreign Exchange Translation Reserve represents the exchange movement in the net assets of Oaklee Housing which is denominated in Euros.

	Group		Parent	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
At 1 April	234	(7)	-	-
Movement in year	112	241	-	-
At 31 March	**346**	**234**	**-**	**-**

NOTES (continued)

22.3 CASH-FLOW HEDGE RESERVE – PARENT AND GROUP

Cash-flow hedge reserve represents the movement in the fair value of the hedged financial instruments (two Barclays interest rate swaps).

	Group		Parent	
	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
At 1 April	(9,847)	(9,672)	(9,847)	(9,672)
Movement in year	1,339	(175)	1,591	(175)
At 31 March	**(8,508)**	**(9,847)**	**(8,256)**	**(9,847)**

23 CAPITAL COMMITMENTS

	Group		Parent	
	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
Authorised and contracted for	68,208	52,642	38,391	32,261
	-	-	-	-
	68,208	**52,642**	**38,391**	**32,261**

The figures above are gross expenditure before offsetting attributable grants. The Group operates a prudent Treasury policy and has funding in place to meet these capital commitments.

NOTES (continued)

24 RELATED PARTY TRANSACTIONS 2018

Name of Related Party	Relationship	Nature of transaction	Amount Dr / (Cr) 2018 £'000	Balance due (to) / from related party 2018 £'000
Oaklee Housing	Subsidiary	Recharge of costs Interest receivable Inter-company funding Exchange movement	**(188)** **(99)** **463** **(53)**	**2,728**
Acorn Housing	Subsidiary	Recharge of costs	**18**	**18**
Skainos	Related party	Service Charges Other expenses	**41** **1**	**-**

The Group have availed of the available exemption to report related party transactions for 100% owned subsidiaries. The exemption has been adopted for Maple And May Limited, Maple And May (Homes) Limited and Choice Services (Ireland) Limited.
Skainos Limited is a property development partner and is considered to be a related party because the Parent has representation on its Board.

All transactions with related parties are on an arms-length basis. There are no provisions against any balance with Group undertakings at the year-end (2017: £nil).

24 RELATED PARTY TRANSACTIONS 2017

Name of Related Party	Relationship	Nature of transaction	Amount Dr / (Cr) 2017 £'000	Balance due (to) / from related party 2017 £'000
Oaklee Housing	Subsidiary	Recharge of costs Interest receivable Inter-company funding Exchange movement	(258) (106) 507 (126)	2,852
Skainos	Related party	Service charge Inter-company funding Capital expenditure	54 (219) 175	(14)

NOTES (continued)

25 CASHFLOW FROM OPERATING ACTIVITIES

	2018	2017
	£'000	£'000
Surplus for the year	7,489	8,825
Gain on disposal of tangible fixed assets	(600)	(659)
Interest receivable and similar Income	(61)	(76)
Interest payable and similar charges	6,799	6,130
Net finance charges relating to pension scheme	165	137
Impairment of property	-	-
Amounts written off Investments	-	-
Transfer to disposal proceeds fund	563	647
Movement in fair value of financial instruments	50	108
Taxation	23	(3)
Depreciation, impairment and write-off of major repairs on owned tangible fixed assets	15,415	17,648
Amortisation of capital grants and contributions	(12,815)	(15,771)
Pension costs less contributions payable	(273)	(419)
Change in value of investment property	(618)	142
(Decrease)/Increase in stock and trading properties	(352)	2
Decrease in trade and other debtors	(939)	(638)
(Increase)/Decrease in trade and other creditors	(2,440)	1,302
Disposal of associate	-	200
Net cash inflow from operating activities	**12,406**	**17,575**

NOTES (continued)

26 HOMES AND BEDSPACES IN MANAGEMENT AND IN DEVELOPMENT

The number of homes and bed-spaces in management and in development in Northern Ireland are 10,702 (2017: 10,252). In the Republic of Ireland there were 903 units in management and in development in 2018 (2017: 677). This is analysed in the table below:

Housing Stock

Number of Units owned by the Parent	**2018**	**2017**
Self-contained	**Properties**	**Properties**
General Needs Housing	6,297	5,805
Sheltered Housing	1,918	2,336
Supported Housing	741	550
Shared Ownership	2	1
	8,958	**8,692**
Non self-contained	**Bedspaces**	**Bedspaces**
General Needs Housing	58	117
Supported Housing	1,072	1,031
	1,130	**1,148**
Total Units Owned at Year End	**10,088**	**9,840**
Number of units managed but not owned by the Parent		
Self-contained	**Properties**	**Properties**
General Needs Housing	19	18
Sheltered Housing	1	1
Supported Housing	-	-
	20	**19**
Non self -contained	**Bedspaces**	**Bedspaces**
Supported Housing	-	19
	-	**19**
Total Units Managed at Year End	**20**	**38**
Total Units Managed by the Parent	**10,108**	**9,878**
Oaklee Housing	903	677
Maple And May Limited	79	32
Total Units Managed by the Group	**11,090**	**10,587**
Units in Development at the year End	**594**	**342**

NOTES (continued)

27 FINANCIAL INSTRUMENTS

The carrying amounts of the financial assets and liabilities include:

	Note	Group		Parent	
		2018	**2017**	**2018**	**2017**
		£'000	**£'000**	**£'000**	**£'000**
Assets measured at amortised cost	*[3]	41,981	23,428	45,384	24,049
Liabilities measured at fair value	17	(8,586)	(9,875)	(8,327)	(9,875)
Liabilities measured at amortised cost	**	(259,301)	(188,330)	(212,194)	(162,375)
Total		**(225,906)**	**(174,777)**	**(175,137)**	**(148,201)**

***[3]Assets measured at amortised cost**					
Cash	BS	29,326	16,262	27,168	14,368
Debtors	15	13,795	8,093	19,096	10,462
Less prepayments	15	(1,140)	(927)	(880)	(781)
	*[3]	**41,981**	**23,428**	**45,384**	**24,049**

****Liabilities measured at amortised cost**					
Loans	17	(195,588)	(115,139)	(163,579)	(98,971)
Concessionary loans	17	(16,529)	(11,078)	(5,010)	(5,010)
DFC loans	17	(749)	(979)	(749)	(979)
Loans	16	(18,209)	(32,600)	(16,927)	(29,687)
DFC loans	16	(230)	(226)	(230)	(226)
Accruals and deferred income	16	(13,816)	(11,848)	(11,580)	(11,045)
HAG received in advance	16	(10,108)	(12,782)	(10,108)	(12,782)
Due to contractors	16	(4,072)	(3,678)	(4,011)	(3,675)
Amounts due to associates	16	-	-	-	-
Amounts due to group companies	16	-	-	-	-
	**	**(259,301)**	**(188,330)**	**(212,194)**	**(162,375)**

27.1 Financial instruments measured at fair value

The Group has four derivative financial instruments which have been measured at fair value as follows:

- Barclays £20m interest rate swap
- Barclays £10m interest rate collar
- Barclays forward foreign exchange contract
- Nord LB €6m interest rate floor

The fair values of these have been measured by independent experts using discounted cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. The values have been tested for reasonableness using market rate quotes from the providers of the instruments.

NOTES (continued)

27 FINANCIAL INSTRUMENTS (continued)

27.1 Financial instruments measured at fair value – Group

	Interest rate swap	Interest rate collar	FX *5 contract	Acorn interest rate swap	2018 Total	2017 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fair value 1 April	6,260	3,624	(9)	-	**9,875**	9,592
Movements recognised in Income and Expenditure						
Ineffective portion of gains/(losses) on derivatives treated as cash-flow hedges	-	13	-	6	**19**	12
Fair value movement on derivative contracts which are not in a hedging relationship	-	-	31	-	**31**	96
Movements recognised in Other Comprehensive Income						
Effective portion of changes in fair value of cash-flow hedges	(1,057)	(534)	-	252	**(1,339)**	175
Fair value 31 March	**5,203**	**3,103**	**22**	**258**	**8,586**	9,875

*5 The interest rate swap and interest rate collar are hedge accounted; the foreign exchange ("FX contract") is not hedge accounted.

27.1 Financial instruments measured at fair value – Parent

	Interest rate swap	Interest rate collar	FX *5 contract	2018 Total	2017 Total
	£'000	£'000	£'000	£'000	£'000
Fair value 1 April	6,260	3,624	(9)	**9,875**	9,592
Movements recognised in Income and Expenditure					
Ineffective portion of gains/(losses) on derivatives treated as cash-flow hedges	-	13	-	**13**	12
Fair value movement on derivative contracts which are not in a hedging relationship	-	-	31	**31**	96
Movements recognised in Other Comprehensive Income					
Effective portion of changes in fair value of cash-flow hedges	(1,057)	(534)	-	**(1,591)**	175
Fair value 31 March	**5,203**	**3,103**	**22**	**8,328**	9,875

***5** The interest rate swap and interest rate collar are hedge accounted; the foreign exchange ("FX contract") is not hedge accounted.

NOTES (continued)

27.2 HEDGE ACCOUNTING

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur as required by FRS 102.29(a) for the cash flow hedge accounting models.

Hedging Cash Flows - Group

	2018 Carrying amount	Expected cash flows	1 year or less	1 to < 2 years	2 to < 5 years	5 years and over
	£'000	£'000	£'000	£'000	£'000	£'000
Interest rate swaps:						
Inflows		3,849	104	156	608	2,981
Outflows		(14,195)	(1,190)	(1,102)	(3,029)	(8,874)
	(8,564)	**(10,346)**	**(1,086)**	**(946)**	**(2,421)**	**(5,893)**

	2017 Carrying amount	Expected cash flows	1 year or less	1 to < 2 years	2 to < 5 years	5 years and over
	£'000	£'000	£'000	£'000	£'000	£'000
Interest rate swaps:						
Inflows		2,626	47	71	347	2,161
Outflows		(14,138)	(1,190)	(1,134)	(3,064)	(8,750)
	(9,884)	**(11,512)**	**(1,143)**	**(1,063)**	**(2,717)**	**(6,589)**

NOTES (continued)

27.2 HEDGE ACCOUNTING (Continued)

Hedging Cash Flows - Parent

	2018 Carrying amount	Expected cash flows	1 year or less	1 to < 2 years	2 to < 5 years	5 years and over
	£'000	£'000	£'000	£'000	£'000	£'000
Interest rate swaps:						
Inflows		2,611	118	158	512	1,823
Outflows		(12,688)	(1,103)	(1,035)	(2,771)	(7,779)
	(8,306)	**(10,077)**	**(985)**	**(877)**	**(2,259)**	**(5,956)**

	2017 Carrying amount	Expected cash flows	1 year or less	1 to < 2 years	2 to < 5 years	5 years and over
	£'000	£'000	£'000	£'000	£'000	£'000
Interest rate swaps:						
Inflows		2,626	47	71	347	2,161
Outflows		(14,138)	(1,190)	(1,134)	(3,064)	(8,750)
	(9,884)	**(11,512)**	**(1,143)**	**(1,063)**	**(2,717)**	**(6,589)**

Financial instrument - Barclays £20m interest rate swap

Hedge description
The objective of the hedge is to mitigate the variability of the cash flows stemming from the floating rate interest payments related to the Barclays floating rate loan £20m (2040) against unfavourable movements in the 1 Month LIBOR rate. The swap pays fixed interest of 5.35% and receives 1 month LIBOR.

Risk being hedged
The cash flows stemming from the interest payments of the Barclays floating rate loan £20m (2040) is linked to 1 Month LIBOR. The interest payments are highly expected to occur as the loan has already been drawn.

Financial instrument - Barclays £10m interest rate collar

Hedge description
The objective of the hedge is to mitigate the variability of the cash flows stemming from the floating rate interest payments related to the Barclays floating loan £10m (2040), against unfavourable movements in the 1 Month LIBOR rate. The instrument includes a cap at 6% and floor of 4.5%.

NOTES (continued)

27.2 HEDGE ACCOUNTING (Continued)

Risk being hedged
The cash flows stemming from the interest payments of the Barclays floating loan £10m (2040) is linked to 1 Month LIBOR. The interest payments are highly expected to occur as the loan has already been drawn.

The hedged documentation takes into account the "critical terms matching". Quantitative analysis on hedge effectiveness is calculated using the hypothetical derivative method, to ensure that no over-hedging is taking place.

Financial instrument - Nord LB €6m interest rate floor

Hedge description
The objective of the hedge is to mitigate the variability of the cash flows stemming from the floating rate interest payments related to the Nord floating loan €6m (2044), against unfavourable movements in the 1 to 6 Month EURIBOR rate. The instrument includes a EURIBOR floor of -1.5%.

Risk being hedged
The cash flows stemming from the interest payments of the Nord loan €6m (2044) is linked to the 1 to 6 Month EURIBOR. The interest payments are highly expected to occur as the loan has been part drawn down with future purchases identified for the utilisation of the undrawn facility.

The hedged documentation takes into account the "critical terms matching". Quantitative analysis on hedge effectiveness is calculated using the hypothetical derivative method, to ensure that no over-hedging is taking place.

28 INCOME AND EXPENDITURE ACCOUNT – PRIOR YEAR ADJUSTMENT

The accounts have been restated to reclassify the transfer of tenant service costs and rates payable to the Operating Cost line from the Transfer to Tenants' Services Fund and Turnover lines respectively.

	Group 2017 £'000	**Parent 2017 £'000**
Increase in Turnover	4,726	4,726
Increase in Operating Costs	(4,534)	(4,534)
Decrease in Transfer to Tenants' Services Fund	(192)	(192)
Prior year adjustment – Net impact on Surplus	-	-

29 CONTINGENT LIABILITIES

There is a contingent liability in respect of grants and contributions if the Group does not comply with the terms of the letter of grant award. The possibility of any reimbursement is considered to be remote.

NOTES (continued)

30 POST BALANCE SHEET EVENTS

The key issues of Brexit, Sector Reclassification and Welfare Reform have the potential to have a significant impact and the organisation is considering its response, however, there have been no significant events occurring since the balance sheet date that require additional disclosure or amendment to these financial statements.