Creating great homes and supporting communities

Two Rivers Housing

Annual Report and Financial Statements

For the year ended
31 March 2019

Registered number 04263691

Regulator Registration Number L4385

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Company Information

Executive Directors
Garry King BA (Hons), DIP Business Admin, DIP Housing Admin. FCIH (Chief Executive)
Peter Stoate Bsc (Hons), ACIB, MBA (Dip). (Corporate Director - Operations), appointed June 2018
Jonathon Coe DMS FCIH (Corporate Director - Operations), resigned April 2018
Carol Dover BA (Hons), ACMA (Corporate Director - Resources), appointed March 2019
Barry Thompson CIPFA (Corporate Director - Resources), resigned April 2019

Board Members
Yvonne Leishman OBE BA FCIH (Chair)
John Bloxsom MBA, Prince2 FCIH
Susan Holmes
Rita Jones
Tim Jackson FCA BSc (appointed May 2018)
Edward Pearce BA (Hons) FRICS FRSA FRGS (appointed May 2019)
Neil Sutherland OBE DL, BSc (Eng), MA, CEng, CMgr, FICE, FCMI

Secretary	Garry King
Registered Office	Rivers Meet Cleeve Mill Lane Newent Gloucestershire GL18 1DS
Company Registration Number	04263691
Charity Registration Number	1104723
Auditor	Mazars LLP 45 Church Street Birmingham B3 2RT
Funders	Barclays Bank
Solicitors	Anthony Collins Solicitors Wright Hassall Trowers & Hamlins

Chair's Statement

I am proud to introduce the financial statements in my first year as Chair for Two Rivers Housing. I would like to thank John Bloxom for his work who has stepped down as Chair but will continue to support TRH as a Board member.

It gives me great pleasure to be reporting on another successful year for the Group. We have seen a period of change, both for Two Rivers and the Housing sector as a whole, with our rental income facing the 3rd year of cuts, increased pressure on our customers income and changes in the benefits system.

In response we revised our Strategic Plan, including Business Plan finances, focussing in areas of Health and Safety, VFM, Risk Management and Treasury Management to maintain a firm financial footing in order to drive the business forward as well as providing assurance to the Group Board and wider stakeholders that our Strategic Plan has been significantly tested.

The strength of our Governance and Financial management was recognised in Two Rivers being awarded the highest ratings for Governance (G1) and Viability (V1) by the Regulator following our In Depth Assessment during the year.

This legacy gives us a strong financial foundation on which to deliver our ambitions to provide the best landlord services to our customers, support the wider communities in which we work, and to put in place an expanded development programme of much needed homes. The Board is clear that Two Rivers will need to continue to demonstrate its resilience to the ever changing economic, political and environmental challenges that it faces. Our 2018-2028 Strategic Plan sets out our core objectives with clear strategic priorities. An important part of this strategy is growth. We have an ambitious target to deliver 1,000 new homes and improve the quality of our existing homes and work is underway to secure funding to enable this to be delivered.

We are looking forward to delivering our aims through continuing to work closely with our Local Authority partners in the Forest of Dean, wider Gloucestershire and neighbouring Authorities. The demand for good quality, affordable housing has never been greater, and Two Rivers is ready to address this need, whilst also maintaining the highest quality of customer service.

My thanks go to all our colleagues at Two Rivers who have been responsible for delivering a set of outstanding results that have provided excellent services and exemplary support to our customers, our challenge is to continue to improve on this. Your work was recognised in the Times 100 as a great place to work with Two Rivers rising to being positioned at number 11.

My thanks also to fellow Board and Committee members, and all our involved residents, including those who have retired during the year, they have assured that through their committed and enthusiastic approach during these challenging times we never lost sight of our aims.

As ever, I am immensely proud of TRH and all we achieve. It is the people at the heart of TRH who contribute to the organisation's success.

Yvonne Leishman OBE
Chair

Chief Executive's Foreword to the Financial Statements

Our aim is simple yet challenging - 'creating great homes and supporting communities' - and our 2018-2028 Corporate Plan sets out an ambitious 10-year vision for how we will achieve it.

Covering the first year of our Corporate Plan, these financial statements outline the financial and operational results that have been delivered. These are supplemented by the considerable social value gains to the local economy and community of a locally-based 'placeshaping' organisation.

Two Rivers Housing continues to prove itself to be a strong, agile and purposeful organisation, earning its place as the leading social housing provider in the Forest of Dean, as well as an important contributor in the wider Gloucestershire and Herefordshire areas. Our financial position is strong, our staff are proactive, and our growth plans are significant and ambitious.

Our financial position remains robust, with a turnover of £25.5m and a total surplus of £4.4m for this financial year. Over the past year we have spent £16.3m building new homes, and £2.4m upgrading our existing homes.

Our new-build programme continues to go from strength to strength, with 56 homes completed this year and a further 212 homes in the pipeline to be delivered in 2019/20.

Externally, our Regulator's In-Depth Assessment confirmed our financial viability (V1) and governance ratings (G1), and our external audit of landlord compliance resulted in substantial assurance, with some of our processes cited as best practice.

These results are a true testament to the hard work of our employees, Board members, partners and contractors who have shown great commitment in delivering our services, despite the changes and uncertainties in the wider operating environment. I am thankful for all their energy, commitment and effort over the past year.

We are relieved that there is now a broad consensus on the need for a range of housing options to provide affordable choices for those needing a home, and TRH will continue to be a champion for the provision of affordable homes to both rent and buy. By ensuring that the organisation continues to be on a strong financial footing, we can drive this agenda forward, developing as many affordable properties as we can, and continuing to invest in our existing homes to ensure that our customers benefit from a first-class landlord service.

Garry King
Chief Executive

Report of the Board

The Group Board is pleased to present its report together with the audited financial statements for the year ended 31 March 2019.

Principal Activities

Two Rivers Housing (TRH) is a company limited by guarantee, Registered No. 04263691, with direct subsidiaries which include Two Rivers Developments, Centigen TRH and Centigen Facilities Management (private companies limited by shares) and Two Rivers Initiatives (a charitable and community interest company).

It is also registered with, and regulated by, the Regulator of Social Housing in accordance with the Housing and Regeneration Act 2008, Registered No. L4385.

The Company's overall aim is to create great homes and to support communities. Its principal activities are the management and development of affordable housing in the Forest of Dean and surrounding areas.

Review of Performance

Details of the Group's and Association's performance for the financial year and the future plans are set out in the Strategic Report that follows this report.

Housing Property Assets

Details of the changes to the Group's fixed assets are shown in notes 11 to the financial statements.

Political and Charitable Donations

No charitable donations were made during the financial year (2018: £nil).
No political donations were made during the financial year (2018: £nil).

Reserves

The Group surplus on reserves at the end of the financial year was £44.7m (2018: £41.6m). This is after the transfer of the comprehensive income for the financial year of £3.1m (2018: £5.3m).

Post Balance Sheet Events

There are no significant post balance sheet events requiring adjustment to, or disclosure in, the financial statements.

Payment of Creditors

In line with the government guidance, the Group's aim is to pay purchase invoices within 30 days of receipt, or earlier if agreed with the supplier.

Board Members

The Board Members who were in office during the year and up to the date of signing the financial statements are set out below:

Yvonne Leishman OBE BA FCIH (Chair)

John Bloxsom MBA, Prince2 FCIH

Alan Blundell FMAAT, AAT (resigned October 2018)

Christopher Hillidge BSc, BVetMed, PhD (resigned October 2018)

Susan Holmes

Rita Jones

Tim Jackson FCA BSc (appointed May 2018)

David Powell (resigned May 2018)

Edward Pearce BA (Hons) FRICS FRSA FRGS (appointed May 2019)

Jonathan Richards BA (Hons), CPE (resigned March 2019)

Neil Sutherland OBE DL, BSc (Eng), MA, CEng, CMgr, FICE, FCMI

The Group Board comprises of seven members, including one tenant Board member.

The Group has insurance policies that indemnify both its Board members, Executive Directors and officers against liability when acting for the Companies. With the exception of the Chief Executive, Garry King, Executive Directors are not Board members and act as executives within the authority delegated by the Board.

Partnerships

The strength of the Group lies in the quality and commitment of its employees. The Group's ability to meet its objectives and commitments to customers in an efficient and effective manner depends on the contribution of its employees throughout the year. Consultation and communication take place through regular briefings, discussions, team meetings and events, together with externally-accredited assessments of our engagement and employment practices.

The Group is committed to eliminating discrimination and harassment and promoting equality and diversity.

Two Rivers Housing actively encourages customer involvement and engagement. We support a Tenant Forum and Resident Scrutiny Group with direct access to the Group Board, and carry out regular, independent surveys using the STAR methodology to understand more about the quality of our service. This information, along with external benchmarking against other comparable organisations, gives us an insight that helps to drive improvements and value-for-money initiatives. These all help the Boards, employees and customers to play an active role in shaping the future provision of services.

The Group's commitment is not purely to its customers, but also to the wider community, and our membership of the national PlaceShapers group of housing associations underlines our commitment to tenants and communities.

The Group supports a wide range of charities, community groups, schools and colleges through its Helping Hands initiative and a community fund managed in conjunction with builders' merchant Travis Perkins. In 2019, 103 staff gave nearly 800 hours of time to the Helping Hand initiative.

A number of activities and training opportunities have been organised to benefit our tenants and other members of the community, such as indoor bowls and curling, IT and cookery skills training, Holiday Club and reminiscence events to help reduce the impact of loneliness and isolation and help to ward off the effects of dementia.

We are active partners in the Cinderford Regeneration Board, the First Local Enterprise Partnership, Gloucestershire Homes and Communities Partnership, and the Forest Economic Partnership, and we also work with the police, health and local authorities to help achieve safe, healthy and sustainable communities.

We are full participants in Gloucestershire Homeseeker, providing homes by nomination from local councils, and we work closely with local authority partners to deliver affordable housing. We have a valuable Partnership Forum with Forest of Dean District Council, together with good working arrangements with Stroud District Council, Gloucester City Council, Tewkesbury Borough Council, Cotswold District Council and Herefordshire Council.

Governance and Financial Viability Standard

The Group is registered with Homes England and complies with the Regulatory Framework of Social Housing through the Regulator of Social Housing. During 2018 the Group was subject to an In-Depth Assessment of its Governance and Viability Standard. We are pleased to confirm we were awarded the highest level of rating for both Governance and Viability (G1, V1 rating).

On 8 August 2019, the Group Board considered a report in relation to a self-assessment of TRH's compliance with the Governance and Viability Standard. The Group Board concluded that TRH complied with the Governance and Financial Viability Standard.

National Housing Federation Code of Governance

The Group Board has adopted the National Housing Federation's 'Code of Governance: Promoting Board Excellence for Housing Associations (2015 edition)' and confirms that the Group complies fully with the Code.

Health and Safety

The Group Board is aware of its responsibilities on matters relating to health and safety and the Group has detailed policies and procedures in place. The Group complies with the Health and Safety at Work Act 1974 and other relevant legislation.

We are pleased to have received the RoSPA Gold Medal award for the second time, and sixth consecutive year for achieving Gold standards. The Gold Medal is awarded by RoSPA to organisations sustaining high Gold standards of health and safety over consecutive years. The RoSPA awards scheme receives entries from organisations around the world. It recognises achievements in health and safety management systems, including practices such as leadership and workforce involvement.

Public Benefit

In setting out the Group's aims and objectives, the Group Board has given careful consideration to the Charity Commission's general guidance on public benefit.

The Group Board confirms that the Company complies with the public benefit criteria by:

- The provision of social housing.
- Ensuring that rents are charged within the parameters of the Group's rent policy and in accordance with the Regulators rent standard and guidance.
- Ensuring that housing is let on the basis of need.
- Valuing diversity through the Group's Equality and Diversity policy.

Details of the Group's performance in achieving this in the year to 31 March 2019 are included in the Strategic Report.

Internal Controls Assurance

The Group Board is ultimately responsible for ensuring that the Company maintains a system of internal control that is appropriate to the business environments in which it operates. The Company adheres to the NHF Code of Governance.

Internal control systems are designed to meet the particular needs of the organisation and the risks to which it is exposed. The Group Board recognises that no system of internal control can provide absolute assurance against material misstatement or loss or eliminate risk of failure to achieve business objectives.

The system of internal control is designed to manage key risks to provide reasonable assurance that planned business objectives and outcomes are achieved. It also exists to give reasonable assurance with respect to:

- the reliability of financial and operational information;
- safeguarding of the Company's assets and interests.

The purpose of this statement is to enable the Group Board in turn to give its assurance on the adequacy of those controls. The Group Board is required to acknowledge its responsibility for:

- Internal controls giving reasonable assurance against material misstatement or loss;
- Procedures in respect of risk management;
- Ensuring arrangements for providing effective internal controls are incorporated into normal governance procedures;
- Information on the process adopted for addressing material control aspects of significant problems disclosed in the annual report and accounts; and
- Confirming that the Group Board has reviewed the effectiveness of these systems of control.
- Complying with all relevant law

Two Rivers Housing has policies and procedures in place which cover and give assurance in respect of all our key activities. These include:

- Accounting and Treasury Policies;
- Financial Regulations;
- Standing Orders Relating to Contracts;
- Annual Budgets;
- Fraud Policy;
- 30-year Financial Plan; and
- Risk Map and Plan.

In addition, wherever feasible, segregation and separation of duties has been undertaken to maximise control.

Control is further strengthened by the use of RSM as our internal auditors. The internal auditors prepared a plan which was approved by the Group Audit Committee and was delivered and monitored by the Committee and Group Board during the year.

The Group has in place policies in respect of preventing, detecting and investigating fraud and the Group Board is satisfied that these effectively manage the risk of fraud.

There have been no reported cases of fraud during the year and no reported breakdowns of internal control causing significant or material loss to the Group.

The Group Board has received the Chief Executive's annual report, has conducted its annual review of the effectiveness of the system of internal control and has taken account of any changes needed to maintain the effectiveness of the risk management and control process.

The Group Board confirms that there is an on-going process for identifying, evaluating and managing significant risks faced by the Group. This process has been in place throughout the year under review, up to the date of the annual report, and is regularly reviewed by the Board.

Financial Risk Management

Two Rivers Housing is funded by a combination of retained reserves, long-term loan facilities and grants from the Government and Local Authority. The Group has a formal Treasury Management Policy that was approved by the Audit Committee in January 2018. This policy seeks to address funding and liquidity risk and ensuring group covenant compliance; it states which types of financial instrument can be authorised for use, covering both borrowings and investments. In addition, the policy identifies the maximum value of financial instruments and with whom they may be agreed. The purpose of this policy is to reduce the impact to TRH of adverse movements in interest rates and fluctuations in income (especially sales).

In accordance with this policy, neither the Company nor any of its subsidiary undertakings have any abnormal exposure to price, credit, liquidity, and cash flow risks arising from its trading activities. They do not enter into any hedging transactions and no trading in financial instruments is undertaken.

Going Concern

The Association's business activities, its current financial position and future development are set out with the Operating and Financial Review. The Association has adequate resources to finance committed development schemes, along with day to day operations. The Association also has a long-term financial plan which shows that it can service its debt facility.

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

Annual Members Meeting

The Annual Members Meeting will be held on 24 September 2019 at the registered office, Rivers Meet, Newent.

Independent Auditor

Mazars LLP were appointed by the Group Board on 9 August 2018. A resolution to reappoint Mazars LLP, as an independent auditor, will be put to the members at the Annual Members Meeting.

The report of the Group Board was approved by the Group Board on 8 August 2019 and signed on its behalf by:

Yvonne Leishman
Chair

Strategic Report

Background and Business Model

Two Rivers Housing (TRH) is a not-for-profit organisation providing homes and support services to people and communities across the Forest of Dean and its surrounding area. It was formed following the large-scale voluntary transfer of properties from the Forest of Dean District Council in 2003. Two Rivers Housing is the parent of the group which has four subsidiaries:

- Two Rivers Developments designs, builds and sells homes for both Two Rivers Housing and open market sale, with the profits being gift-aided to the parent.
- Centigen Facilities Management delivers maintenance and facilities management to external organisations.
- Centigen TRH delivers maintenance and facilities management to Two Rivers Housing.
- Two Rivers Initiatives is a charitable and community interest company providing support and funding of community activities and initiatives within the local area.

Tandem Living and TwoCan Estate Agents are brands for products and services that are delivered by Two Rivers Developments and Centigen FM respectively.

At the 31 March 2019 we managed 4,047 homes including 4,001 social housing properties with related support, 2 market rent properties and 44 leasehold properties. However, we are more than just a landlord; we exist to create great homes and support communities.

Objectives and Strategy

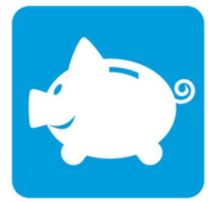
Our mission is ‘creating great homes and supporting communities’.

To deliver our purpose we have set out a Corporate Plan set across four strategic priorities, each containing agreed projects and objectives.

Strategic Priority 1
Our Tenants, customers and their homes

Strategic Priority 2
Creating a Strong People Focused Organisation

Strategic Priority 3
Income and growth



Strategic Priority 4
Governance and viability

For 2019 the core objectives were as follows:

- Our Tenants, customers and their Homes
  - Achieve 89% customer satisfaction with TRH as a landlord (STAR Survey).
    - We delivered 86% in the year.
- Our People
  - Remain an excellent employer in the eyes of an accrediting organisation
    - We were awarded 11th place in the Top 100 Sunday Times Best Employer in 2018
- Income and Growth
  - Achieve a £385,300 turnover, for Centigen Facilities Management, of greater than £385,300 and a net profit of not less than £38,900.
    - We delivered a turnover of £275,900 and a loss in the year of £6k a reduction relative to the target following the review of operations resulting in the cessation of franchise activities.
- Governance and Viability
  - Achieve an EBITDA MRI operating margin in excess of 30% in 2018/19.
    - We delivered an EBITDA MRI operating margin of 34.7%.

These objectives are delivered through key strategic initiatives and projects monitored by the Group Board as part of its overall Corporate Plan.

Operating and Financial Review

The Group Board is pleased to report a Group surplus for the year of £4.4m (2018: £4.8m) and an Association surplus for the year of £4.4m (2018: £4.5m) in what has been another successful year.

The total comprehensive income for the year for the Group is £3.1m (2018: £5.3m) and at an Association level is £3.1m (2018: £5.1m).

We have continued to invest in our existing stock in order to maintain homes above Decent Homes Standard. The cost of investment during the year was £2.4m (2018: £2.1m).

We have also delivered 56 new homes, investing £16.3m (2018: £14.9m).

The support services provided to vulnerable tenants continued during the year with really positive results for our customers.

Operational Performance Indicators

The Association monitors and benchmarks its ongoing performance. Key performance indicators are monitored on a monthly basis with reports to Group Board delivered on a quarterly basis. This enables us to identify areas for improvement and take corrective action where necessary.

The following results were achieved in 2018/19:

	Performance	Target	Performance	Top Quartile (HouseMark)
	2019	2019	2018	2018
Rent collected %	99.98%	99.95%	100.36%	101.12%
Rent lost %	0.64%	1.00%	0.65%	0.48%
Decent homes standard % compliance	100%	100%	100%	100%
Valid gas certificate % compliance	100%	100%	100%	100%
Current tenant arrears %	1.27%	1.65%	1.25%	1.21%
Average re-let time (days)	19.9	15.0	17.6	17.5
Routine repairs completed on time (%)	91%	97%	93%	97%
Customer satisfaction (%)	86%	89%	89%	89%

Our management of arrears is strong, particularly given that we now have 15% of customers receiving Universal Credit.

We continue to assess our existing property assets to ensure they remain fit for purpose and identify any which may require alternative approaches to safeguard future local housing requirements.

Our performance demonstrates that we deliver strong landlord safety compliance and the quality of our homes is good. Over the next 12 months we will be looking at our customer journey to help us understand where we can improve our services to customers.

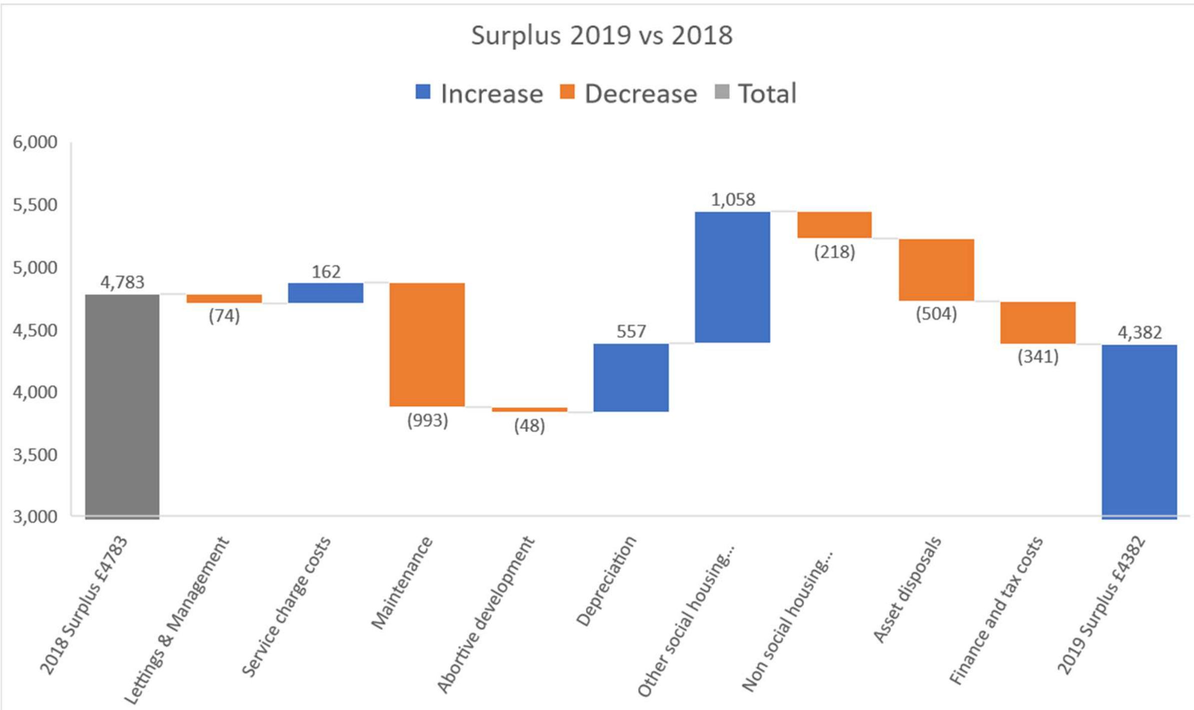
With regard to improving the performance of completing the number of routine repairs within the targeted timeframe, we are drilling down into the causes and an action plan has been programmed to remedy improve the performance.

Financial Performance

The Group made a surplus for the year ended 31 March 2019 of £4.4m after tax compared to £4.8m in 2018.

In overall terms TRH has delivered a strong financial performance. The organisation has out-performed delivering a surplus that is £0.4m better than the approved business plan and an operating surplus that is £0.4m better than last year.

The key movements in delivering the 2019 results are presented in the chart below.



Overall a surplus of £5.3m has been generated from social housing lettings relative to £5.7m in 2018. Despite this reduction there are a number of positives to report on:

- Social housing turnover was broadly in line with 2018 despite the 1% rent cut
- Management costs have largely been held at 2018 levels which is a strong performance given inflationary increases that have been incurred.
- £1.1m additional surplus generated from other social housing activities driven predominantly by first tranche shared ownership property sales has more than offset the £0.5m variance against market sales relative to 2018.
- The change in depreciation policy regarding the useful economic life of traditional properties has reduced depreciation by £0.5m and grant amortisation by £0.1m, a net positive impact of £0.4m which, going forward will make us more comparable with our peers.

Operating costs overall have however increased due to £1.0m increased investment in maintaining and improving our properties. This is not a negative position to report since maintaining and improving the quality of our homes is a key corporate objective.

Despite a growing proportion of our customers being on Universal Credit, bad debt costs have been managed and we have seen a small increase relative to 2018.

In summary, a strong operational performance where management costs have been contained and our investment in our existing properties has significantly increased.

Value for Money

Value for Money (VFM) is achieved when limited financial resources are spent and invested in ways that produce the greatest long-term beneficial effects. At TRH we believe the organisation exists to provide 'social value' and we are looking to adopt a model to demonstrate the social value benefits of the work that we do.

In April 2018 the Regulator of Social Housing (RSH) updated the Value For Money Standard and we have updated our approach to VFM to ensure compliance with this.

One of the required outcomes from the RSH are that Registered Providers must clearly state their strategic objectives. The Corporate Plan that was approved in 2018 details our strategic objectives and these are summarised above.

The new standard also requires registered providers to report performance against a suite of seven VFM metrics, as defined by the Regulator, with the express intention of providing measures with wide applicability which permit comparability across the sector.

The Value For Money strategy was approved in July 2019. The VFM strategy provides the framework and approach that ensures that, in meeting the corporate objectives, VFM is delivered strategically across the organisation and is integral to strategic priority four – 'We aim to manage our resources effectively, control our corporate risk and achieve maximum Value For Money in all that we do'.

The Strategy is based around the delivery of five principles:

- Doing the right things (right activities)
- Doing things economically (right delivery)
- Maximising the return from our people (right assets)
- Maximising the return on assets (right assets)
- Achieving outcomes that are right and sustainable.

The key objective of the strategy is to:

- Generate optimal outcomes for the Group, Tenants, Customers and Communities
- Create efficiencies in the way we operate
- Utilise profits from commercial activities to provide greater services for our tenants
- Understand our return on assets and use this to assist in the prioritisation of activities against our strategic objectives making new development decisions based on social and financial return to the Group, our customers and communities.
- Create and embed a VFM culture across the organisation
- Use growth in the business to provide local employment opportunities
- Provide social and economic benefits to individuals and communities in our core geographical areas.
- Create environmental efficiencies.

Role of the Board

The Group Board is fully committed to the delivery of VFM for our customers, seeking an appropriate balance between cost, performance and customer satisfaction. VFM is an important element of how we deliver our corporate objectives and the Group Board appraises VFM throughout the year.

Value For Money is used as a business improvement driver within TRH, facilitating the alignment of resources to the Boards strategic priorities. In addition, the Group Board has considered approved a number of bespoke metrics which are also linked to our strategic objectives.

The year-end position for 2018/19 was appraised by the Group Audit Committee on 4 July 2019 and approved by the Group Board at its meeting on 8 August 2019. TRH compliant with the Regulators' VFM standard. The delivery of VFM and performance against the sector and TRH specific metrics is detailed below.

2018/19 VFM Action Plan

To maintain an ongoing focus on VFM the Group Board approved an action plan which focused upon several areas:

- Use of benchmarking
- Ownership and embedding VFM
- Procurement
- Resource allocation
- Asset management and return on assets.

The specific actions identified to support the delivery of VFM in 2018/19 are largely complete or will continue into 2019/20.

Assessment of 2018/19 Performance

The most notable VFM successes delivered in 2018/19 include:

- The review of Centigen activities and the cessation of loss-making activities. Whilst CentigenFM did not deliver a surplus overall, the losses were minimised, and a small surplus is now expected to be delivered in 2019/20.
- Delivery of the highest regulatory judgement (G1/V1) – internal resource was deployed to support the In-Depth Assessment undertaken by the Regulator and a positive outcome was achieved. This review provides an independent external opinion of the strength of the organisation providing reassurance to key stakeholders that TRH is a good organisation.
- A reduction to the average repair cost per property and a focus on operative productivity which has increased during the latter part of the year. This has mitigated to a certain extent the impact of higher demand for responsive and void repairs.
- SAP ratings have been reviewed and the Group Board has approved investment to improve the average rating to SAP Level D in 2019/20 and a detailed options appraisal of the worst performing properties.
- Management costs being largely contained at 2018 levels, despite inflationary increases. After adjusting for inflation, a £140k saving has been delivered against the £83k target.
- Savings delivered through department led and procurement initiatives total £1.068m.

With regard to the sector wide metrics, figures are not currently available for 2018/19 for the suite of metrics defined by the Regulator. Therefore, the table below uses 2017/18 Sector Scorecard results in an effort to benchmark against the sector on the basis of the new metrics.

Two Rivers Housing's performance against the sector metrics is illustrated in the table below:

	Two Rivers Housing		Average (Placeshapers)	Whole sector (Median)*
	2019	2018	2018	2018
Reinvestment	13.6%	12.7%	7.3%	6.0%
New supply delivered %				
- Social housing	1.40%	2.57%	1.71%	1.20%
- Non-social housing	-	0.1%	0.06%	-
Gearing	56%	58%	46%	43%
EBITDA MRI / Interest cover %	213%	254%	220%	206%
Headline social housing cost per unit	3,336	3,068	3,770	3,400
Operating margin % - Social Housing	26.1%	28.1%	31.9%	32.1%
Operating margin % - Overall	27.5%	26.5%	28.8%	28.9%
Return on Capital Employed	4.5%	4.6%	4.6%	4.1%

*Source: 2018 Global Accounts Annex: Value For Money metrics

A commentary in relation to each of the metrics in turn, along with a brief description of the metric is contained below:

Reinvestment

This indicator looks at the investment in properties (existing stock, as well as new supply) as a percentage of the value of total properties held.

This figure shows TRH in a good position investing and adding to the supply of social housing and as can be seen is substantially ahead of both the PlaceShapers and Sector levels. The improved performance relative to 2017/18 reflects the increased investment in maintenance expenditure.

New Supply Delivered

This sets out the number of new social housing and non-social housing units that have been acquired or developed in the year as a proportion of total social housing units and non-social housing units owned at the period end.

New supply has reduced as actual units delivered in the year is lower than both the target set and the prior year delivery. There is a substantial pipeline of development in place with in excess of 200 units expected to be delivered in 2019/20 and we anticipate this indicator improving substantially in 2019/20. The percentage of new social housing being ahead of the whole sector average reported in the Global accounts.

Gearing

Assesses how much of the assets are made up of debt and is an approximate indication of capacity, in that more highly geared associations may have less capacity to develop further.

Two Rivers Housing's gearing ratio is higher than the sector averages for both PlaceShapers and the whole sector and is indicative TRH having geared up to develop more units.

It is not uncommon for Large Scale Voluntary Transfer (LSVT) providers and those that are developing to be more highly geared. As with all ratios, the position does have to be viewed with caution. If the cost paid for initial housing stock acquisition was particularly low (as was the case with TRH) due to the level of work that was required to be carried out being reflected in the purchase price, then as the association develops and pays full build costs for new stock, the additional loans will start to dwarf the initial costs and the ratio will start to increase. That said TRH is now well into the upper quartile in this ratio, which is an indication of the commitment of the Group Board to continue developing. In terms of ability to continue raising finance for future loans, while this ratio is considered, it is likely to be less important than EBITDA MRI, asset cover based on existing use valuation and debt per unit.

EBIDA MRI Interest Cover

This ratio measures the level of surplus created against interest payments.

The performance in this area is slightly ahead of the sector average, but not as strong as the PlaceShapers group. The reduction in the year reflects the additional borrowings drawn at the end of 2018 which are planned to be invested in future years. A high interest cover ratio is not automatically a good thing as it may indicate that there is further capacity to borrow further to develop, although it does need to be taken into context with the other financial indicators.

Headline Social Housing Cost Per Unit

This is an indication of the total costs of providing social housing (as defined by the Regulator) divided by the total number of units.

Two Rivers Housing's cost per unit compares well with both the PlaceShapers and the Sector and whilst there has been an upward movement in costs in the year, this is a consequence of the increased maintenance expenditure being invested to maintain the quality of our homes.

Operating Margin

The operating margin demonstrates the profitability of the operating assets before exceptional expenses are taken into account, split into operating margin for social housing lettings only and operating margin overall.

Two Rivers Housing's overall operating margin is slightly less than the PlaceShapers averages and the Sector averages. TRH's social housing operating margin performs less well within the sector in 2018/19 due to the higher maintenance expenditure incurred. However, it is important to remember that it is likely that the sector averages may have also changed due to continuation of the rent reductions and their inevitable impact.

Return on Capital Employed (ROCE)

This ratio measures how well a provider uses its capital to generate a financial return.

To some extent this ratio is influenced by when the assets of an organisation were acquired in historic cost terms, as this can greatly affect the denominator. TRH continues to achieve a good performance in this area and is ahead of the sector average and in line with the average for the Placeshapers group.

Performance Against TRH Specific Metrics

The Group Board has agreed a number of bespoke metrics which are linked to TRH strategic objectives, which are designed to ensure that TRH delivers VFM in a local context.

The performance against the 2018/19 targets and the targets approved for 2019/20 are set out in the table on the following page.

Corporate Objective	Description	Measure of success	Target 2018/19	Actual as at March 2019	Target 2019/20
Governance and Viability	To generate additional alternative income strands for the association to be invested in the provision of housing.	EBITDA MRI operating margin	30%	34.7%	29%
Income and Growth	Delivery £100k reduction in Responsive Maintenance Expenditure	Reduction in responsive repair cost per property	£100k	Nil*	£100k
Customer Satisfaction	Customer satisfaction	STAR survey results	89%	86%	89%
Customer Satisfaction	Completing repairs right first time	Customer feedback	88%	90%	88%
Customer Satisfaction	Health and safety	Percentage of homes meeting decent homes standard. Percentage of homes with a valid gas certificate.	100% 100%	100% 100%	100% 100%
Creating a Strong Organisation	By ensuring we have the right people in the right place with the right skills and capacity, we will seek to optimise our people to deliver corporate objectives for the organisation	To remain an excellent employer as categorised by the Sunday Times Top 100 or other form of accreditation Reduce staff turnover	To be in the top 25 best companies Below 9%	11th in the Top 100 in 2018 4.85% voluntary 12.6% overall	Excellent Employer Accreditation Below 9%
Income and Growth	We will develop and acquire new homes to increase our stock holding	Number of new homes developed/acquired	70	56 (212 pipeline)	Average 70 per annum 2018-2020
Governance and Viability	Group Board possess the required skills. Undertake a Board effectiveness review	Actions completed following governance improvement plan	100%	100%	100%
Governance and Viability		RSH evaluation Golden rules complied with	G1V2	G1V1	G1V2
Governance and Viability		Percentage of attendance at board meetings	80%	96%	80%
Governance and Viability		Current arrears as a percentage of debit	Less than 1.65%	1.27%	Less than 1.65%
Governance and Viability		Income collection as a percentage of debit raised	99.95%	99.98%	99.95%
Customer Satisfaction	Improve the average rating to SAP Level D	SAP Rating			Average SAP level D

*Due to an increase in responsive repair volumes there was no overall cost saving. However, the average repair costs per job have reduced, which represents a continued focus on improving efficiency and providing value for money.

The Board are pleased with the Group's continued strong performance against targets. It is noted that whilst the customer service score is below the set target, the score remains within a level of tolerance of upper quartile performance in this area. In addition to the above, the Group Board has agreed the following Corporate targets for 2019/20:

- To continue with an annual reduction in responsive repairs spend of £100k per annum to continue the journey of bringing the total cost per property in line with the average for the sector.
- To benchmark our costs and services in a more expedient and effective way.
- To review future funding requirements and strategy to ensure optimum level of funding is in place to deliver the corporate and financial plan.
- To undertake a review of the non-social housing activities and future returns projected to ensure that the resources deployed are commensurate to the risks involved.
- To undertake comprehensive review of the corporate structure to ensure it remains fit for purpose to deliver the strategic priorities.
- To continue to drive productivity improvements across Centigen activities.
- To undertake a benchmarking exercise of grounds maintenance services.

Forecast Financial performance

The Group produces a 30-year financial forecast which is reviewed on an annual basis. The following tables set out a five-year picture of our forecast targets:

Income & Expenditure Account	Actual 2019	Target 2020	Target 2021	Target 2022	Target 2023	Target 2024
	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	25,460	29,670	32,390	24,309	24,723	25,567
Operating Costs	(18,451)	(22,635)	(25,086)	(18,586)	(18,668)	(18,913)
Operating Surplus	**7,009**	**7,035**	**7,304**	**5,723**	**6,055**	**6,654**
Transfer to reserves	**4,382**	**4,199**	**2,761**	**1,461**	**1,901**	**2,286**

	Actual 2019	Target 2020	Target 2021	Target 2022	Target 2023	Target 2024
Reinvestment	13.6%	13.4%	8.5%	3.3%	2.2%	2.5%
New supply delivered % (Social housing)	1.4%	5.2%	3.4%	1.3%	-	-
New supply delivered % (Non-social housing)	-	0.1%	0.4%	-	-	-
Gearing	56%	61%	58%	58%	56%	54%
EBITDA MRI / Interest cover %	213%	193%	203%	164%	184%	187%
Headline social housing cost per unit	3,336	3,337	3,229	3,414	3,413	3,561
Operating margin % - Social Housing	26.1%	22.2%	22.9%	23.5%	24.4%	26.0%
Operating margin % - Overall	27.5%	23.7%	22.6%	23.5%	24.5%	26.0%
Return on Capital Employed	4.5%	4.6%	4.0%	3.2%	3.5%	3.9%

Corporate Plan Objectives 2019/20

For 2019/20 the core objectives are as follows:

- Our Tenants and their Homes
  - Achieve 89% customer satisfaction with TRH as a landlord (STAR Survey)
- Our People
  - Remain an excellent employer in the eyes of an accrediting organisation
- Income and Growth
  - Increase TRH Group turnover by 10% in the year to March 2020.
- Governance and Viability
  - Achieve an EBITDA MRI operating margin in excess of 29%

The General Data Protection Regulation (GDPR)

The General Data Protection Regulation came into effect on the 25 May 2018 and applies to any data companies hold or process within the EU. It also relates to companies outside the EU, for example, US companies who hold any data on UK customers. Its overall goal is to safeguard consumer data and enforce data security rights. At the same time, it forces organisations to think about what they collect, and how they use it.

TRH is committed to the proper and appropriate use of data held regarding customers and colleagues, storing securely and only retaining whilst there is valid reason to do so.

Accounting Policies

The principal accounting policies are set out in note 1 to the financial statements on pages 33 to 38.

Risk Management

Two Rivers Housing has a comprehensive system of risk management. In 2018, with the support of the External Auditor, the Group Board appraised its risk appetite position. This resulted in a clear level of risk appetite being assigned to business activities and a set of risk appetite metrics put in place to monitor the position. The highest risks in terms of their impact and probability are discussed by the Group Audit Committee on a quarterly basis and are reported through to the Group Board. The report identifies action taken to manage risks as well as new and emerging risks.

The Group Board continues to monitor the risk and exposures that may arise by the UK leaving the EU due to Brexit and reviews on a regular basis the controls that have been implemented to mitigate against this. Stress testing has been undertaken and specific actions have been identified should the exposures crystallise which would permit corrective action to be undertaken leaving the organisation in a sustainable position.

The top five risks for the organisation are detailed below:

Strategic Risk	Controls and actions
1.Brexit The changes caused by the UK leaving the EU due to Brexit	• Agree alternative sources of materials • Agreements in place to source materials from alternative suppliers for 'vulnerable' stock • Materials sourced in advance of Brexit • Regular credit checks undertaken for key contractors • Tenure mix for new development controlled to mitigate impact of downturn in the housing market
2. Loan Covenants Failure to comply with financial loan covenants, leading to potential withdrawal of loan facility.	• Financial plan is validated at planned intervals • Regular monitoring and projection of all covenants • Early warning breach indications "golden rules" • Regular information provided to lender • Mitigation action plans identified
3. Quality homes Failure to provide a quality of accommodation that meets national and local standards, including Decent Homes Standards, within the agreed resources.	• Stock condition survey (5 years) • Asset Management Strategy in place and reviewed by Group Board
4. Repairs expenditure overspends Failure to provide a repairs and maintenance service that meets national and local standards within agreed resources.	• Regular meetings with the contractor to discuss performance • Centigen SLA's reviewed March 2019 • STAR survey ever four months • Insurance in place, with an appropriate level of excess, to cover the organisation
5. Failure to deliver the planned development programme, achieving compliance with regulatory requirements and high levels of customer satisfaction within agreed resources.	• Homes England audit programme conducted in May 2019 • The Group Board approves an Annual Development Programme • Development Strategy in place

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Capital Structure and Treasury Policy

The Group's financial instruments comprise borrowings, some cash and liquid resources and various items such as trade debtors, creditors, etc. that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations. It is the Group's policy to not trade in financial instruments. The main risk arising from the Group's financial instruments is liquidity risk. The Group Board reviews and agrees policies for managing this risk, details of which are summarised below. The policy was reviewed in July 2018.

Treasury activities are controlled and monitored by the Corporate Director - Resources, with the assistance of external consultants as required, and are carried out in accordance with policies and strategies approved by the Group Board. The Group Board undertakes regular reviews of treasury management activity and covenant compliance. The Company has adopted a policy that balances the need to keep cash levels necessary only to meet immediate business requirements but also protecting the long-term position by taking advantage of long-term rates, when the opportunity arises.

The overall aim is to manage the Group's exposure to interest rates and have a debt profile that supports the needs of the business.

The Group finances its operations through a mixture of retained profits, bank funding with both fixed and variable rates in place. The Group has funding in place in the form of a fully drawn bank loan, with phased repayments over the next 18 years. At 31 March 2019, borrowings stood at £113m (2018: £112m) and the facility is fully drawn. At the year-end 69% of borrowings were at fixed rates.

The interest rate strategy aims to ensure that movements in interest rates will not significantly impact on the surplus before tax.

At the 31 March 2019, the Group is forecasting a requirement for additional finance in 2022/23. The financial plan is being reviewed to reflect the ambition of the organisation to deliver 1,000 new homes over the next 10 years. A review of the funding strategy and funding requirement will be integral to this review.

The Group does not hold any derivative financial instruments.

Cash Flow

Cash inflows and outflows for the year ended 31 March 2019 are set out in the cash flow statement on page 32. Net cash inflows from operating activities are from the management of housing stock. Returns on investment and servicing of finance are due to interest income and interest charges on loans.

The net cash outflow from capital expenditure is the spend on capitalised repairs on existing housing stock, spend on development of new housing stock which has been capitalised less grant and sales proceeds from properties sold under the 'Right to Buy scheme', plus spend on other fixed assets. The net movement in financing is the difference between loans repaid and new loans.

The Group generated net cash from operating activities of £13.6m (2018: £8.3m). After investing and financing activities cash and bank balances for the year ended 31 March 2019 stood at £31.2m (2018: £35.6m), a reduction of £4.4m during the year.

Current Liquidity

The TRH treasury management policy requires that each Group member will maintain a minimum level of liquidity such that there is:

i. sufficient cash liquidity to cover at least 18 months' aggregate net cash outflow and

ii. sufficient operational liquidity to meet the next four weeks' forecast gross cash outflow

The Group finances its operations through a mixture of retained profits, bank funding and bond finance at fixed rates of interest. The Group has funding in place in the form of a bank funding but is reviewing the funding requirement and strategy in 2019 to ensure it reflects the corporate objectives. The Group Board does not consider that there are any seasonal effects on the borrowing requirements. The main factor influencing the amount and timing of borrowings is the pace of the planned maintenance and improvement programme and development activity. These have a significant impact according to the timing of payments to contractors and receipt of any capital grants.

Statement of Compliance

The Group Board confirms that this Strategic Review has been prepared in accordance with the principles set out in the Housing SORP 2014 Statement of Recommended Practice for registered social housing providers. TRH is fully compliant with the Governance and Viability standard following the review undertaken during the year.

Yvonne Leishman
Chair

Statement of the Board Responsibilities

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the group, to cease operations or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of accounts that disclose, with reasonable accuracy at any time, the financial position of the association and enable them to ensure that its financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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

The Report of Board, the Strategic Report and the financial statements were approved by the Board on 8 August 2019 and signed on its behalf by:

Yvonne Leishman
Chair

Independent Auditor's Report to the Members of Two Rivers Housing Group

Opinion

We have audited the financial statements of Two Rivers Housing (the 'parent association') and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise the Group and the parent association's Statements of Comprehensive Income, the Group and the parent association's Statements of Financial Position, the Group Statement of Cash Flows and the Group and the parent association's Statements of Changes in Reserves and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent association's affairs as at 31 March 2019 and of the group's and the parent association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for Opinion

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

The Impact of Uncertainties Due to Britain Exiting the European Union on Our Audit

The Boards view on the impact of Brexit is disclosed on page 21.

The terms on which the United Kingdom may withdraw from the European Union, are not clear, and it is therefore not currently possible to evaluate all the potential implications to the association's and groups trade, customers, suppliers and the wider economy.

We considered the impact of Brexit on the parent association and the Group as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the association's and the groups future prospects and performance.

Conclusions Relating to Going Concern

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

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent association's ability to continue

to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other Information

The Board is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on Other Matters Prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Board Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Board Report have been prepared in accordance with applicable legal requirements

Matters on Which We Are Required to Report by Exception

In light of the knowledge and understanding of the group and the parent association and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Board Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent association, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent association financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specific by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board

As explained more fully in the Statement of the Board's responsibilities set out on page 25, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of the Audit Report

This report is made solely to the association's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and Chapter 4 of Part 2 of the Housing and Regeneration Act 2008. 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.

DRA Bott
(Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
45 Church Street,
Birmingham
B3 2RT

Date: 22/8/19

Statement of Comprehensive Income

	Note	Group 2019 £'000	Group 2018 £'000	Association 2019 £'000	Association 2018 £'000
Turnover	3	**25,460**	24,735	**24,757**	22,771
Cost of sales	3	**(2,968)**	(3,333)	**(2,756)**	(1,943)
Operating expenditure	3	**(15,483)**	(14,837)	**(15,006)**	(14,572)
Operating surplus	**3**	**7,009**	6,565	**6,995**	6,256
Surplus on disposal of property, plant and equipment	4	**905**	1,409	**905**	1,409
Interest receivable	5	**208**	2	**270**	129
Interest and financing costs	6	**(3,740)**	(3,188)	**(3,765)**	(3,264)
Surplus before tax	**7**	**4,382**	4,788	**4,405**	4,530
Taxation	10	**-**	(5)	**-**	-
Surplus for the year		**4,382**	4,783	**4,405**	4,530
Gain/(loss) in respect of investment properties		**-**	(8)	**-**	(8)
Actuarial gain/(loss) in respect of pension scheme	19	**(981)**	561	**(981)**	561
Initial recognition of multi-employer defined benefit scheme	19	**(300)**	-	**(300)**	-
Total comprehensive income for the year		**3,101**	5,336	**3,124**	5,083

Statement of Financial Position

	Note	Group 2019 £'000	2018 £'000	Association 2019 £'000	2018 £'000
Fixed assets					
Housing properties	**11**	**141,835**	133,967	**141,986**	134,118
Other tangible fixed assets	**12**	**4,103**	4,313	**4,078**	4,260
Intangible assets	**13**	**74**	35	**72**	29
Investment properties	**14a**	**290**	290	**290**	290
		146,302	138,605	**146,426**	138,697
Current assets					
Properties held for sale	**15**	**5,104**	2,203	**5,104**	1,843
Inventories	**15**	**1,213**	1,121	**4**	2
Debtors	**16**	**682**	1,403	**2,920**	5,260
Cash and cash equivalents		**31,205**	35,619	**30,828**	34,336
		38,204	40,346	**38,856**	41,441
Creditors: Amounts falling due within one year	**17**	**(7,743)**	(5,361)	**(8,145)**	(6,197)
Net current assets		**30,461**	34,985	**30,711**	35,244
Total assets less current liabilities		**176,763**	173,590	**177,137**	173,941
Creditors: Amounts falling due after more than one year	**18**	**(129,933)**	(131,645)	**(129,933)**	(131,645)
Defined benefit pension liability	**19**	**(2,143)**	(359)	**(2,143)**	(359)
Net assets		**44,687**	41,586	**45,061**	41,937
Capital and reserves					
Revenue reserve		**44,687**	41,586	**45,061**	41,937
Total reserves		**44,687**	41,586	**45,061**	41,937

The notes on pages 33 to 66 form part of these financial statements. The financial statements were approved by the Board on 8 August 2019 and signed on its behalf by:

Mr Yvonne Leishman
Chairman

Board Member

Mr Garry King
Chief Executive and Secretary

Registered number: 04263691

Statement of Changes to Reserves

	Group Revenue reserve £'000	Association Revenue reserve £'000
At 31 March 2017	36,250	36,854
Surplus for the year	4,783	4,530
Loss in respect of investment properties	(8)	(8)
Actuarial gain in respect of pension schemes	561	561
At 31 March 2018	41,586	41,937
Surplus for the year	4,382	4,405
Actuarial loss in respect of pension schemes	(1,281)	(1,281)
At 31 March 2019	44,687	45,061

Consolidated Statement of Cash Flows

	Note	2019 £'000	2018 £'000
Net cash generated from operating activities	**21**	**13,596**	**8,328**
Cash flows from investing activities			
Purchase of property, plant and equipment		(16,827)	(13,283)
Purchase of investment properties		-	(298)
Purchase of intangible assets		(54)	(1)
Proceeds from sale of property, plant and equipment		2,011	3,095
Grants received		375	1,280
Interest received		208	2
Net cash flows from investing activities		**(14,287)**	**(9,205)**
Cash flows from financing activities			
Interest paid		(3,723)	(3,188)
New loans		-	36,638
Net cash flows from financing activities		**(3,723)**	**33,450**
Net increase/(decrease) in cash and cash equivalents		**(4,414)**	**32,573**
Cash and cash equivalents at beginning of year	**21**	**35,619**	**3,046**
Cash and cash equivalents at end of year	**21**	**31,205**	**35,619**

Notes to the Financial Statements

1. Accounting Policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year, unless otherwise noted.

General information and basis of accounting

Two Rivers Housing Group is a company limited by guarantee and a registered provider of social housing in England. The address of its registered office and principal place of business are as disclosed on page 1 of these financial statements.

The financial statements have been prepared under the historical cost convention, in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and comply with the Statement of Recommended Practice for registered social housing providers 2014 (SORP), the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing 2015. Two Rivers Housing Group is a public benefit entity, as defined in FRS 102 and applies the relevant paragraphs prefixed 'PBE' in FRS 102.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Association and its subsidiary undertakings drawn up to 31 March each year.

Property, plant and equipment - housing properties

Housing properties are stated at cost less depreciation less accumulated depreciation and accumulated impairment losses. Cost includes the cost of acquiring land and buildings, directly attributable development costs and borrowing costs directly attributable to the construction of new housing properties during the development. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

Depreciation is charged so as to write down the net book value of housing properties to their estimated residual value, on a straight-line basis, over their useful economic lives. Freehold land is not depreciated.

Major components

Major components of housing properties, which have significantly different patterns of consumption of economic benefits, are treated as separate assets and depreciated over their expected useful economic lives at the following annual rates:

Traditional Housing Structure	100 years
Non-traditional Housing Structure	30 years
Roofs	60 years
Doors and windows	20 years
Kitchens	20 years
Bathrooms	20 years
Heating systems	15 years
Electrics	30 years

Properties held on long leases are depreciated over their estimated useful economic lives or the lease duration if shorter. During the year, the useful economic life of Traditional Housing Structure has been increased from 60 to 100 years to better align to the sector average. This has reduced the depreciation charge in the current year by £465k.

1. Accounting policies (continued)

Improvements

Where there are improvements to housing properties that are expected to provide incremental future benefits, these are capitalised and added to the carrying amount of the property. Any works to housing properties which do not replace a component or result in an incremental future benefit are charged as expenditure in surplus or deficit in the Statement of Comprehensive Income.

Leaseholders

Where the rights and obligations for improving a housing property reside with the leaseholder or tenant, any works to improve such properties incurred by the Association is recharged to the leaseholder and recognised in surplus or deficit in the Statement of Comprehensive Income along with the corresponding income from the leaseholder or tenant.

Non-housing property, plant and equipment

Non-housing property, plant and equipment is stated at historic cost less accumulated depreciation and any provision for impairment. Depreciation is provided on all non-housing property, plant and equipment, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold offices	60 years
Furniture, fixtures & fittings	5 years
Vehicles	5 years
Computer equipment	5 years

Intangible assets

Intangible assets are stated at historic cost or valuation, less accumulated amortisation and any provision for impairment. Amortisation is provided on all Intangible assets at rates calculated to write off the cost or valuation of each asset on a straight-line basis over its expected useful life, as follows:

Computer software	5 years

Impairment of social housing properties

Properties held for their social benefit are not held solely for the cash inflows they generate and are held for their service potential.

An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in surplus or deficit in the Statement of Comprehensive Income. The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell. Where assets are held for their service potential, value in use is determined by the present value of the asset's remaining service potential plus the net amount expected to be received from its disposal. Depreciated replacement cost is taken as a suitable measurement model

An impairment loss is reversed if the reasons for the impairment loss have ceased to apply and included in surplus or deficit in the Statement of Comprehensive Income.

Social Housing Grant and other Government Grants

Where grants are received from government agencies such as Homes England, local authorities, devolved government agencies, health authorities and the European Commission which meet the definition of government grants they are recognised when there is reasonable assurance that the conditions attached to them will be complied with and that the grant will be received.

Government grants are recognised using the accrual model and are classified either as a grant relating to revenue or a grant relating to assets. Grants relating to revenue are recognised in income on a systematic basis over the period in which related costs for which the grant is intended to compensate are recognised**.** Where a grant is receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs, it is recognised as revenue in the period in which it becomes receivable.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Grants received for housing properties are recognised in income over the expected useful life of the housing property structure. Where a grant is received specifically for components of a housing property, the grant is recognised in income over the expected useful life of the component.

Grants received from non-government sources are recognised as revenue using the performance model

Recycling of Grants

Where there is a requirement to either repay or recycle a grant received for an asset that has been disposed of, a provision is included in the Statement of Financial Position to recognise this obligation as a liability. When approval is received from the funding body to use the grant for a specific development, the amount previously recognised as a provision for the recycling of the grant is reclassified as a creditor in the Statement of Financial Position.

For shared ownership staircasing sales, when full staircasing has not taken place, the recycling of the grant may be deferred if the net sales proceeds are insufficient to meet the grant obligation relating to the disposal and is not be recognised as a provision. On subsequent staircasing sales, the requirement to recycle the grant becomes an obligation if sufficient sales proceeds are generated to meet the obligation and a provision is recognised at this point.

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, any unamortised grant remaining within liabilities in the Statement of Financial Position related to this asset is derecognised as a liability and recognised as revenue in surplus or deficit in the Statement of Comprehensive Income.

Restricted Reserves

Where reserves are subject to an external restriction they are separately recognised within reserves as a restricted reserve. Revenue and expenditure are included in surplus or deficit in the Statement of Comprehensive Income and a transfer is made from the general reserve to the restricted reserve.

Leased Assets

At inception the Group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

<u>Operating leased assets</u>

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases.

1. Accounting Policies (continued)

Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases.

Payments under operating leases are charged to surplus or deficit in the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Properties for Outright Sale

Properties developed for outright sale and land held for sale are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes materials, direct labour and an attributable proportion of overheads based on normal levels of activity.

Interest Payable

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are calculated using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument and is determined on the basis of the carrying amount of the financial liability at initial recognition. Under the effective interest method, the amortised cost of a financial liability is the present value of future cash payments discounted at the effective interest rate and the interest expense in a period equals the carrying amount of the financial liability at the beginning of a period multiplied by the effective interest rate for the period

Taxation

There will be no future liability to Corporation Tax for Two Rivers Housing Association and Two Rivers Initiatives Limited due to the charitable registration of these Companies.

Two Rivers Developments Limited, Centigen Facilities Management Limited and Centigen TRH Facilities Management Limited are liable to Corporation Tax on their taxable surpluses.

Pensions

Multi-employer defined benefit pension schemes

The Group participates in two industry wide multi-employer defined benefit pension schemes where it is possible for individual employers as admitted bodies to identify their share of the assets and liabilities of the pension scheme. These schemes are the Social Housing Pension Scheme (SHPS) and the Local Government Pension Scheme (LGPS). For these schemes the amounts charged to operating surplus are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to revenue and included within finance costs.

Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each Statement of Financial Position date.

1. Accounting Policies (continued)

Defined contribution scheme

The Group participates in a defined contribution scheme where the amount charged to surplus or deficit in the Statement of Comprehensive Income in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

Turnover

Turnover represents rent and service charges receivable (net of rent and service charge losses from voids) and disposal proceeds of current assets such as properties developed for outright sale or shared ownership first tranche sales at completion together with revenue grants from local authorities and the Homes and Communities Agency and charitable fees and donations. Service charge income is recognised when expenditure is incurred as this is considered to be the point at which the service has been performed and the revenue recognition criteria met.

Supported Housing and Other Managing Agents

Where the Group has ownership of a supported housing or other scheme but also has an agreement with a third party to manage the scheme (including Supporting People funded schemes or services), where there has been a substantial transfer of the risks and benefits attached to the scheme to the third party, any scheme revenue and expenditure is excluded from these financial statements.

Shared Ownership Property Sales

Shared ownership properties, including those under construction, are split between non-current assets and current assets. The split is determined by the percentage of the property to be sold under the first tranche disposal which is shown on initial recognition as a current asset, with the remainder classified as a non-current asset within property plant and equipment. Where this would result in a surplus on the disposal of the current asset that would exceed the anticipated overall surplus, the surplus on disposal of the first tranche is limited to the overall surplus by adjusting the costs allocated to current or non-current assets.

Proceeds from first tranche disposals are accounted for as turnover in the Statement of Comprehensive Income of the period in which the disposals occur and the cost of sale is transferred from current assets to operating costs. Proceeds from subsequent tranche sales are treated as disposals of fixed assets.

Investments

Investments that are publicly traded or whose fair value can be measured reliably are measured at fair value with changes in fair value recognised in surplus or deficit in the Statement of Comprehensive Income. Other investments are measured at amortised cost less impairment.

Service Charge Sinking Funds and Service Costs

Unutilised contributions to service charge sinking funds and over-recovery of service costs which are repayable to tenants or leaseholders or are intended to be reflected in reductions to future service charge contributions are recognised as a liability in the Statement of Financial Position. The amount included in liabilities in respect of service charge sinking funds includes interest credited to the fund. Where there has been an under-recovery of leaseholders' or tenants' variable service charges and recovery of the outstanding balance is virtually certain, the balance is recognised in the Statement of Financial Position as a trade receivable. Debit and credit balances on individual schemes are not aggregated as there is no right of set-off.

1. Accounting Policies (continued)

Financial Instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets carried at amortised cost Financial assets carried at amortised cost comprise rent arrears, trade and other receivables and cash and cash equivalents. Financial assets are initially recognised at fair value plus directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

If there is objective evidence that there is an impairment loss, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced accordingly. A financial asset is derecognised when the contractual rights to the cash flows expire, or when the financial asset and all substantial risks and reward are transferred.

If an arrangement constitutes a financing transaction, the financial asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. Financial liabilities carried at amortised cost.

These financial liabilities include trade and other payables and interest-bearing loans and borrowings.

Non-current debt instruments which meet the necessary conditions in FRS 102, are initially recognised at fair value adjusted for any directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs in the Statement of Comprehensive Income. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

2. Significant Management Judgements and Key Sources of Estimation Uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2. Significant Management Judgements and Key Sources of Estimation Uncertainty (continued)

Significant Management Judgements

The following are management judgements in applying the accounting policies of the Group that have the most significant effect on the amounts recognised in the financial statements.

Impairment of Social Housing Properties

The Group have to make an assessment as to whether an indicator of impairment exists. In making the judgement, management considered the detailed criteria set out in the SORP.

Useful Lives of Depreciable Assets

Tangible fixed assets are depreciated over their useful lives. Management reviews the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes in homes standards which may require more frequent replacement of key components. The key judgements and estimates applied in respect of housing property are contained within these notes and include the useful economic life of properties and that properties have no residual value at the end of useful life.

Social Housing Grant and Other Capital Grants

All government grants initially appear as creditors in the Statement of Financial Position at the fair value of the sum receivable. Grants are amortised on a straight-line basis over the life of the asset whose purchase they support, unless they are received in respect of the provision of properties under the Homebuy or LCHO schemes, in which case grants are only taken to the Statement of Comprehensive Income at the point the loan is redeemed. Grant received in respect of revenue costs, or from a non-government source, is credited to the Statement of Comprehensive Income in the period in which those costs are incurred.

Fair Value Measurement

Management uses valuation techniques to determine the fair value of assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management base the assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual process that would be achievable in an arm’s length transaction at the reporting date.

Provisions

Provision is made for dilapidations, bad debts arising from rental arrears and redundancy costs. These provisions require management’s best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management’s judgement.

Defined Benefit Pension Schemes

The Group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

3. Particulars of Turnover, Cost of Sales Operating Costs and Operating Surplus - Group

	Note	Turnover	Cost of sales	2019 Operating expenditure	Operating surplus
		£'000	£'000	£'000	£'000
Social housing lettings	**3a**	20,213	-	(14,929)	5,284
Other social housing activities					
1st tranche property sales		4,084	(2,756)	-	1,328
Other activities		122	-	-	122
Garages		185	-	(77)	108
		4,391	(2,756)	(77)	1,558
Activities other than social housing activities					
Market rent		23	-	-	23
Other		833	(212)	(477)	144
		856	(212)	(477)	167
Total		**25,460**	**(2,968)**	**(15,483)**	**7,009**

	Note	Turnover	Cost of sales	2018 Operating expenditure	Operating surplus
		£'000	£'000	£'000	£'000
Social housing lettings	**3a**	20,226	-	(14,546)	5,680
Other social housing activities					-
1st tranche property sales		1,971	(1,713)	-	258
Other activities		72	-	-	72
Garages		196	-	(26)	170
		2,239	(1,713)	(26)	500
Activities other than social housing activities					
Market rent		16	-	-	16
Open market sales		2,031	(1,504)	(18)	509
Other		223	(116)	(247)	(140)
		2,270	(1,620)	(265)	385
Total		**24,735**	**(3,333)**	**(14,837)**	**6,565**

3. Particulars of Turnover, Cost of Sales Operating Costs and Operating Surplus - Association

	Note	Turnover	Cost of sales	2019 Operating expenditure	Operating surplus
		£'000	£'000	£'000	£'000
Social housing lettings	**3a**	20,213	-	(14,929)	5,284
Other social housing activities					
1st tranche property sales		4,084	(2,756)	-	1,328
Other activities		252	-	-	252
Garages		185	-	(77)	108
		4,521	(2,756)	(77)	1,688
Activities other than social housing activities					
Market rent		23	-	-	23
Open market sales		-	-	-	-
		23	-	-	23
Total		**24,757**	**(2,756)**	**(15,006)**	**6,995**

Included within other activities for the association is £163k gift aid received from subsidiary companies (2018: £Nil).

	Note	Turnover	Cost of sales	2018 Operating expenditure	Operating surplus
		£'000	£'000	£'000	£'000
Social housing lettings	**3a**	20,226	-	(14,546)	5,680
Other social housing activities					-
1st tranche property sales		1,971	(1,713)	-	258
Other activities		72	-	-	72
Garages		196	-	(26)	170
		2,239	(1,713)	(26)	500
Activities other than social housing activities					
Market rent		16	-	-	16
Open market sales		290	(230)	-	60
		306	(230)	-	76
Total		**22,771**	**(1,943)**	**(14,573)**	**6,256**

3a. Particulars of Income and Expenditure from Social Housing Lettings

Group and Association	General needs housing	Supported housing and housing for older people	2019 Total	2018 Total
	£'000	£'000	£'000	£'000
Income				
Rents receivable	16,426	2,665	**19,091**	18,992
Service charge income	209	684	**893**	828
Amortised government grant	209	-	**209**	370
Other grants	-	20	**20**	36
Turnover from social housing lettings	16,844	3,369	**20,213**	20,226
Expenditure				
Management	3,874	675	**4,549**	4,513
Service charge costs	379	433	**812**	974
Routine maintenance	2,207	385	**2,592**	2,203
Planned maintenance	1,190	207	**1,397**	1,136
Major repairs expenditure	1,230	214	**1,444**	1,101
Bad debts	77	-	**77**	52
Abortive development	121	-	**121**	73
Depreciation of housing properties	3,937	-	**3,937**	4,494
Operating costs	13,015	1,914	**14,929**	14,546
Operating surplus social housing lettings	3,829	1,455	**5,284**	5,680
Void losses	94	29	**123**	*130*

4. Surplus on Disposal of Property, Plant and Equipment – Group and Association

	2019 £'000	2018 £'000
Sale of subsequent tranche shared ownership properties and other properties	**2,244**	3,095
Costs of sale	**(35)**	(43)
Disposals at cost	**(1,304)**	(1,643)
Surplus on disposal of property, plant and equipment	**905**	1,409

5. Other Finance Income

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Bank interest receivable	**208**	2	**208**	2
Interest due from group companies	**-**	-	**62**	127
	208	2	**270**	129

6. Interest and Financing Costs

		Group		Association	
	Note	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Bank loans and overdrafts		**4,213**	3,577	**4,210**	3,577
Unwinding of discounts on provisions		**(147)**	(141)	**(147)**	(141)
Net interest on defined benefit liability	**19**	**28**	25	**28**	25
		4,094	3,461	**4,091**	3,461
Interest capitalised		**(354)**	(273)	**(326)**	(197)
		3,740	3,188	**3,765**	3,264

Borrowing costs have been capitalised based on a capitalisation rate of 4.1 per cent (2018: 4.3 per cent) which is the weighted average of rates applicable to the Group's general borrowings outstanding during the year.

7. Surplus on Ordinary Activities Before Taxation

Surplus on ordinary activities before taxation is stated after charging/(crediting):

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Depreciation of housing stock	**3,937**	4,494	**3,937**	4,494
Depreciation of property, plant and equipment	**189**	232	**159**	201
Amortisation of intangible assets	**14**	31	**11**	27
Amortised government grants	**(209)**	(370)	**(209)**	(370)
Surplus on disposal of fixed assets	**(905)**	(1,326)	**(905)**	(1,326)
Auditors remuneration (excluding VAT)	**27**	26	**16**	15
Fees payable to the company's auditors for other services				
- Other services	**3**	2	**3**	2
- Tax compliance services	**2**	2	**1**	1
Operating lease rentals	**169**	176	**4**	176

8. Employee Costs

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Wages and salaries	**4,262**	4,214	**2,979**	3,327
Social security costs	**405**	398	**294**	324
Other pension costs	**313**	293	**283**	283
	4,980	4,905	**3,556**	3,934

The full-time equivalent number of staff who received emoluments, excluding pension contribution, in excess of £60,000 were shown below:

	2019 Number	2018 Number
Salary Band (£)		
60,000 – 69,999	**1**	-
70,000 – 79,999	**1**	-
80,000 – 89,999	**-**	-
90,000 – 99,999	**-**	1
100,000 – 109,999	**1**	1
120,000 – 129,999	**-**	-
130,000 – 139,999	**1**	1

8. Employee Costs (continued)

The average full-time equivalent number of employees was:

	Group		Association	
	2019	**2018**	**2019**	**2018**
	Number	**Number**	**Number**	**Number**
Average monthly number of employees (including executive directors) expressed as full-time equivalents:				
Administration	**65**	62	**58**	56
Property management	**25**	23	**13**	14
Housing for older people and housing management	**21**	30	**21**	30
Repairs team	**27**	31	**-**	16
Office cleaners	**8**	10	**-**	-
	146	156	**92**	116

The basis of the calculation of the full-time equivalents was calculated on 40 hours per week for the Repairs team and 37 hours for all other staff.

9. Directors' Remuneration and Transactions

	2019	2018
Directors who are executive staff members	**£'000**	**£'000**
Wages and salaries	**332**	335
Social security costs	**42**	43
Other pension costs	**54**	52
	428	430
Including benefits		

	2019	2018
Remuneration of the highest paid director, excluding pension contribution	**£'000**	**£'000**
Emoluments	**135**	133

The Chief Executive is an ordinary member of the pension scheme. The pension is a final salary scheme funded by annual contributions by the employer and employee. No enhanced or special terms apply.

Non-Executive Board Members

The following non-executive board members received the following remuneration during the financial year.

	2019 £'000	2018 £'000
Mr David Powell	**2**	4
Mr John Bloxsom	**4**	4
Mr Alan Blundell	**2**	4
Mr Jonathan Richards	**3**	3
Ms Susan Holmes	**3**	3
Mr Christopher Hillidge	**2**	3
Mr Neil Sutherland	**3**	3
Mrs Rita Jones	**3**	4
Mr Tim Jackson	**3**	1
Miss Yvonne Leishman	**3**	1
	28	30

10. Taxation

	Group		Association	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Corporation Tax:				
Current tax on surplus for the year	**28**	16	**-**	-
Adjustments in respect of previous years	**(28)**	(11)	**-**	-
	-	5	**-**	-
Deferred Tax	**-**	-	**-**	-
Total tax	**-**	5	**-**	-
Reconciliation of the total tax charge				
Surplus on ordinary activities before tax	**4,382**	4,705	**4,405**	4,489
Tax charged at standard rate of 20% (2017: 20%)	**833**	894	**837**	853
Effect of:				
Utilisation of tax losses	**(28)**	(11)	**-**	-
Surplus arising with charitable status	**(805)**	(878)	**(837)**	(853)
Deferred tax not recognised	**-**	-	**-**	-
	-	5	**-**	-

11. Tangible Fixed Assets – Housing Properties

Group	Completed properties	Properties under construction	Completed Shared ownership	Shared ownership under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2018	158,770	2,745	6,560	1,324	**169,399**
Additions	-	7,595	-	8,709	**16,304**
Components capitalised	2,356	-	-	-	**2,356**
Disposals	(874)	-	(218)	-	**(1,092)**
Schemes completed in the year	2,198	(2,198)	3,217	(3,217)	**-**
Transfer to Investment properties	-	-	-	(3,752)	**(3,752)**
Transfer to Properties held for sale	-	-	-	(2,244)	**(2,244)**
Tenure changes	(164)	-	164	-	**-**
At 31 March 2019	162,286	8,142	9,723	820	**180,971**
Depreciation					
At 1 April 2018	(34,609)	-	(824)	-	**(35,433)**
Charge for the year	(3,876)	-	(61)	-	**(3,937)**
Eliminated on disposals	216	-	18	-	**234**
Tenure changes	101	-	(101)	-	**-**
At 31 March 2019	(38,168)	-	(968)	-	**(39,136)**
Net book value					
At 31 March 2019	124,118	8,142	8,755	820	**141,835**
At 31 March 2018	124,161	2,745	5,736	1,326	**133,967**

All property is freehold. Additions in the year include £360k of capitalised interest and £326k of capitalised development overheads.

Freehold land and buildings with a carrying amount of £57m (2018: £57m) have been pledged to secure borrowings of the Association. The Association is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

11. Tangible Fixed Assets – Housing Properties (continued)

Association	Completed properties	Properties under construction	Completed Shared ownership	Shared ownership under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2018	158,770	2,896	6,560	1,324	**169,550**
Additions		7,595	-	8,709	**16,304**
Components capitalised	2,356	-	-	-	**2,356**
Disposals	(874)	-	(218)	-	**(1,092)**
Schemes completed in the year	2,198	(2,198)	3,217	(3,217)	**-**
Transfer to Investment properties	-	-	-	(3,752)	**(3,752)**
Transfer to Properties held for sale	-	-	-	(2,244)	**(2,244)**
Tenure changes	(164)	-	164	-	**-**
At 31 March 2019	162,286	8,293	9,723	820	**181,122**
Depreciation					
At 1 April 2018	(34,609)	-	(824)	-	**(35,433)**
Charge for the year	(3,876)	-	(61)	-	**(3,937)**
Eliminated on disposals	216	-	18	-	**234**
Tenure changes	101	-	(101)	-	**-**
At 31 March 2019	(38,168)	-	(968)	-	**(39,136)**
Net book value					
At 31 March 2019	124,118	8,293	8,755	820	**141,986**
At 31 March 2018	124,161	2,896	5,736	1,326	**134,118**

All property is freehold. Additions in the year include £326k of capitalised interest and £325k of capitalised development overheads.

12. Property, Plant and Equipment - other

Group

	Office premises	Computer equipment	Fixtures and fittings	Plant & machinery	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2018	4,887	691	174	13	**5,765**
Transfer between categories	-	(7)	(66)	73	**-**
Additions	3	11	-	-	**14**
Disposals	-	(329)	-	-	**(329)**
At 31 March 2019	4,890	366	108	86	**5,450**
Depreciation					
At 1 April 2018	(692)	(580)	(172)	(9)	**(1,453)**
Transfer between categories	-	5	66	(71)	**-**
Charge for the year	(147)	(38)	(1)	(4)	**(190)**
Disposals	-	296	-	-	**296**
At 31 March 2019	(839)	(317)	(107)	(84)	**(1,347)**
Net book value					
At 31 March 2019	4,051	49	1	2	**4,103**
At 31 March 2018	4,195	111	2	4	**4,312**

Association

	Office premises	Computer equipment	Fixtures and fittings	Plant & machinery	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2018	4,748	689	166	5	**5,608**
Transfer between categories	-	(7)	(66)	73	**-**
Additions	-	11	-	-	**11**
Disposals	-	(330)	-	-	**(330)**
At 31 March 2019	4,748	363	100	78	**5,289**
Depreciation					
At 1 April 2018	(598)	(579)	(166)	(5)	**(1,348)**
Transfer between categories	-	5	66	(71)	**-**
Charge for the year	(119)	(38)	-	(2)	**(159)**
Disposals	-	296	-		**296**
At 31 March 2019	(717)	(316)	-100	(78)	**(1,211)**
Net book value					
At 31 March 2019	4,031	47	-	-	**4,078**
At 31 March 2018	4,150	110	-	-	**4,260**

13. Intangible Fixed Assets

Group

	Computer software £'000	Total £'000
Cost		
At 1 April 2018	889	**889**
Additions	54	**54**
Disposals	(463)	**(463)**
As at 31 March 2019	480	**480**
Amortisation		
At 1 April 2018	(854)	**(854)**
Charge for the year	(14)	**(14)**
Eliminated on disposals	463	**463**
As at 31 March 2019	(406)	**(406)**
Net book value		
As at 31 March 2019	74	**74**
As at 31 March 2018	35	**35**

Association

	Computer software £'000	Total £'000
Cost		
At 1 April 2018	875	**875**
Additions	54	**54**
Disposals	(463)	**(463)**
As at 31 March 2019	466	**466**
Amortisation		
At 1 April 2018	(846)	**(846)**
Charge for the year	(11)	**(11)**
Eliminated on disposals	463	**463**
As at 31 March 2019	(394)	**(394)**
Net book value		
As at 31 March 2019	72	**72**
As at 31 March 2018	29	**29**

14. Investments

14a. Investment Properties

	Group 2019 £'000	Group 2018 £'000	Association 2019 £'000	Association 2018 £'000
Investment properties	**290**	290	**290**	290

Market rented properties are treated as investment properties. Changes in the value of market rented properties are taken to the statement of comprehensive income. No valuation adjustments were made during the year (2018: £8k).

14b. Principal Group Investments

The parent Association and the Group have investments in the following subsidiary undertakings, associates and other investments which principally affected the surpluses or net assets of the Group.

Subsidiary undertaking	Legal form	Principal activity	Holding (%)
Two Rivers Developments	Limited company	Developing properties on behalf of Two Rivers Housing	100
Two Rivers Initiatives	Limited company	A charitable organisation whose primary business is the support and funding of community activities and initiatives within the Forest of Dean	100
Centigen TRH Facilities Management Limited	Limited company	Facilities management and grounds maintenance for Two Rivers Housing	100
Centigen Facilities Management Limited	Limited company	Facilities Management and grounds maintenance for external clients	100

15. Inventories & Properties Held for Sale

	Group 2019 £'000	Group 2018 £'000	Association 2019 £'000	Association 2018 £'000
Inventories				
Maintenance stock	**4**	2	**4**	2
Open market sale properties - Under construction	**1,209**	1,119	**-**	-
	1,213	1,121	**4**	2
Properties held for sale				
Shared ownership 1st tranche sale properties - Completed	**652**	632	**652**	632
Shared ownership 1st tranche sale properties – Under construction	**4,452**	1,211	**4,452**	1,211
Open market sale properties - Completed	**-**	360	**-**	-
	5,104	2,203	**5,104**	1,843

16. Debtors

	Group 2019 £'000	Group 2018 £'000	Association 2019 £'000	Association 2018 £'000
Amounts falling due within one year:				
Rent arrears	**892**	737	**892**	737
Provision for bad debts	**(595)**	(582)	**(595)**	(582)
Trade debtors	**24**	37	**-**	-
Amounts owed by Group undertakings	**-**	-	**2,305**	4,307
Other debtors	**55**	783	**49**	411
Prepayments and accrued income	**306**	428	**269**	387
	682	1,403	**2,920**	5,260

17. Creditors – Amounts Falling Due Within One Year

	Note	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Bank loans		**2,745**	1,073	2,745	1,073
Rents received in advance		**444**	318	444	318
Trade creditors		**1,904**	859	1,784	808
Amounts owed to Group undertakings		**-**	-	690	1,122
Corporation tax		**5**	5	-	-
Other taxation and social security		**114**	140	78	110
Other creditors		**1,137**	1,644	1,117	1,639
Government grants	18	**208**	370	208	370
Accruals and deferred income		**1,186**	898	1,079	703
Pension deficit funding liability	19	**-**	54	-	54
		7,743	5,361	8,145	6,197

18. Creditors – Amounts Falling Due After More Than One Year

	Group 2019 £'000	Group 2018 £'000	Association 2019 £'000	Association 2018 £'000
Other creditors				
Bank loans	110,419	112,217	110,419	112,217
Government grants	19,260	18,958	19,260	18,958
Recycled capital grant fund	254	225	254	225
Pension deficit funding liability	-	245	-	245
	129,933	131,645	129,933	131,645

The loans are secured on freehold housing properties. Interest is payable at rates ranging from 1.87% to 6.18%.

The total accumulated amount of capital grant received or receivable at the Statement of Financial Position date is £20,097k (2018: £19,722k).

18. Creditors – Amounts Falling Due After More Than One Year (continued)

	Group		Association	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Deferred income - Government grants				
At 1 April 2018	**19,328**	18,548	**19,328**	18,548
Grants receivable	**376**	1,280	**376**	1,280
Transfer to RCGF	**(28)**	(130)	**(28)**	(130)
Amortisation to Statement of Comprehensive Income	**(208)**	(370)	**(208)**	(370)
At 31 March 2019	**19,468**	19,328	**19,468**	19,328
Due within one year	**208**	370	**208**	370
Due after one year	**19,260**	18,958	**19,260**	18,958

	Group		Association	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Recycled capital grant fund				
At 1 April 2018	**225**	153	**225**	153
Inputs to RCGF	**27**	72	**27**	72
Recycling of grant	**-**	-	**-**	-
Interest accrued	**2**	-	**2**	-
At 31 March 2019	**254**	225	**254**	225

	Group		Association	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Bank loans				
Between one and two years	**2,745**	3,622	**2,745**	3,622
Between two and five years	**27,235**	23,355	**27,235**	23,355
After five years	**83,070**	85,000	**83,070**	85,000
	113,050	111,977	**113,050**	111,977
Effective interest rate adjustment	**682**	829	**682**	829
Less: Facility arrangement fee	**(568)**	(589)	**(568)**	(589)
	113,164	112,217	**113,164**	112,217

19. Retirement Benefit Schemes

Defined Contribution Schemes

The Group operates defined contribution retirement benefit schemes for qualifying employees. The total expense charged to Statement of Comprehensive Income in the year ended 31 March 2019 was £92,353.

Defined Benefit Schemes

	2019 £'000	2018 £'000
LGPS BD Scheme	**(1,521)**	(359)
SHPS DB Scheme	**(622)**	-
Total liability relating to defined benefit schemes	**(2,143)**	**(359)**

The Group operates defined benefit schemes for qualifying employees. Under the schemes, the employees are entitled to retirement benefits varying between 1% and 2% per cent of final salary on attainment of Normal Pension Age (which varies by scheme but has a minimum age of 65). Both schemes offer some flexibility for earlier or later retirement subject to an actuarial adjustment. No other post-retirement benefits are provided. The schemes are funded schemes.

1) The Gloucestershire County Council Pension Fund which is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme Regulations 1997, as amended.

The most recent actuarial valuations of scheme assets and the present value of the defined benefit obligation were carried out at 31 March 2016 by Douglas Green, Fellow of the Institute and Faculty of Actuaries, from Hymans Robertson LLP. The present value of the defined benefit obligation, the related current service cost and past service cost was measured using the projected unit credit method.

	Valuation at 2019	Valuation at 2018
Key assumptions used:		
Discount rate	**2.4%**	2.7%
Salary Increase rates	**2.8%**	2.7%
Future pension increases (CPI)	**2.5%**	2.4%

Mortality Assumptions:

Vita curves with improvements in line with the CMI 2013 model assuming the current rate of improvements has peaked and will converge to a long-term rate of 1.25% p.a. Based on these assumptions the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners:	22.4 years	24.6 years
Future Pensioners:	24.0 years	26.4 years

19. Retirement Benefit Schemes (continued)

Historic mortality

Life expectancies for the prior period end are based on the fund's Vita Curves. The allowance for future life expectancies is shown below:

Period Ended	Prospective Pensioners	Pensioners
31 March 2018	CMI 2013 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a.	CMI 2013 model assuming the current rate of improvements has peaked and will converge to a long-term rate of 1.25% p.a.

Commutation

An allowance is included for future retirements to elect to take 35% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 68% of the maximum tax-free cash for post-April 2008 service.

Amounts recognised in the Statement of Comprehensive Income in respect of these defined benefit schemes are as follows:

	2019	2018
	£'000	£'000
Current service cost	**408**	426
Net interest cost	**13**	21
	421	447
Recognised in other comprehensive income		
Income (OCI)	**930**	561
Total cost relating to defined benefit scheme	**1,351**	1,008

The amount included in the Statement of Financial Position arising from the Group's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	2019	2018
	£'000	£'000
Present value of defined benefit obligations	**(16,804)**	(14,835)
Fair value of scheme assets	**15,283**	14,476
Net liability recognised in the Statement of Financial Position	**(1,521)**	(359)

Movements in the present value of defined benefit obligations were as follows:

	2019	2018
	£'000	£'000
At 1 April	**14,835**	14,546
Service cost	**408**	426
Interest cost	**403**	381
Actuarial (gains) and losses	**1,354**	(310)
Contributions from scheme participants	**78**	83
Benefits paid	**(274)**	(291)
At 31 March	**16,804**	14,835

19. Retirement Benefit Schemes (continued)

Movements in the fair value of scheme assets were as follows:

	2019 £'000	2018 £'000
At 1 April	**14,476**	13,883
Interest income	**390**	360
Actuarial gains and (losses)	**424**	251
Contributions from the employer	**189**	190
Contributions from scheme participants	**78**	83
Benefits paid	**(274)**	(291)
At 31 March	**15,283**	14,476

The analysis of the scheme assets at the Statement of Financial Position date was as follows:

	Fair value of assets 2019 %	Fair value of assets 2018 %
Equity instruments	67	67
Debt instruments	23	23
Property	8	8
Cash	2	2

Projected Pension Expense for the Year to 31 March 2020

Period Ended 31 March 2019	**Assets**	**Obligations**	**Net (liability)/asset**	
	£'000	**£'000**	**£'000**	**% of Pay**
Projected Current Service cost	-	467	(467)	(44.8%)
Total Service Cost	**-**	**467**	**(467)**	**(44.8%)**
Interest Income on Plan assets	367	-	367	35.2%
Interest Cost in defined Benefit obligation	-	406	(406)	(39.0%)
Total Net Interest Cost	**367**	**406**	**(39)**	**(3.8%)**
Total Included in Statement of comprehensive Income	**367**	**876**	**(506)**	**(48.6%)**

The current service cost includes an allowance for administration expenses of 0.5% of payroll. The monetary value is based on a projected payroll of £1,042,000.

The contributions paid by the Employer are set by the Fund Actuary at each triennial valuation (the most recent being as at 31 March 2016), or at any other time as instructed to do so by the Administering Authority. The estimated employer contributions for the period to 31 March 2020 will be approximately £189k.

19. Retirement Benefit Schemes (continued)

Sensitivity

The sensitivities regarding the principle assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 31 March 2018	Approximate % increase to Employer Liability	Approximate Monetary amount (£000)
0.5% decrease in Real Discount Rate	11%	1,875
0.5% increase in Salary increase rate	2%	314
0.5% increase in the Pension increase rate	9%	1,527

2) The Pensions Trust – Social Housing Pension Scheme

The company participates in the Social Housing Pension Scheme (the Scheme), a multiemployer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK.

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

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

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

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

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

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

19. Retirement Benefit Schemes (continued)

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

	31 March 2019 (£'000s)	31 March 2018 (£'000s)
Fair value of plan assets	**1,895**	1,950
Present value of defined benefit obligation	**2,517**	2,549
Surplus (deficit) in plan	**(622)**	(599)
Unrecognised surplus	**-**	-
Defined benefit asset (liability) to be recognised	**(622)**	(599)

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Period ended 31 March 2019 (£000s)
Defined benefit obligation at start of period	2,549
Current service cost	50
Expenses	3
Interest expense	64
Contributions by plan participants	14
Actuarial losses (gains) due to scheme experience	(146)
Actuarial losses (gains) due to changes in demographic assumptions	7
Actuarial losses (gains) due to changes in financial assumptions	169
Benefits paid and expenses	(193)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at end of period	2,517

19. Retirement Benefit Schemes (continued)

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT ASSETS

	Period ended 31 March 2019 (£000s)
Fair value of plan assets at start of period	1,950
Interest income	49
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	(21)
Contributions by the employer	96
Contributions by plan participants	14
Benefits paid and expenses	(193)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	1,895

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2019 was £28,000.

DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME (SOCI)

	Period from 31 March 2018 to 31 March 2019 (£000s)
Current service cost	50
Expenses	3
Net interest expense	15
Losses (gains) on business combinations	-
Losses (gains) on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Defined benefit costs recognised in statement of comprehensive income (SoCI)	68

19. Retirement Benefit Schemes (continued)

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	Period ended 31 March 2019 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	(21)
Experience gains and losses arising on the plan liabilities - gain (loss)	146
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(7)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(169)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(51)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in other comprehensive income - gain (loss)	(51)

ASSETS	31 March 2019 (£000s)	31 March 2018 (£000s)
Global Equity	**319**	385
Absolute Return	**164**	238
Distressed Opportunities	**34**	19
Credit Relative Value	**35**	-
Alternative Risk Premia	**109**	74
Fund of Hedge Funds	**9**	64
Emerging Markets Debt	**65**	79
Risk Sharing	**57**	18
Insurance-Linked Securities	**54**	51
Property	**43**	90
Infrastructure	**99**	50
Private Debt	**25**	17
Corporate Bond Fund	**88**	80
Long Lease Property	**28**	-
Secured Income	**68**	72
Over 15 Year Gilts	**-**	-
Liability Driven Investment	**694**	711
Net Current Assets	**4**	2
Total assets	**1,895**	1,950

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

19. Retirement Benefit Schemes (continued)

Key Assumptions

	31 March 2019 % per annum	31 March 2018 % per annum
Discount Rate	**2.33%**	2.58%
Inflation (RPI)	**3.28%**	3.18%
Inflation (CPI)	**2.28%**	2.18%
Salary Growth	**3.28%**	3.18%
Allowance for commutation of pension for cash at retirement	**75% of maximum allowance**	75% of maximum allowance

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2019	21.8
Female retiring in 2019	23.5
Male retiring in 2039	23.2
Female retiring in 2039	24.7

20. Financial Instruments

The carrying values of the Group and Association's financial assets and liabilities are summarised by category below:

		Group		Association	
		2019	**2018**	**2019**	**2018**
	Note	**£'000**	**£'000**	**£'000**	**£'000**
Financial assets					
Measured at undiscounted amount receivable					
Rent arrears and other debtors	16	**297**	155	**297**	155
Amounts due from related undertakings	16	**-**	-	**2,305**	3,987
Trade debtors	16	**24**	37	**-**	-
Cash and cash equivalents		**31,205**	35,619	**30,828**	34,336
		31,516	34,811	**33,430**	38,478
Financial liabilities					
Measured at amortised cost					
Loans payable	17,18	**113,164**	113,292	**113,164**	113,292
Pension deficit funding liability	19	**-**	299	**-**	299
Measured at undiscounted amount payable					
Bank overdraft	17	**-**	-	**-**	-
Rent received in advance	17	**444**	318	**444**	318
Trade creditors	17	**1,904**	1,178	**1,784**	1,342
Corporation tax	17	**5**	31	**5**	-
Amounts owed to related undertakings	17	**-**	-	**690**	592
Other taxation and social security	17	**114**	96	**78**	68
Other creditors	17	**1,137**	1,644	**1,117**	1,638
		116,768	116,858	**117,282**	117,549

The Group's income, expense, gains and losses in respect of financial instruments are summarised below:

	Group	
	2019	**2018**
	£'000	**£'000**
Interest income and expense		
Total interest income for financial assets at undiscounted amount	208	2
Total interest expense for financial liabilities at amortised cost	3,723	(3,264)

21. Statement of Cash Flows

	2019 £'000	2018 £'000
Cash flow from operating activities		
Surplus for the year	**4,400**	4,788
Adjustment for non-cash items:		
Depreciation of property, plant and equipment	**3,892**	4,600
Amortisation of intangible assets	**14**	31
Decrease/(increase) in inventories	**1,459**	(947)
Decrease/(increase in debtors	**761**	(528)
Increase/(decrease) in creditors	**589**	(1,280)
Carrying amount of property, plant & equipment disposals	**-**	-
Corporation tax	**(5)**	(5)
Adjustments relating to pension scheme	**82**	257
Adjustments for investing or financing activities:		
Gain on sale of property, plant and equipment	**(905)**	(1,409)
Government grants utilised in the year	**(206)**	(370)
Interest payable	**3,723**	3,188
Interest received	**(208)**	(2)
Taxation	**-**	5
Cash generated by operations	**13,596**	8,328
Cash and cash equivalents		
Cash at bank and in hand	**31,205**	35,619
Bank overdrafts (see note 17)	**-**	-
Cash and cash equivalents	**31,205**	35,619

22. Financial Commitments

Capital commitments are as follows:

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Contracted for but not provided for	**25,761**	14,676	**25,761**	14,659
Approved by the directors but not contracted for	**8,473**	20,308	**3,259**	17,287
Total Capital Commitments	**34,234**	34,984	**29,020**	31,946

22. Financial Commitments (continued)

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Payments due:				
- within one year	**92**	150	**3**	121
- between one and five years	**90**	110	**13**	79
- after five years	**-**	-	**-**	-
Total Capital Commitments	**182**	260	**16**	200

Future financial commitments will be met from operating surpluses and from the additional funding being raised.

23. Housing Stock

	Group		Association	
	2019	2018	2019	2018
	Units	Units	Units	Units
Social housing accommodation				
General needs housing accommodation	**2,866**	2,883	**2,866**	2,883
Housing accommodation at affordable rent	**377**	362	**377**	362
Housing accommodation at intermediate rent	**12**	13	**12**	13
Housing for older people accommodation	**594**	594	**594**	594
Shared ownership accommodation	**152**	111	**152**	111
	4,001	3,963	**4,001**	3,963
Non-social housing accommodation				
Leaseholders	**44**	44	**44**	44
Market rent	**2**	2	**2**	2
	46	46	**46**	46
Total	**4,047**	4,009	**4,047**	4,009
Owned units in management	**4,003**	3,965	**4,003**	3,965
Units developed during the year:				
Social housing	**56**	102	**56**	102
Non-social housing units	**-**	2	**-**	2

24. Related Party Transactions

Tenant representative board members who have served during the year rent properties from the Company under the same terms and conditions as all tenants in similar properties. They are Mrs Rita Jones and Mr Christopher Hillidge.

The aggregate amount of rent and service charges received from tenant board members in the year was £7,506 (2018: £9,225). The value of rent arrears at year-end from tenant board members was £Nil (2018: £160).

Two Rivers Housing which is registered in England and Wales is the ultimate parent undertaking of:

- Two Rivers Initiatives Limited – a registered charity in England and Wales
- Two Rivers Developments Limited – a company limited by shares and registered in England and Wales
- Centigen Facilities Management Limited – a company limited by shares and registered in England and Wales
- Centigen TRH Facilities Management Limited – a company limited by shares and registered in England and Wales

Non-regulated subsidiary	Transfers	Cost in year £'000	Income in year £'000	Balance at year end £'000
Two Rivers Developments Limited	Recharge of development staff and admin costs from Two Rivers Housing. Provision of design and build Services from Two Developments to Two Rivers Housing in accordance with contract fees. Intercompany loan interest payable to Two Rivers Housing.	85	47	-
	Intercompany debtor	-	-	983
Centigen TRH Facilities Management Limited	Recharge of admin and set up costs to Centigen. Provision of facilities management and cleaning to Two Rivers Housing. Intercompany loan interest payable to Two Rivers Housing.	2,794	15	-
	Intercompany creditor	-	-	(92)
Centigen Facilities Management Limited	Recharge of minor set up costs for Centigen Facilities Management Ltd. Intercompany loan interest payable to Two Rivers Housing.	-	34	-
	Intercompany debtor	-	-	722

Two Rivers Housing has taken the exemption in section 33.1A of Financial Reporting Standard 102 not to disclose any further transactions with other Group members aside from those disclosed above in accordance with the Accounting Direction for Private Registered Providers of Social Housing 2015.