Registered by the Financial Conduct Authority under:

Co-operative and Community Benefit Societies registered number: 25616R

Registered by the Homes and Communities Agency No LH3737

Unity Housing Association Limited

Report and Consolidated Financial Statements

Year Ended 31 March 2018

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BOARD MEMBERS, EXECUTIVE OFFICERS, ADVISORS AND BANKERS

Board

Chair	S Bhargava
Other Members	S Khan T Yeardley R Walker W Butt D Heels E Green J Jefferies N Ahmed

Executive Officers

Chief Executive	A Akbor
Operations Director & Deputy Chief Executive	P Sidhu
Regeneration & Development Director	W Noteman

Registered office	113-117 Chapeltown Road Leeds LS7 3HY
Registered number	Registered by the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014 No: 25616R Registered by the Homes and Communities Agency No: LH3737
Auditors	Grant Thornton UK LLP No 1 Whitehall Riverside Leeds LS1 4BN
Solicitors	Bevan Brittan LLP Toronto Square 7th Floor Toronto Street Leeds LS1 2HJ
Bankers	Yorkshire Bank PLC 329 Harehills Lane Leeds LS9 6AX

REPORT OF THE BOARD

The Board presents its report and the Group's audited financial statements for the year ended 31 March 2018, which includes the accounts of Unity Housing Association Ltd (the Association) and its subsidiaries; Unity Property Services Ltd (UPS) and Unity Housing Development Services Limited (UHDS), (collectively the Group).

Principal activities

The Group is a not-for-profit organisation administered by a voluntary Board of Management. The Group operates in Leeds from its offices in Chapeltown. The Association has two subsidiaries, Unity Property Services Limited (UPS), trading as Unity Enterprise; that is also a not-for-profit organisation administered by a voluntary Board and Unity Housing Development Services Limited (UHDS); a company registered under the Companies Act 2006 also administered by a voluntary board. The Association has the right to appoint the members to the Board of UPS and UHDS and thereby exercises control over both organisations.

The Group owns 1,280 units of mainly general needs accommodation of which 1,203 are directly managed. The Group has 10 units of special needs accommodation and some properties, which are leased to Canopy. UPS manages business workspace accommodation in Chapeltown and Harehills. UHDS manages the direct development of the groups housing schemes until completed. The Group's average employees during the year were 36, 18 of whom are directly involved in the provision of housing services. The Group's principal activities are the development and management of social housing.

Business review

Details of the Group's performance for the year and future plans are set out in the Operating and Financial Review that follows this Report of the Board as set out on pages 6 to 17.

Housing property and fixed assets

Details of changes to the Group's tangible fixed assets are shown in notes 14 and 15 to the financial statements. Housing property values are considered in the Operating and Financial Review.

Reserves

After transfer of the surplus for the year of £1,945k (2017: £1,512k), Group revenue reserves amounted to £17,040k (2017: £15,095k).

Post balance sheet events

We consider that there have been no events since the year-end that have had a significant effect on the Group's financial position.

Payment of creditors

In line with government guidance, our policy is to pay purchase invoices within an average of 30 days from receipt, or earlier if agreed with the supplier. Creditor days are 21 (2017: 24).

Financial instruments

The Group's approach to financial risk management is outlined in the Operating and Financial Review on pages 6 to 17.

Employees

The strength of the Group lies in the quality and commitment of its employees. Our ability to meet our objectives and commitment to tenants in an efficient and effective manner depends on the contribution of employees throughout the Group.

REPORT OF THE BOARD (cont.)

The Group continues to provide information on its objectives, progress and activities through regular office and departmental meetings. The Group provides training programmes focused on quality and customer service and seeks employees' views on how to improve services and on matters of common concern.

The Group is committed to equal opportunities for all its employees and in all its activities.

Health and safety

The Board is aware of its responsibility on all matters relating to health and safety. The Group continues to monitor its health and safety procedures and provides training and education to staff on health and safety matters through a health and safety consultant.

Board members and executive directors

The Board members and the executive directors of the Group are set out on page 1.

The Board members are all shareholders of Unity. These shares provide Board members with the right to vote at general meetings, but do not provide any rights to dividends or distributions on a winding up. The executive directors hold no interest in Unity's shares and have no legal status as directors although they act as executives within the authority delegated by the Board. The Group has insurance policies that indemnify its Board members and executive directors against liabilities when acting for the Group.

The Board

The Board comprises up to thirteen non-executive members drawn from a wide background, bringing together professional, commercial and local experience. Up to one third of the Board may be tenant Board members. Except for co-optees and tenants, only shareholders can be Board members. At every annual general meeting, Board members who have served their fixed term of three years retire from office and are eligible for re-election. Any Board member who has completed nine years' continuous service is not eligible for re-election.

The Board meets four times a year for regular business and annually for a weekend to discuss future strategy and members' training. The Board is responsible for the Group's strategy and policy framework. It delegates the day-to-day management and implementation of that framework to the Chief Executive and other executive officers.

An Audit and Risk Management Committee, an Operations Committee, an HR and Governance Committee and a Risk Appraisal Panel support the Board.

The Board and its committees obtain external specialist advice from time to time as necessary.

Remuneration Policy

The Board set the Group's remuneration for its employees on an annual basis. It agrees the appointment of the executive directors, as well as the brief within which the Chief Executive can negotiate staff salaries.

Service contracts

The executive directors are employed on the same terms as other staff, their notice periods comprise three months.

Pensions

The executive directors are members of the Social Housing Pension Scheme, a defined benefit final salary pension scheme. The executive directors participate in the scheme on the same basis as all other eligible staff. The Group contributes to the scheme on behalf of its employees. Further details are in note 11.

REPORT OF THE BOARD (cont.)

Other benefits

The executive directors may be entitled to other benefits such as essential car user allowance, and the provision of a car (Chief Executive). Details of executive directors' salaries are set out in note 12 of the audited financial statements.

NHF Code of Governance

We are pleased to report that Unity complies with the principal recommendations of the NHF Code of Governance (2015 edition).

The Board has agreed a protocol within the standing orders which sets out the policy for determining what non-audit work can be undertaken by the external auditors and procedures for periodic review and selection of external auditors. The level of fees paid for this work is set out in note 6 to the financial statements.

Governance and Financial Viability Standard

Registered providers are required by the regulator, Homes England to certify their compliance with the Governance and Financial Viability Standard. The Board confirms that they comply with all material aspects of the standard. In the year an In-Depth Assessment was carried out which resulted in a re-grading or our governance and viability to G2V2 (previously G1V1).

Equality and Diversity

The Board has agreed equality and diversity targets and the Group proactively works towards achieving these and also in the delivery of projects which lead to sustainable communities for all.

Tenant Involvement

We actively encourage tenants' involvement in decision making by promoting mechanisms of tenant involvement.

Complaints

We have a clear and simple complaints policy which is available to tenants. During the year, we received 21 complaints all of which were resolved.

Internal controls assurance

The Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. This responsibility applies to Unity and its subsidiaries.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, and not absolute, assurance against material misstatement or loss. In meeting its responsibilities, the Board has adopted a risk-based approach to establishing and maintaining internal controls, which are embedded within day-to-day management and governance processes. This approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed.

The process we now use for identifying, evaluating and managing the significant risks faced by the Group, is on-going and has been in place since 1 April 2015 up to the date of approval of the annual report and financial statements. The Board receives and considers reports from management on these risk management and control arrangements throughout each year at its meetings.

The arrangements adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework include:

- **Identifying and evaluating key risks**

The Group's risk management strategy, sets out the Board's attitude to risk in the achievement of its objectives, it underpins the risk management, business planning and control arrangements. These arrangements clearly define management responsibility for the identification, evaluation and control of significant risks. The executive directors and managers produce quarterly update reports on risk, in addition to the twice-yearly review of risk at Board level. The Chief Executive is responsible for reporting to the Board any significant changes affecting key risks.

REPORT OF THE BOARD (cont.)

- **Control environment and internal controls**

The processes to identify and manage key risks to which the Group is exposed are an integral part of the internal control environment. Such processes, which are reviewed annually and revised where necessary, include strategic planning, the recruitment of executive directors and senior staff, regular performance monitoring, control over developments and the setting of standards and targets for health and safety, data protection, fraud prevention and detection, and environmental performance.

- **Information and reporting systems**

Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years. These are reviewed, approved and monitored throughout the year by the Board. The Board regularly receives information on key performance indicators to assess progress towards achievement of key business objectives, targets and outcomes. The outcomes of these reviews are reported to Board at meetings throughout the year.

- **Monitoring arrangements**

Regular management reporting on control procedures provide assurance to successive levels of management and to the Board. It is supplemented by regular reviews by internal audit that provide independent assurance to the Board, via its Audit and Risk Management Committee. The arrangements include the rigorous procedure, monitored by the Audit and Risk Management Committee, for ensuring that corrective action is taken in relation to any significant control issues on internal audit action plans. A Fraud Register is maintained and is reviewed by the Audit and Risk Management Committee.

The Audit and Risk Management Committee has received the Chief Executive's annual review of the effectiveness of the systems of internal controls for the Association and its subsidiaries and the Annual Report of the Internal Auditor and has reported its findings to the Board.

Going concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Operating and Financial Review. The Group has in place long-term debt facilities and sufficient liquid capital, which provides adequate resources to finance committed reinvestment and development programmes, along with the Group's day to day operations. The Group also has a long-term business plan, which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

In considering the Group's going concern position, the Board has considered future risks and uncertainties, which might affect its financial position and reviewed certain stress test scenarios to test the resilience of the business plan. The Board has also considered the impact of risks and uncertainties on its ability to comply with its loan covenants and is content that it will be able to comply with its loan agreement obligations for the foreseeable future.

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

Register of Assets and Liabilities

The Board can confirm that the Group is compliant with the standard requiring a Register of Assets and Liabilities to be held containing, but not exclusively, key information in relation to its housing properties and liabilities and other such information pertaining to the business.

Annual general meeting

The annual general meeting will be held on 25 September 2018

OPERATING AND FINANCIAL REVIEW

Activities

The Unity Group consists of Unity Housing Association a registered social landlord, Unity Property Services, a subsidiary trading as Unity Enterprise, which is a business delivering office and workshop space to business start-ups and social enterprise and Unity Housing Development Services, a development subsidiary. Unity Housing Association and Unity Property Services both have charitable status.

The Group's head office is based in Chapeltown, Leeds and it has properties in Leeds and Kirklees, with the majority of properties being located in Leeds.

The Group operates three key business streams:

- General needs housing for rent to persons who are unable to rent or buy at open market rates;
- Supported housing and Category 1 housing for people who need additional housing-related support; and
- Low-cost home ownership, primarily shared ownership whereby residents purchase a share in the equity of their homes with the potential to staircase to outright ownership.

As well as managing 1,280 properties, the Group is a developer of new affordable housing and is a partner in the Accent Consortium, selected by the Homes and Communities Agency as one of its development partners in the region.

In addition to the above, through its subsidiary Unity Property Services Limited, the Group rents a range of affordable low cost units to encourage local businesses to start up and grow and provides employment services to help create and maintain jobs in the local area.

Unity Housing Development Services Limited a wholly owned subsidiary was set up to manage development activities providing design and build services to Unity Housing Association Limited.

External influences

The operating environment remains challenging from both an economic and strategic context with the unknown impact of Brexit and high levels of political uncertainty. Austerity continues to impact on our tenants.

We have included sensible assumptions about the impact of these factors on our business and feel that with careful management and tight controls we will continue to have a very robust financial position.

The Government is continuing with its transformation of the welfare system and we will continue to support our tenants through this period of change as well as review and improve our processes and levels of support and closely monitor the impact on our financial plans and respond accordingly to these challenges.

Housing has become one of the Government's main areas of focus and takes the view that obstacles have been cleared for the delivery of new housing. Rent increases for the five years commencing 2020 have now been confirmed at CPI+1% after the previous four years of 1% rent cuts. As a result, there is an imperative on the sector to respond positively.

Objectives and strategy

The Group's objectives and priorities are set out in a business plan that is reviewed and approved by the Board each year. The six key objectives are summarised as follows:

Provide and continue to develop good quality mixed tenure housing which reflects needs and aspirations – we will ensure the highest standards of repair and maintenance of our existing stock. Our priority will be to develop new high quality stock in geographic areas of Leeds where members of the Black, Minority and Ethnic (BME) community would want to live. We will also consider opportunities to support BME communities across the wider Leeds City Region. Our new development programme will consist of the type and tenure of unit for which we know there is a current and emerging need.

OPERATING AND FINANCIAL REVIEW (cont.)

Provide and continue to develop good quality mixed tenure housing which reflects needs and aspirations – We will ensure the highest standards of repair and maintenance of our existing stock. Our priority will be to develop new high quality stock in geographic areas of Leeds where members of the BME community would want to live. We will also consider opportunities to support BME communities across the wider Leeds City Region. Our new development programme will consist of the type and tenure of unit for which we know there is a current and emerging need.

Provide high quality affordable housing services – We aim to achieve the highest level of tenant satisfaction through the delivery of a range of flexible high quality services which respond to the needs of our current tenants. We will take account of emerging needs of new tenants and redesign our services accordingly. We will be sensitive to the needs of existing and new tenants in regard to the current economic climate and the Government's legislative programme.

Involve and work with our tenants and the communities we serve to inform and improve services - We will engage with our tenants and BME communities to develop a good evidence base to help us design our services and influence the policy and delivery of services by others. On this basis, we will seek to represent BME communities, and others, in the multi-cultural neighbourhoods within which we work.

Work with partners to encourage the regeneration of our target neighbourhoods – We will work in partnership to deliver physical, social and economic regeneration programmes to help create and sustain neighbourhoods where BME communities want to live. We will focus our efforts in those neighbourhoods where our tenants live and where there are high percentages of BME communities. We will aim to deliver and facilitate the delivery of services based on our understanding of current and future needs. We will continue to ensure our tenants have the best advice and access to training and employment opportunities and we will aim to promote and sustain financial inclusion.

Provide and facilitate business support services and encourage local enterprise – through Unity Enterprise we will offer affordable managed workspace to support the needs of a wide range of small businesses and other organisations. We will provide and facilitate direct support to encourage local enterprise and we will offer and facilitate business advice to our existing business tenants. Through these services we will aim to support the economic regeneration of our target neighbourhoods.

Be a progressive and expanding business with a sound resource base – we will be a strong and forward looking organisation. We will have a robust financial plan to support the delivery of high quality services and new development. Our governance and performance management arrangements will be of the highest standard and we will be a place where people want to work.

Performance and development

The Board agrees targets each year that are designed to manage develop and deliver continuous service improvement. The key indictors used by senior management and the Board are monitored regularly to assess the achievement of the Groups' objectives.

Performance against some of the key objectives is set out below:

Provide and continue to develop good quality mixed tenure housing which reflects needs and aspirations

The planned maintenance programme over the five years (2013/14 to 2017/18) was developed with reference to the external stock condition survey, internal stock condition surveys, local knowledge and the views of tenants. The planned and cyclical programme for 2017/18 has been completed in total with an expenditure of £400k (after capitalisation of components £396k, a total spend of £796k).

OPERATING AND FINANCIAL REVIEW (cont.)

The works completed are as follows:

Type of work	Number of properties
Kitchens	64
Bathrooms (full and partial)	46
Windows	15
Boilers	70
External painting & communal areas	182

This year's gas servicing programme has been fully completed for all properties that require an inspection. We have continued to replace the poorest performing boilers in our properties as identified from stock condition information. We have co-ordinated this with other affordable warmth works to ensure our average RD 73 SAP rating is maintained. We continue to develop and work on opportunities for growth and regeneration both on our own and with the Local Authority housing partnerships in the areas in which we work. We have continued to progress our affordable housing programme to deliver on our approved housing programme.

During the year, we completed 30 new units and are part way through our 2015/18 Affordable Homes Programme to deliver a total 120 new homes with a grant allocation of £3.96m. We have also agreed a further grant allocation of £3.5m with the HCA for the 2018/21 Affordable Homes Programme to deliver a further 100 new homes under the Shared Ownership Affordable Homes Programme. For the overall programme we have now completed 58, with a further 106 where building has either started or is imminent.

Provide high quality affordable housing services

Key service performance is set out on page 14 as part of our Value for Money summary.

We have reviewed and confirmed our policy on social and affordable rents and our lettings policy. The demand for our stock is sustainable and turnover is managed, minimising void levels and rent losses. We have actively engaged with our tenants to address the effects of welfare reforms and continue to take action to minimise rent loss and void turnover. We have reviewed and introduced new procedures for income collection and arrears management.

We have continued to use the information provided by Energy Performance Certificates to identify energy efficiency measures that will assist with affordable warmth and have developed opportunities within the local community in respect of the delivery of energy advice to our tenants. We introduced a specialist advice service around energy supplier switching to both new and existing tenants.

Involve and work with our tenants and the communities we serve to inform and improve services

We continue to develop our range of tenant involvement panels and provide further support and encouragement to the Tenant Scrutiny Panel. The Scrutiny Panel is receiving on-going training and mentoring around understanding performance information and maintain and developing social housing. Our Tenants panel members continue to engage with the "Leeds Alliance" collaborative group, which has undertaken a number of reviews across the Alliance members.

The scrutiny activities undertaken by tenants include; Anti-social behaviour service, tendering of communal cleaning and grounds maintenance contracts, income collection and arrears and benchmarking Unity's performance on affordable warmth.

Work with partners to encourage the regeneration of our target neighbourhoods

As a result of the work Unity and the partners have undertaken to date Chapeltown, Beeston/Holbeck and Little London have been identified as emerging spatial priority areas in the Local Investment Plan for Leeds. This will mean some of the limited resources available for the coming years will be targeted at communities in these areas.

Unity continues to be represented at the Leeds Housing Partnership Forum, is a member of the Leeds Alliance Group and is active member of the BME National.

Unity is leading on identifying practical solutions through the work being developed on an area basis in Chapeltown, Harehills and Beeston.

We continue to support our tenants affected by the impact of welfare reform and wider cost of living issues through the delivery of an up to date Financial Inclusion programme.

OPERATING AND FINANCIAL REVIEW (cont.)

Provide and facilitate business support services and encourage local enterprise

Unity Enterprise took over the management of the Leeds Media Centre from July 2008 under a Service Level Agreement with Leeds City Council. We also manage our Unity Business Centre and the Chapeltown Enterprise Centre which together provide quality affordable business units to encourage small local businesses to grow, help create jobs and prosperity with the local area.

Unity Enterprise now provides around eighty small businesses and social enterprise with office or workspace.

As well as successfully running these facilities the focus of Unity Enterprise has been to tackling unemployment, improving training and creating opportunities for local people to establish new businesses and improve their life chances. The employment team continue to make good progress and are continually adding to the network of contacts to ensure an effective employment and training service to our tenants and the community. During the year, the team has helped 95 people into employment, 149 into accredited training and 26 into voluntary placements.

To be a progressive and expanding business with a sound resource base

We have made another healthy Group surplus of £1,945k (2017: £1,512k), exceeding budget, and we are meeting all lender covenants including interest cover and gearing. We meet the requirements set out in Governance and Financial Viability Standard of the Regulator of Social Housing regulatory framework with our ratings being G2 and V2.

These surpluses will be used to part fund our planned development programmes alongside additional debt financing and grant funding.

During the year, an In-Depth Assessment was carried out which resulted in a re-grading of our governance and viability to G2V2 (previously G1V1). Whilst compliant, it was recommended that an external review of governance be carried out. This has now been completed and we expect to have implemented all of the recommendations by Q3 2018/19.

We have updated the 30-year financial plan based on a revised and updated assumptions.

Risks and uncertainties

The main risks that may prevent the Group achieving its objectives are considered and continuously reviewed by the senior management team and Board as part of the corporate planning processes. The risks are recorded and assessed in terms of their impact and probability. Major risks, presenting the greatest threats to the Group, are reported to the Board together with action taken to manage the risks and the outcome of the action. These risk reports include assessments of key controls used to manage the risks. The Group has identified the major risks to successful achievement of its objectives as part of its business planning process and the areas of risk that carry a high risk score after risk controls are implemented are considered below: -

Key risk	Controls / action planned
Significant uncertainty in the macro economic and political environment may lead to a weakening of the economy and further austerity measures.	Stress testing of adverse scenarios. Close monitoring of sector developments and government.
A significant health and safety related breach/event which could be related to gas, electric or other factors.	Robust monitoring of safety standards, required inspections, independent audits and inspections and review of processes by the Board
Poor safeguarding practices could result in unidentified incidents	Staff training Up to date policies and procedures are kept and embedded.
Theft or loss of customer data and/or breach of GDPR regulations leading to large fines and/or reputational damage	Audits, GDPR implementation plan and resource, updated hardware and security software.

OPERATING AND FINANCIAL REVIEW (cont.)

VALUE FOR MONEY ("VfM")

A new Value for Money Standard and supporting Code of Practice came into effect on 1 April 2018, alongside new metrics, which we are expected to report against. As a result, our VfM reporting is changing over the next few years as the new metrics bed in across the sector and comparative data becomes available to benchmark our performance.

VfM Metrics

The table below set outs the metrics for the year ended 31 March 2018 with comparatives from the previous year.

No.	VfM metric	2018	2017
1	Reinvestment %	4.5%	7.2%
2	New supply delivered %	3.9%	2.0%
3	Gearing %	22.1%	21.6%
4	Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover %	525.6%	561.9%
5	Headline Social Housing cost per unit	£2,470	£2,780
6	Operating Margin %	29.5%	26.6%
7	Return on capital employed (ROCE)	3.7%	3.1%

Commentary on VfM metrics:

No.	Comment
1	There has been a fall in reinvestment to 4.5% (2017: 7.2%) reflecting a stage of the overall development programme where a number of sites are in the planning and design stage. We would expect this ratio to increase in the next 3 years as projects start on site.
2	Unity is part way through its biggest development programme, delivering 220 new homes by 2021.
3	Gearing remains well within our covenant levels (65%) although this will increase over the next five years as we draw down agreed loans to fund the remainder of our development programme.
4	Our interest cover is significantly above covenant levels (of 120%) and is forecast to remain at comfortable levels even as we draw down further loan over the next five years. We have conducted multiple combinations of stress tests to ensure our plans are robust enough to cope with financial shocks and adverse events.
5	Our social housing cost per unit remains low in comparison to the sector. The Homes England data published for 2017 showed that Unity's cost per unit was the 39th lowest out of 236 organisations. Our cost per unit has fallen in 2017/18 to £2,470 (2016/17: £2,780).
6	Operating margin has increased to 29.5%.
7	ROCE has increased to 3.7% (2017: 3.1%)

Other VfM Performance Measures

We have previously measured our VfM performance using a number of measures, which included the following:

- Financial performance
- KPIs
- Maintenance performance
- Return on assets
- Benchmarking
- Social return

In future, our reporting will include less detail around these measures and more focus on the metrics shown above. We have however included details from 2017/18 below.

OPERATING AND FINANCIAL REVIEW (cont.)

Finances

Unity has had a strong year financially. The surplus of £1.945m does include surpluses arising on Shared Ownership and Right to Acquire sales, which amounted to c.£400k. Operating cost savings of £167k were made (excluding bad debts) and the UHDS subsidiary saved £148k in costs on consulting fees.

KPIs

A summary of Unity's KPI performance is set out in the tables below.

	Actual 2015-16	Actual 2016-17	Actual 2017-18	Target 2017-18	Met target
RENTS					
Rent arrears £k	£310k	£285k	**£279k**	£246k	
Rent arrears %	5.56%	4.91%	**4.83%**	4.25%	
Rent collection %	102.12%	100.49%	**99.78%**	100.00%	
LETTINGS & VOIDS					
Stock turnover	4.25%	4.2%	**5.21%**	<10%	
Re-let times	20 days	14.1 days	**25 days**	20 days	
Rent loss from voids General Needs	1.02%	0.68%	**0.77%**	1.00%	
Lets to nominations %	85.7%	94%	**87.3%**	50%	
BME tenant lettings - General Needs	67.1%	78.1%	**65.8%**	No less than 50%	
Long term voids	0%	0%	**0.17%**	0%	

The reduction in voids levels did not meet target but has reduced again. Further reductions have been targeted for the next year as this remains a key area of focus. Over void levels have remained within target levels at 0.77%. Stock turnover remains very low at 5.21% and as a result the re-let times are based on a relatively small number of properties over the year. Targets have been tightened for 2018-19 as we continue to focus on performance improvement.

	Actual 2015-16	Actual 2016-17	Actual 2017-18	Target 2017-18	Met target
COMPLAINTS					
Number received	21	20	21	n/a	n/a
% response on time	100%	100%	100%	100%	
REPAIRS					
% Emergency repairs in target	99.2%	99.3%	93.9%	99.0%	
% Urgent repairs in target	99.1%	98.1%	92.1%	99.0%	
% Routine repairs in target	99.0%	99.1%	94.0%	99.0%	
% First time fixes	95.7%	94.6%	90.6%	95.0%	
% Appointments kept	99.4%	98.8%	93.8%	99.0%	
Gas service	100%	100%	100%	100%	
Average SAP rating	73.7	74.0	74.2	73.0	
Repairs satisfaction	99.5%	99%	97.2%	95%	

The repairs and maintenance KPIs have been impacted by the procurement exercise for the new maintenance contractor. Performance from the out-going contractor dipped towards the end of the contract and additional short-term resource was brought in to minimise any disruption. Overall satisfaction remained high throughout this process and tenants were communicated with and involved throughout. We expect our repairs performance to climb back to target as the new contractor beds in during the first half of 2018/19.

OPERATING AND FINANCIAL REVIEW (cont.)

Maintenance

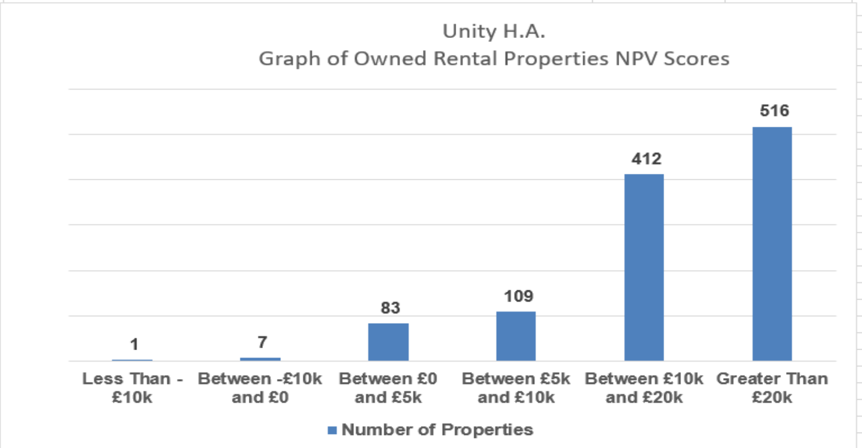
The table below sets out the number of jobs completed and the estimated financial benefit achieved by increased job numbers done within the original budget envelope.

Job Type	Budget 2017-18	Actual 2017-18	Additional works	Value of additional works
Kitchens	37	64	73%	£102.6k
Bathrooms	45	46	2%	£1.3k
Windows	7	15	115%	£22.0k
Doors	35	30	14%	£4.2k
Boilers	46	70	52%	£76.8k
External painting	169	169	0%	-
Communal painting	11	13	18%	£4.0k
Communal upgrades	8	13	62%	£7.0k
Gas servicing	1,115	1,115	0%	-
Electrical testing	364	364	0%	-
Total value of efficiency in the year				**£209.5k**

Return on Assets

This exercise has been refreshed in 2017 and shows that there are only eight properties with a negative NPV and one with a negative value of £10k or more. We are looking at these properties to understand why they are low. Over 82% of the stock has an NPV > £10k.

NPV at 5%	Number of Props	% of Stock
Less Than -£10k	1	0.1%
Between -£10k and £0	7	0.6%
Between £0 and £5k	83	7.4%
Between £5k and £10k	109	9.7%
Between £10k and £20k	412	36.5%
Greater Than £20k	516	45.7%
Total Rental Stock Owned	**1,128**	



OPERATING AND FINANCIAL REVIEW (cont.)

Benchmarking

Unity has joined HouseMark to benchmark it's financial and performance data. The table below sets out how some of our key performance data compares with our peer group.

The Homes England global data for 2017 shows, that overall, Associations have cut costs in response to the 1% rent cuts and Unity is not different. This is partly through procurement and efficiency and partly through increased stock numbers. Unity's headline cost per unit for 2016/17 has dropped from £2,920 to £2,777, a drop of 4.9% vs the sector average of 6.8%.

Unity's overall cost remains low against its peers (24.9% lower than the average) and is in the top 40 lowest costs per unit nationally. This is a similar outcome to last year.

2017	HCA Global 2017	Unity 2017	Variance %
Management costs	£943	£1,405	49%
Service charge costs	£551	£188	-66%
Maintenance costs	£991	£845	-15%
Major repairs costs	£747	£284	-62%
Other social housing costs	£467	£55	-88%
Headline social housing costs	**£3,699**	**£2,777**	-25%

The management costs appear high because they include central manages costs etc. for housing management and maintenance, which other organisations will be directly allocating to maintenance etc.

Social Return

Unity has begun tracking more information on the social impact delivered by its services including the following:

Some examples our social impact from 2017/18 are shown below.

- Unity Enterprise (UE) – provides rent subsidies to new start-up businesses and social enterprises.
- Business support sessions provided for UE tenants – breakfast briefings – marketing & other business focused consultants.
- Maintaining our employment support team - finding jobs and volunteering opportunities alongside upskilling and training. The team supported 115 people in to work in 2017/18 (up by 11% on last year), trained 177 (up from 146) and helped 30 people in to volunteering positions (as last year). The benefits of employment stretch far beyond the monetary aspect, often creating a sense of worth and well-being alongside increased confidence.
- Regeneration of communities – Unity not only builds homes, but also brings on board and works with partners to improve local community facilities leading to increased well-being.

OPERATING AND FINANCIAL REVIEW (cont.)

Performance against targets for 2017/18

Performance against the targets we set for 2017/18 are summarised below.

Target Area	Detail	Target VFM	Actual £k	Comment
Finances	• Target cost savings against budget	£100k	£167k	Excluding profits on disposal and release of bad debt provision, Unity spent £167k less than planned om Operating costs
Performance	• Reduce arrears to 4.25%	+£60k	+£7k	Missed target. Better target forecasting is now implemented and team process is constantly under review.
	• Maintain void level at <0.75%	0.75%	0.77%	Fractionally above VfM target but below the KPI target of sub 1.0%.
	• Maintain overall re-let times at 30 days	30 days	28 days	This target has been met but is based on a low number of re-lets given the low stock turnover.
	• Maintain bad debt levels at <1.0%	<1.0%	0.51%	Bad debts remain within target helped by reducing arrears over recent years.
Maintenance	• Achieve 5% more work than budgeted (1)	£65k	£210k	Value of additional works completed within the budget envelope.
Return on assets	• Conduct further review on all properties with a net present value of less than £2.5k (around 50 properties) • Determine actions to improve value where possible	£0k	£0	Only 1 property with a NPV of less than -£10k – this is being further investigated. All properties re reviewed in 2018. 7 properties with negative values All rents have now been reviewed and potential adjustments noted for future re-lets.
Social return	• Increase the number of people supported in to paid employment by 10%	+10%	+11%	Achieved
	• Increase the number of people entering voluntary roles by 15%	+15%	+15%	Achieved
	• Increase the number people trained by 7%	+7%	+7%	Achieved

Unity has been successful in achieving substantially all of its VfM targets for the year. There remains a strong focus on those areas, which have missed target – arrear & re-let times.

The outcome for maintenance was particularly pleasing given the complexity of re-procuring our main contractor during the year.

OPERATING AND FINANCIAL REVIEW (cont.)

VfM Targets for 2018/19

The targets for 2018-19 are as follows.

Targets	Comments
KPI targets	See 2018 Business Plan. Targeting improvements in arrears, re-let times and maintenance. Maintaining voids costs at current levels. They have been reviewed and approved by both the Board and Operations Committee.
Employment Team Targets	See 2018 Business Plan. Increased outcomes in the region of 10%. They have been reviewed and approved by both the Board and the UE Board.
Repairs Performance	Whilst there remains, a focus on cost efficiency there is an equal focus on repairs performance, which dipped in the second half of 2017/18 as we conducted a procurement process for our main contractor. We have targeted to achieve 99% performance ratings again across all aspects of maintenance bar overall satisfaction, which is set at 95%.
Budget saving of £100k	We are aiming to save £100k against our operating costs for year. This target is aimed to add an organisation wide focus on saving where possible.
UE rent subsidies	These are set on an ad hoc basis subject to the financial performance of UE and we are committed to maintaining them but have not set a specific target.
Know your assets	We will further review our stock and look to understand and address any low or negative value assets.

Financial position

The Association's Statement of Comprehensive Income and Statement of Financial Position are summarised in Table 1 on page 20 and the following paragraphs highlight key features of the Group's financial position at 31 March 2018.

The Group's financial result for the year ended 31 March 2018 is a surplus of £1,945k compared to £1,512k in 2016-17.

Planned maintenance and improvements

Expenditure on major repairs and improvements to properties was £400k in 2017-18 which compares to £459k in 2016-17. A stock condition survey was completed in 2007-08 and the result of this informed the last seven year Planned Maintenance Programme. The stock condition survey did not reveal anything which would suggest that there are any major Decent Homes Standard issues.

Housing properties and other fixed assets

The Group spent some £3,670k on the development and purchase of housing properties during the year. Total grants received in the year were £1,277k, the Group's housing asset base at net book value has increased from £59.3m to £60.9m.

OPERATING AND FINANCIAL REVIEW (cont.)

Cash flow and liquidity

The net cash outflow for the Group amounted to £1,075k. Capital investment on housing properties was higher. The impact of grants, sales and other asset purchases and interest received resulted in a net cash outflow of £1,819k. In addition, the Group has serviced interest costs of £475k, and incurred £1,010k of loan principal repayments. The net result is decrease in the Group's cash and liquid resources to £3,834k. Net current assets of the Group at 31 March 2018 were £0.5m compared to £1.7m in 2016-17.

Treasury management

Treasury management is actioned within a policy approved by the Board. The Group's existing loans, covenant compliance and future borrowing requirements are reviewed by the Board on a quarterly basis. Investments are made only with counterparties on an approved list.

The Group has funding in place at the year-end to cover cash flow requirements for the next financial year.

Statement of compliance

In preparing this Operating and Financial Review, the Board has followed the principles set out in the Housing SORP 2014, the provisions of FRS102 and the Accounting Direction 2015.

Shruti Bhargava
Chair
12 September 2018

OPERATING AND FINANCIAL REVIEW (cont.)

Table 1 – Association only highlights, five-year summary

For the year ended 31 March	2018	2017	2016	2015 Restated	2014
Statement of Comprehensive Income (£'000)					
Total turnover	6,926	6,841	7,576	5,945	5,078
Gross rents receivable	6,822	6,376	5,536	5,173	4,973
Operating surplus	2,379	1,827	2,137	1,937	1,485
Interest Payable	(475)	(462)	(554)	(627)	(454)
Surplus for the year	1,933	1,423	1,636	1,406	1,071
Statement of Financial Position (£'000)					
Tangible Fixed Assets	61,755	60,073	56,098	55,709	57,776
SHG and other capital grants	-	-	-	-	(38,281)
Tangible fixed assets net of capital grants	61,755	60,073	56,098	55,709	19,495
Net current assets	689	1,944	5,742	5,066	8,259
Loans (Total)	17,311	18,321	19,144	19,917	20,145
Reserves: Designated	-	-	-	-	259
Revenue	16,681	14,748	13,325	11,678	8,283
Total	16,681	14,748	13,325	11,678	8,542
Accommodation figures					
Total housing stock managed (No of units)	1,280	1,242	1,217	1,192	1,141
Statistics					
Surplus for the year as % of turnover	27.90%	20.80%	21.60%	23.70%	21.10%
Surplus for the year as % of gross rents receivable	28.30%	22.30%	29.60%	27.20%	21.50%
Voids as a % of gross rents receivable	0.81%	0.69%	1.02%	0.97%	0.86%
Bad debts as a % of gross rents receivable	0.51%	0.31%	0.41%	1.94%	1.12%
Operating surplus per unit managed	£1,836	£1,449	£1,661	£1,625	£1,301
Total Reserves per unit managed	£13,032	£11,874	£10,949	£9,797	£7,486
Interest Cover (surplus before interest payable divided by interest payable)	7.88	5.83	3.65	3.41	3.13
Liquidity (Current assets divided by current liabilities)	1.20	1.80	3.10	2.80	4.90
Gearing (total loans as a % of SHG plus reserves)	36.17%	39.82%	36.89%	38.82%	42.30%

* The 2015 figures were re-stated for change in accounting policy being the adoption of FRS 102.

* The 2014 figures were prepared under UK GAAP.

STATEMENT OF RESPONSIBILITIES OF THE BOARD

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

Co-operative and Community Benefit Society legislation requires the Board to prepare financial statements for each financial year. Under that law, the Board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. Under the Co-operative and Community Benefit Society legislation, the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the Association and Group for that period. In preparing these financial statements, the Board are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers 2014, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing (April 2015). It is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Disclosure of information to auditors

At the date of making this report each of the Group's Board members, as set out on page 1, confirm the following:

- so far as each Board member is aware, there is no relevant audit information which the Group's auditors are unaware, and
- each Board member has taken all the steps that he ought to have taken as a Board member in order to make themselves aware of any relevant information needed by the Group's auditors to establish that the Group's auditors are aware of that information.

External Auditors

A resolution to re-appoint Grant Thornton UK LLP will be proposed at the forthcoming annual general meeting.

The report of the Board and Operating and Financial Review was approved by the Board on 13 September 2018 and signed on its behalf by:

Shruti Bhargava
Chair

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNITY HOUSING ASSOCIATION

Opinion

We have audited the financial statements of Unity Housing Association Limited (the 'parent society') and its subsidiaries (the 'group') for the year ended 31 March 2018 which comprise the Consolidated and Association Statement of Comprehensive Income, the Consolidated and Association Statement of Changes in Reserves, the Consolidated and Association Statement of Financial Position, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent society's affairs as at 31 March 2018 and of the group's and parent society's income and expenditure for the year then ended;
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with regulations made under that Act. 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 society 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.

Who we are reporting to

This report is made solely to the society's members, as a body, in accordance with regulations made under Sections 87 and 98(7) of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the society'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 society and the society's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 parent society'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 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.

Matters on which we are required to report by exception

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

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

Responsibilities of the Board for the financial statements

As explained more fully in the Statement of Responsibilities of the Board set out on page 18, 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 parent society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Group or parent society 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.

Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Leeds

13 September 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Turnover			
Operating income	3	7,440	7,401
Operating costs	3	(5,033)	(5,467)
		2,407	1,934
Operating surplus			
Interest receivable	8	13	40
Interest and financing costs	9	(475)	(462)
Surplus on ordinary activities before taxation		1,945	1,512
Tax on surplus on ordinary activities	10	-	-
Surplus for the year		1,945	1,512
Total comprehensive income for the year		1,945	1,512

The accompanying notes of pages 27 to 50 form part of the financial statements.
There were no gains and losses of the Group other than those included in the Statement of Comprehensive Income.
The consolidated results relate wholly to continuing activities.

ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Turnover			
Operating income	3	6,926	6,841
Operating costs	3	(4,547)	(5,014)
		2,379	1,827
Operating surplus			
Interest receivable	8	29	58
Interest and financing costs	9	(475)	(462)
Surplus on ordinary activities before taxation		1,933	1,423
Tax on surplus on ordinary activities	10	-	-
Surplus for the year		1,933	1,423
Total comprehensive income for the year		1,933	1,423

The accompanying notes on pages 27 to 50 form part of the financial statements.
There were no gains and losses of the Association other than those included in the Statement of Comprehensive Income.
The Association's results relate wholly to continuing activities.

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

For the year ended 31 March 2018

	Income and expenditure reserve	Total
	£'000	£'000
Balance as at 1 April 2016	13,583	13,583
Total comprehensive income for the year	1,512	1,512
Balance at 31 March 2017	15,095	15,095
Total comprehensive income for the year	1,945	1,945
Balance at 31 March 2018	17,040	17,040

ASSOCIATION STATEMENT OF CHANGES IN RESERVES

For the year ended 31 March 2018

	Income and expenditure reserve	Total
	£'000	£'000
Balance as at 1 April 2016	13,325	13,325
Total comprehensive income for the year	1,423	1,423
Balance at 31 March 2017	14,748	14,748
Total comprehensive income for the year	1,933	1,933
Balance at 31 March 2018	16,681	16,681

The accompanying notes on pages 27 to 50 form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Housing properties	14	60,881	59,312
Non-housing freehold properties	15	2,778	2,844
Other tangible fixed assets	15	209	119
		63,868	62,275
Current assets			
Debtors due within one year	17	256	305
Cash at bank and in hand		3,834	4,909
		4,090	5,214
Creditors: Amounts falling due within one year	19	(3,636)	(3,539)
Net current assets		454	1,675
Total assets less current liabilities		64,322	63,950
Creditors: Amounts falling due after more than one year	20,21	(47,282)	(48,855)
Net assets		17,040	15,095
Reserves			
Non-equity share capital	23	-	-
Income and expenditure reserve		17,040	15,095
Total reserves		17,040	15,095

The accompanying notes on pages 27 to 50 form part of the financial statements.

The financial statements were approved by the Board on 12 September 2018 and signed on its behalf by;

Shruti Bhargava	**David Heels**	**Ali Akbor**
Chair	**Board Member**	**Secretary**

ASSOCIATION STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Housing properties	14	60,934	59,333
Non-housing freehold properties	15	676	697
Other tangible fixed assets	15	145	43
Investment in subsidiaries	16	-	-
Long term debtors	18	315	347
		62,070	60,420
Current assets			
Debtors due within one year	17	388	431
Cash at bank and in hand		3,763	4,846
		4,151	5,277
Creditors: Amounts falling due within one year	19	(3,462)	(3,333)
Net current assets		689	1,944
Total assets less current liabilities		62,759	62,364
Creditors: Amounts falling due after more than one year	20,21	(46,078)	(47,616)
Net assets		16,681	14,748
Reserves			
Non-equity share capital	23	-	-
Income and expenditure reserve		16,681	14,748
Total reserves		16,681	14,748

The accompanying notes on pages 27 to 50 form part of these financial statements.

The financial statements were approved by the Board on 12 September 2018 and signed on its behalf by:

Shruti Bhargava	**David Heels**	**Ali Akbor**
Chair	**Board Member**	**Secretary**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Net cash generated from operating activities	26	2,403	3,819
Cash flow from investing activities			
Purchase, construction and improvement of housing properties		(3,670)	(5,747)
Social housing grant – received		1,277	525
Proceeds from disposal of shared ownership properties		730	58
Purchase of other fixed assets		(169)	(65)
Interest received		13	40
Net cash outflow from investing activities		(1,819)	(5,189)
Cash flow from financing activities			
Interest paid		(475)	(462)
Housing loans repaid		(1,010)	(823)
Disposal Proceeds Fund		(105)	(143)
Loan Issue Costs Incurred		(69)	(101)
Net cash outflow from financing activities		(1,659)	(1,529)
Net change in cash and cash equivalents		(1,075)	(2,899)
Cash and cash equivalents at the beginning of the year		4,909	7,808
Cash and cash equivalents at the end of the year		3,834	4,909

The accompanying notes on pages 27 to 50 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

1. Legal status

The Association and its subsidiary, Unity Property Services Limited, are registered under the Co-operative and Community Benefit Societies Act 2014. Only the Association is registered with Homes England as a social landlord. The subsidiary, Unity Housing Development Services Limited is registered under the Companies Act 2006.

The principal activities are the development and management of social housing. Unity Housing Association Limited is a public benefit entity as defined by FRS 102.

2. Accounting policies

Basis of accounting

The financial statements of the group and association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

The financial statements are presented in Sterling (£'000).

Disclosure exemptions

FRS 102 allows a qualifying entity certain disclosures exemptions, subject to certain conditions, which have been complied with, including notification of and no objection to, the use of exemptions by the society's shareholders.

The Parent Entity has adopted the following disclosure exemptions:

- the requirement to present a statement of cash flow and related notes
- from the financial instrument disclosures required under FRS 102 paragraphs 11.30 and 11.48A including; categories of financial instruments, items of income, expenses, gains or losses relating to financial instruments, and exposure to and management of financial risks.

Going concern

The group's business activities, its current financial position and factors likely to affect its future development are set out within the Operating and Financial Review. The group has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes along with the group's day to day operations. The group also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lender's covenants.

On this basis, the Board has a reasonable expectation that the group 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 the going concern basis in the financial statements.

Significant judgements and estimates

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

Impairment

Rents are reducing by 1% per annum for the four years to 2019/20 in accordance with the Housing and Planning Act 2016. In addition, the association has reduced some rents further in order to converge fully with target rents. Despite cost efficiency savings and other changes to the business, compliance with the new rent regime has resulted in a loss of net income for certain social housing property. This is a potential trigger for impairment.

As a result and as part of our annual process, we calculated the net present value (NPV) for each of our properties to identify those assets which may require further investigation and potential impairment. We also reviewed our list of properties with long term voids.

The results of the review are included within the Value for Money section in the Operating and Financial review.

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

2. Accounting policies (continued)

Capitalisation of property development costs
Distinguishing the point at which a project is more likely than not to continue, allowing capitalisation of associated development costs, which are a percentage of salaries directly attributable to these developments, requires judgement. After capitalisation, management monitors the asset and considers whether changes indicate that impairment is required. The total amount capitalised in the year was £88k relating to the Affordable Housing 2015-18 scheme and £20k relating to the Affordable Housing Scheme 2018-21.

Loans
The association has examined all its lender loans, reviewed any two-way break clauses and considers them all to be basic. A basic loan is one that has some combination of a fixed or variable rate of interest over its whole life, there are no contractual provisions that result in the holder losing the principal amount and attributable interest, nor are there any swaps, collars or caps in relation to the interest rate.

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

Useful lives of depreciable assets
Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected 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 to decent homes standards which may require frequent replacement of key components.

Basis of consolidation
The group accounts consolidate the accounts of the association and its subsidiaries at 31 March using the purchase method.

Investment in subsidiaries
The consolidated financial statements incorporate the financial statements of the association and its wholly owned subsidiaries.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Turnover and income recognition
Turnover comprises rental income receivable in the year, income from shared ownership first tranche sales, sales of properties built for sale and other services included at the invoiced value (excluding VAT where recoverable) of goods and services supplied in the year and grants receivable or amortised in the year.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

Taxation
As charitable entities, neither Unity Housing Association Limited nor Unity Property Services Limited, are liable to tax. The subsidiary Unity Housing Development Services Limited is liable to taxation, however due to a deed of covenant in place gift aid relief is available against this charge and therefore the charge processed in these financial statements is nil.

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

2. Accounting policies (continued)

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

Interest payable
Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development if it represents either:

a) interest on borrowings specifically financing the development programme after deduction of interest on social housing grant (SHG) in advance; or

b) interest on borrowings of the Group as a whole after deduction of interest on SHG in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to the income and expenditure account in the year.

Pensions
The Group participates in the Social Housing Pension Scheme (SHPS).

For the SHPS, it has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The income and expenditure charge represents the employer contribution payable to the scheme for the accounting period.

Contributions payable from the association to the SHPS under the terms of its funding agreement for past deficits are recognised as a liability within the Association's financial statements.

Housing properties
Housing properties for rent are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

Works to existing properties which replace a component are treated separately for depreciation purposes along with those works which result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business. Only directly attributable development administration costs associated with new developments or improvements are capitalised.

Shared ownership properties are split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover and the remaining element is classed as a fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

Government grants
Government grants include grants receivable from Homes England (HE), local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accruals model.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received.

Government grants due or received in advance are included as current assets or liabilities. Those received for housing properties are subordinated to the repayment of loans by agreement with HE. Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the Statement of Financial Position in creditors.

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

2. Accounting policies (continued)

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in income and expenditure.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which is allocated to the component is released to income and expenditure. Upon disposal of the associated property, the group is required to recycle these proceeds and recognise them as a liability.

Other grants
Grants received from non-government sources are recognised using the performance model. A grant that does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the association is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

Depreciation of housing properties
Freehold land is not depreciated. The Group separately identifies the major components which comprise its housing properties for rent and charges depreciation so as to write-down the cost of each component on a straight-line basis, over its estimated useful economic life.

The Group depreciates the major components of its housing properties over their estimated useful lives as follows:

Structure	Up to 50 years
Roofs	50 years
Boiler, Electric & Gas Fires	15 years
Doors	20 years
Kitchens	25 years
Solar Panels	25 years
Bathrooms, Central Heating & Electrical Systems	30 years
Windows	40 years

Impairment
Annually housing properties are assessed for impairment indicators. Where indicators are identified, an assessment for impairment is undertaken comparing the scheme's carrying amount to its recoverable amount. Where the carrying amount of a scheme is deemed to exceed its recoverable amount, the scheme is written down to its recoverable amount. The resulting impairment loss is recognised as operating expenditure. Where a scheme is currently deemed not to be providing service potential to the association, its recoverable amount is its fair value less costs to sell.

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

Other tangible fixed assets
Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Freehold buildings	2%
Furniture, equipment, plant & machinery	20%
Office equipment	20%
Computers	35%

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

2 Accounting policies (continued)

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

Investments
Investments are valued at the lower of cost and net realisable value.

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

3 Turnover, cost of sales, operating costs and operating surplus

GROUP – continuing activities

		2018		
	Turnover	**Cost of sales**	**Operating costs**	**Operating surplus**
Social housing activities	**£'000**	**£'000**	**£'000**	**£'000**
Income & expenditure from lettings	6,822	-	(4,584)	2,238
Community Regeneration	-	-	(209)	(209)
	6,822	-	(4,793)	2,029
Other social housing activities				
Management services	75	-	-	75
Letting of workspace units	541	-	(450)	91
Shared ownership first tranche sales	-	-	-	-
Gain on disposal of housing properties	-	-	215	215
Administrative expenses	2	-	(5)	(3)
	7,440	-	(5,033)	2,407

		2017		
	Turnover	**Cost of sales**	**Operating costs**	**Operating surplus**
Social housing activities	**£'000**	**£'000**	**£'000**	**£'000**
Income & expenditure from lettings	6,376	-	(4,482)	1,894
Community Regeneration	-	-	(200)	(200)
	6,376	-	(4,682)	1,694
Other social housing activities				
Management services	21	-	-	21
Letting of workspace units	560	-	(438)	122
Shared ownership first tranche sales	444	(359)	-	85
Gain on disposal of housing properties	-	-	27	27
Administrative expenses	-	-	(15)	(15)
	7,401	(359)	(5,108)	1,934

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

3 Turnover, cost of sales, operating costs and operating surplus (continued)

ASSOCIATION – continuing activities

	2018			
Social housing activities	**Turnover £'000**	**Cost of sales £'000**	**Operating costs £'000**	**Operating surplus £'000**
Income & expenditure from lettings	6,822	-	(4,553)	2,269
Community Regeneration	-	-	(209)	(209)
	6,822	-	(4,762)	2,060
Other social housing activities				
Management services	75	-	-	75
Shared ownership first tranche sales	-	-	-	-
Gain on disposal of housing properties	-	-	215	215
Activities other than social housing	6,897	-	(4,547)	2,350
Gift aid	29	-	-	29
	6,926	-	(4,547)	2,379

	2017			
Social housing activities	**Turnover £'000**	**Cost of sales £'000**	**Operating costs £'000**	**Operating surplus £'000**
Income & expenditure from lettings	6,376	-	(4,482)	1,894
Community Regeneration	-	-	(200)	(200)
	6,376	-	(4,682)	1,694
Other social housing activities				
Management services	21	-	-	21
Shared ownership first tranche sales	444	(359)	-	85
Gain on disposal of housing properties	-	-	27	27
	6,841	(359)	(4,655)	1,827

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

3 Turnover, cost of sales, operating costs and operating surplus (continued)
Particulars of income and expenditure from social housing lettings.

GROUP

	2018			2017
	General needs housing	Low cost home ownership	Total	Total
Income from social housing	£'000	£'000	£'000	£'000
Rent receivable, net of identifiable service charges & voids	5,476	65	5,541	5,371
Service charges receivable net of voids	220	29	249	252
Amortisation of grant	1,032	-	1,032	753
Total income from social housing	6,728	94	6,822	6,376
Expenditure on social housing				
Services	(240)	(13)	(253)	(234)
Management	(1,978)	-	(1,978)	(1,745)
Routine maintenance	(587)	-	(587)	(590)
Planned maintenance & Property Improvements	(289)	-	(289)	(459)
Rent losses from bad debts	(30)	-	(30)	(18)
Depreciation of housing properties	(1,587)	-	(1,587)	(1,583)
Depreciation of other fixed assets	(69)	-	(69)	(53)
Operating costs on social housing lettings	(4,780)	(13)	(4,793)	(4,682)
Operating surplus on social housing lettings	1,948	81	2,029	1,694
Void losses	47	-	47	39

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

3 Turnover, cost of sales, operating costs and operating surplus (continued)
Particulars of income and expenditure from social housing lettings.

ASSOCIATION

	2018			2017
	General needs housing	**Low cost home ownership**	**Total**	**Total**
Income from social housing	**£'000**	**£'000**	**£'000**	**£'000**
Rent receivable, net of identifiable service charges & voids	5,476	65	5,541	5,371
Service charges receivable net of voids	220	29	249	252
Amortisation of grant	1,032	-	1,032	753
Total income from social housing	6,728	94	6,822	6,376
Expenditure on social housing				
Services	(209)	(13)	(222)	(234)
Management	(1,978)	-	(1,978)	(1,745)
Routine maintenance	(587)	-	(587)	(590)
Planned maintenance & Property Improvements	(289)	-	(289)	(459)
Rent losses from bad debts	(30)	-	(30)	(18)
Depreciation of housing properties	(1,587)	-	(1,587)	(1,583)
Depreciation of other fixed assets	(69)	-	(69)	(53)
Operating costs on social housing lettings	(4,749)	(13)	(4,762)	(4,682)
Operating surplus on social housing lettings	1,979	81	2,060	1,694
Void losses	47	-	47	39

4 Average weekly rent – Group and Association

	2018	2017
	£	**£**
Average weekly gross rent per unit	88	88

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

5 Accommodation in management and development – Group and Association

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

	2018 No.	2017 No.
Social housing		
General needs housing	1,203	1,158
Low cost home ownership	77	84
Total managed	1,280	1,242

6 Operating surplus

This is arrived at after charging:	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Depreciation of housing properties	1,587	1,582	1,587	1,582
Depreciation of other tangible fixed assets	144	125	69	53
Surplus on disposal of other tangible fixed assets	215	27	215	27
Auditors' remuneration (excluding VAT)	23	21	17	15
Auditors' remuneration – non-audit fees	12	12	9	12
Operating Lease Costs	20	18	20	18

7 Surplus on sale of fixed assets – housing properties

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Disposal proceeds	723	58	723	58
Carrying value of fixed assets	(508)	(31)	(508)	(31)
	215	27	215	27

8. Interest receivable and other income

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Interest receivable and similar income	13	40	29	58

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

9 Interest payable and similar charges

	Group & Association	
	2018	**2017**
	£'000	**£'000**
Loans and bank overdrafts	(475)	(462)
	(475)	(462)

10 Tax

	Group	
	2018	**2017**
	£'000	**£'000**
Current tax on profits for the year	**6**	-
Tax relief in respect of gift aid	**(6)**	-
	-	-
Taxation on profit on ordinary activities	**-**	-

Factors affecting tax charge for the year

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 19%. The differences are explained below:

	2018	**2017**
	£'000	**£'000**
Profit on ordinary activities before tax	**29**	**-**
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19%	**6**	**-**
Gift aid relief on tax	**(6)**	**-**
Total tax charge for the period	**-**	**-**

Tax is on profit made by the trading non-charitable subsidiary Unity Housing Development Services Limited. Due to a deed of covenant in place, gift aid relief is available against this charge.

11 Employees

	Group		Association	
	2018	**2017**	**2018**	**2017**
	No.	**No.**	**No.**	**No.**
Average monthly number of employees				
Administration	12	12	9	9
Development	5	5	5	5
Housing management	18	18	18	18
Community Project	2	1	1	1
	36	36	33	33

	Group		Association	
	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
Staff costs				
Wages and salaries	1,125	1,099	1,048	1,021
Social security costs	111	103	104	96
Other pension costs	102	102	96	97
	1,338	1,304	1,248	1,214

The average number of employees is calculated based on a working week of 35 hours. Any employee working less than 35 hours is included on a pro-rate basis.

Social Housing Pension Scheme

The company participates in the Social Housing Pension Scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore, it accounts for the scheme as a defined contribution scheme.

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

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Deficit contributions

Tier 1	£40.6m per annum
From 1 April 2016 to 30 September 2020:	(payable monthly and increasing by 4.7% each year on 1st April)
Tier 2	£28.6m per annum
From 1 April 2016 to 30 September 2023:	(payable monthly and increasing by 4.7% each year on 1st April)
Tier 3	£32.7m per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1st April)
Tier 4	£31.7m per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1st April)

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement, the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

11 Employees (Cont.)

Reconciliation of opening and closing provisions

	Group and Association	
	2018	**2017**
	£'000	**£'000**
At 1 April	872	935
Paid in the year	(111)	(107)
Re-measurement- impact of any change in assumption	(11)	26
Unwinding of the discount factor (interest expense)	12	18
At 31 March	762	872

Statement of Comprehensive Income impact:

	Group and Association	
	2018	**2017**
	£'000	**£'000**
Interest expense	12	18
Re-measurement- impact of any change in assumption	(11)	26

Assumptions

	31 March 2018	**31 March 2017**	**31 March 2016**
Rate of discount	1.72%	1.33%	2.06%

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

The company must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as a finance cost in the period in which it arises.

It is these contributions that have been used to derive the company's liability.

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

12 Board members and executive directors

Board members received the following emoluments and expenses in the year:

	2018 £'000	2017 £'000
Board member payments	18	20
Expenses Paid	6	4
	24	25

The aggregate emoluments of the Executive Officers amounted to:

	Basic salary £'000	Benefits in kind £'000	Pension contributions £'000	2018 Total £'000	2017 £'000
Chief Executive- A Akbor	80	8	10	98	97
Operations Director & Deputy CEO - P Sidhu	72	7	9	88	87
Regeneration & Development Director - W Noteman	61	6	5	72	71
				258	255

The emoluments of the highest paid executive officer, the Chief Executive, excluding pension contributions were; £88,000 (2017: £87,000).

Staff who fell in the following bands are all executive officers of the Association:

	2018 No	2017 No
£60,001 to £70,000	1	1
£70,001 to £80,000	1	1
£80,001 to £90,000	1	1

Emoluments paid to Unity Housing Association Board members, including Chair were:

	2018 £'000	2017 £'000
S Bhargava	4.0	4.0
S Khan	1.6	1.4
T Yeardley	1.6	1.6
R Walker	2.0	2.0
W Butt	1.6	1.6
D Heels	2.0	2.0
E Green	2.0	2.0
J Jefferies	1.6	1.6
N Ahmed	1.6	1.6
T English	-	0.8
A Tara-Chand	-	1.6
	18.0	**20.2**

Payments totalling £3.2k (2017: £3.2k) were also made to directors of Unity Property Services Ltd.

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

13 Key management personnel

The aggregate remuneration for key management personnel, which includes the executive officers and board members, charged in the year is:

	2018 £'000	2017 £'000
Basic Salary	231	230
Benefits in kind	21	21
Employers NIC	28	27
Pension contributions	24	24
	304	302

The Chief Executive is a member of the Social Housing Pension Scheme. He is an ordinary member of the pension scheme and no enhanced or special terms apply. The Association does not make any further contribution to an individual pension arrangement for the Chief Executive.

During the year, the aggregate compensation for loss of office of key management personnel was £nil (2017: £nil).

14 Tangible fixed assets – properties

GROUP	Social housing properties held for letting £'000	Completed shared ownership housing properties £'000	Social housing properties under construction £'000	Total £'000
Cost				
At 1 April 2017	72,946	3,133	3,478	79,557
Additions	77	33	3,164	3,274
Replacement of Components	396	-	-	396
Disposals	(464)	(431)	-	(895)
Transfers	4,170	(15)	(4,155)	-
At 31 March 2018	77,125	2,720	2,478	82,332
Depreciation				
At 1 April 2017	19,944	301	-	20,245
Charged in Year	1,538	49	-	1,587
Disposals	(357)	(24)	-	(381)
At 31 March 2018	21,125	326	-	21,451
Net book value				
At 31 March 2018	56,000	2,394	2,487	60,881
At 31 March 2017	53,002	2,832	3,478	59,312

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

14 Tangible fixed assets – properties (continued)

ASSOCIATION	**Social housing properties held for letting**	**Completed shared ownership housing properties**	**Social housing properties under construction**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Cost				
At 1 April 2017	72,967	3,133	3,478	79,578
Additions	109	33	3,164	3,306
Replacement of Components	396	-	-	396
Disposals	(464)	(431)	-	(895)
Transfers	4,170	(15)	(4,155)	-
At 31 March 2018	77,178	2,720	2,478	82,385
Depreciation				
At 1 April 2017	19,944	301	-	20,245
Charged in Year	1,538	49	-	1,587
Disposals	(357)	(24)	-	(381)
At 31 March 2018	21,125	326	-	21,451
Net book value				
At 31 March 2018	56,053	2,394	2,487	60,934
At 31 March 2017	53,023	2,832	3,478	59,333

Social Housing Grants	**Group**		**Association**	
	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
Opening balance 1 April 2017	31,501	31,842	30,227	30,533
Additions	1,277	525	1,277	525
Released to income in the year	(860)	(788)	(825)	(753)
Disposals	(207)	(78)	(207)	(78)
Closing balance 31 March 2018	**31,711**	**31,501**	**30,472**	**30,227**

Expenditure on works to existing properties	**Group and Association**	
	2018	**2017**
	£'000	**£'000**
Amounts capitalised	396	353
Amounts charged to income and expenditure account	400	459
Total	796	812

There are no finance costs included in the cost of housing properties.

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

15 Tangible fixed assets – other

GROUP AND ASSOCIATION

	Group Non-housing properties for letting	Group Freehold offices	Group Total	Association Freehold offices
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2017	2,414	956	3,370	956
Additions	6		6	-
Disposals	-	-	-	-
At 31 March 2018	2,420	956	3,376	956
Depreciation				
At 1 April 2017	267	259	526	259
Charged in year	51	21	72	21
Disposals	-	-	-	-
At 31 March 2018	318	280	598	280
Net book value				
At 31 March 2018	2,102	676	2,778	676
At 31 March 2017	2,147	697	2,844	697

Other Tangible Fixed Assets - Group	Furniture & Equipment	Computer Equipment	Total
	£'000	£'000	£'000
Cost			
At 1 April 2017	286	636	922
Additions	17	146	163
Disposals	(4)	(71)	(75)
At 31 March 2018	299	711	1,010
Depreciation			
At 1 April 2017	236	567	803
Charged in year	15	57	72
Disposals	(3)	(71)	(74)
At 31 March 2018	248	553	801
Net book value			
At 31 March 2018	51	158	209
At 31 March 2017	50	69	119

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2018

15 Tangible fixed assets – other (cont.)

Other Tangible Fixed Assets - Association	**Furniture & Equipment £'000**	**Computer Equipment £'000**	**Total £'000**
Cost			
At 1 April 2017	170	560	730
Additions	5	146	151
Disposals	(4)	(70)	(74)
At 31 March 2018	171	636	807
Depreciation			
At 1 April 2017	166	521	687
Charged in year	3	45	48
Disposals	(3)	(70)	(73)
At 31 March 2018	166	496	662
Net book value			
At 31 March 2018	5	140	145
At 31 March 2017	4	39	43

16 Investment in subsidiaries

The financial statements consolidate the results of Unity Property Services Limited and Unity Housing Development Services Limited, which are wholly owned subsidiaries of the Association at the end of the year. The Association has the right to appoint members to the Board of the subsidiaries and thereby exercise control over them. Unity Housing Association Limited is the ultimate parent undertaking.

Fixed Asset Investments - Association

	2018 £	**2017 £**
Shares in subsidiary and undertakings	104	104

Subsidiary Undertaking	**Country of Incorporation**	**Class of Share Capital Held**	**Proportion Held by Association**	**Nature of the Business**
Unity Property Services Limited	England and Wales	Ordinary Shares £4	100%	Low cost commercial office and workshop lettings
Unity Housing Development Services Limited	England and Wales	Ordinary Shares £100	100%	Development Company

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

17 Debtors

	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2017 £'000
Due within one year				
Arrears of rent and service charges	537	578	528	568
Less: Provision for bad debts	(408)	(458)	(408)	(456)
	129	120	120	112
Prepayments & accrued income	87	71	78	64
Other debtors	31	51	31	42
Other taxation & social security	9	63	-	-
Amounts due from subsidiaries	-	-	159	213
	256	305	388	431

Other debtors include loans to two executive officers as follows:

	£'000
Amount outstanding as at 1st April 2017	3
Amount outstanding as at 31st March 2018	16
Maximum outstanding in the year	16

The loans carries interest rates of 1.26% and 2.29% and are both due for repayment within 4 years.

Of the amounts due from subsidiaries £127k (2017: £170k) is interest free and repayable on demand, the remaining portion is the balance of the loan to Unity Property Services Limited included in long term debtors.

18 Long term debtors

	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2017 £'000
Amounts due from subsidiary	-	-	315	347
	-	-	315	347

The amount due from Unity Property Services Limited is a loan which carries interest at 4 per cent above base rate and is repaid monthly.

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

19 Creditors: amounts falling due within one year

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Debt (note 21)	1,461	947	1,461	947
Grant due in one year (note 20)	860	850	825	815
Pension payments due in one year	115	111	115	111
Trade creditors	344	234	331	185
Rent & service charges received in advance	92	80	92	80
Interest accrued on loans	33	15	33	15
Other taxation and social security	45	84	31	74
Accruals and deferred income	586	1,113	555	1,078
Other creditors	100	105	19	28
	3,636	3,539	3,462	3,333

20 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group and Association	
	2018	2017
	£'000	£'000
Debt (note 21)	15,850	17,374
Loan issue costs:		
At 1 April	(225)	(154)
Additions	(69)	(101)
Amortised during the year	39	30
	15,595	17,149
Disposal proceeds fund (note 24)	189	294
Pension payments due after one year	647	761
	16,431	18,204

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

21 Deferred grant income

	Group	
	2018	**2017**
	£'000	**£'000**
At 1 April	31,501	31,842
Grant received in the year	1,277	525
Released to income in the year	(860)	(788)
Disposals	(207)	(78)
As at 31 March	31,711	31,501

	2018	**2017**
	£'000	**£'000**
Amounts to be released within one year	860	850
Amounts to be released in more than one year	30,851	30,651
	31,711	31,501

22 Debt analysis

	Group and Association	
	2018	**2017**
	£'000	**£'000**
Due within one year		
Bank and Building Society loans	1,461	947

	Group and Association	
	2018	**2017**
	£'000	**£'000**
Due after more than one year		
Bank and Building Society loans	15,850	17,374

	Group and Association	
	2018	**2017**
	£'000	**£'000**
Debt is repayable		
Within one year	1,461	947
Between one and two years	1,479	1,221
Between two and five years	3,875	3,704
After five years	10,496	12,449
	17,311	18,321

The bank and building society loans are secured by fixed charges on individual properties.

The bank and building society loans are repayable by instalments in the period 2008 to 2043. The interest rates on the loans are fixed for terms ranging from one month to 9 years at rates ranging from 2.28% to 5.85%. At the end of the fixed terms, the interest rates on these loans may be fixed for further terms up to the maturity of the loans, as judged appropriate. In the opinion of the Association all its loans are classed as basic.

At 31st March 2018, the Group had undrawn loan facilities of £18,250k (2017: £Nil)

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

23 Non-equity share capital

	Group and Association 2018 £	2017 £
Shares of £1 each issued and fully paid		
At 1 April and 31 March	70	70

24 Financial commitments

	Group and Association 2018 £'000	2017 £'000
Capital Expenditure contracted for but not provided in accounts	18,435	4,604
Capital Expenditure authorised but not contracted for	7,200	13,776
	23,634	18,380

Capital expenditure will be financed out of existing cash balances, grants to be received and new funding currently subject to negotiation.

25 Disposals Proceeds Fund

	Group and Association 2018 £'000	2017 £'000
At 1 April	294	151
Net sales proceeds recycled	-	143
Withdrawals	(105)	-
	189	294

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

26 Reconciliation of operating surplus to net cash inflow from operating activities

	2018 £'000	2017 £'000
Surplus for the year	1,945	1,512
Depreciation of housing properties	1,587	1,582
Depreciation of other fixed assets	144	125
Grant Amortisation	(1,067)	-
Loan issue costs amortised	39	30
Interest receivable	(13)	(40)
Interest payable	475	462
Decrease/(Increase) in debtors	49	(22)
Increase in creditors	(541)	197
Surplus on sale of tangible assets	(215)	(27)
Net cash inflow from operating activities	2,403	3,819

27 Contingent Liability

There are no contingent liabilities at the year-end (2017: £nil).

28 Operating Leases

Rentals under operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term.

Leasing commitments

The total future minimum payments on the leases are set out below. These relate to payments for office equipment, computers and a contract hire vehicle

The leases, including Contract Hire, to which these amounts relate expire as follows:-

	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2017 £'000
In one year	36	26	32	26
Between one and five years	30	21	19	21
Over five years	-	-	-	-
	66	47	49	47

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

29 Categories of financial assets and financial liabilities

	2018 £'000	2017 £'000
Financial assets that are debit instruments measured at amortised cost	4,160	5,350
Financial liabilities measured at fair value through surplus or deficit	-	-
Financial liabilities measured at amortised cost	19,404	20,259
Total	23,564	25,609

Financial liabilities excluding trade creditors - interest rate risk profile

The group's financial liabilities are sterling denominated. The interest rate profit of the group's financial liabilities at 31 March was:

	2018 £'000	2017 £'000
Fixed rate	8,920	5,981
Floating rate	8,391	12,340
Total borrowings	17,311	18,321

Borrowing facilities

As at 31 March 2018 the group had undrawn loan facilities of £18.25m

30 Related parties

During the year, the Association charged Unity Property Services £25k (2017: £26.2k) and Unity Housing Development Services Limited £5k.

The charge for Unity Property Services Limited is 5% of budgeted turnover, excluding grants and is to allow for management time, financial services given and the lease costs of properties owned by the Association but managed by Unity Property Services Limited for which they also receive the income. Unity Housing Development Services Limited is charged £500 per month to cover management time.

At 31 March 2018, there was a loan of £347k due from Unity Property Services Limited (2017: £379k). The total amount of the loan is to be repaid by 31 March 2029. The loan carries interest at 4 per cent above base rate which is to be repaid monthly. The loan is secured on the freehold property of the Society.

The year-end parent entity debtor receivable is £130k (2017: £213k) - Note 16.

During the year Unity Housing Association paid £1,743k to Unity Housing Development Services for design and build services. As at 31 March 2018 there was £176k outstanding.

The amount due from Unity Housing Development Services Limited as at 31 March 2018 in respect of gift aid was £29k.

There were no related party transactions identified during the year. Loans to directors have been disclosed in note 16.