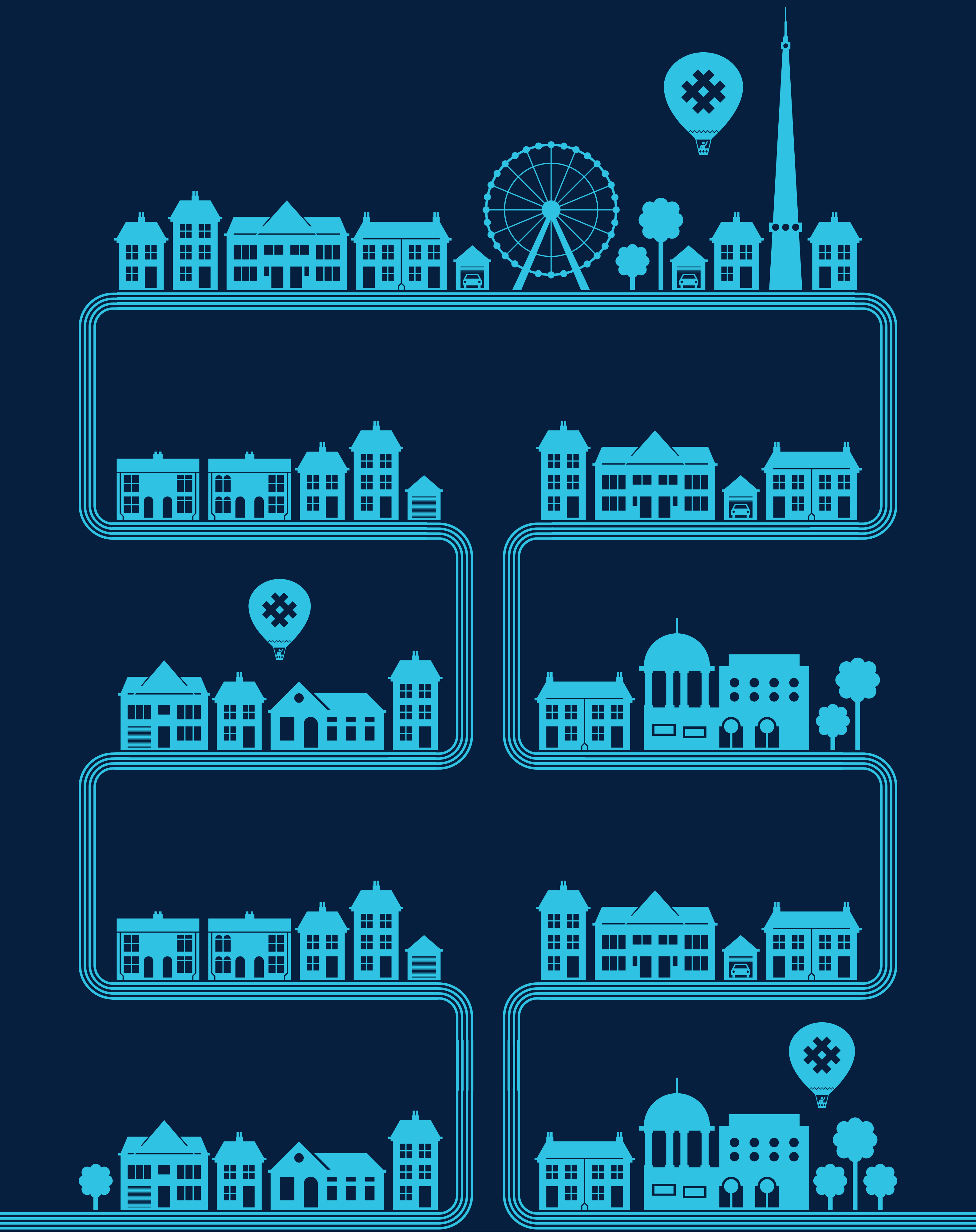
YORKSHIRE HOUSING

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2019

CO-OPERATIVE AND COMMUNITY BENEFIT SOCIETIES ACT 2014 (REGISTERED NUMBER 30443R)



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CHAIR'S REPORT: WELCOME TO OUR 2018/19 ANNUAL REPORT

We've come to the end of the second year of our 2020 vision. It's been a positive year and we've increased our operating surplus to £35.0m (2018: £33.0m). More importantly we've been building more homes for those who need them.

Operating environment:

In many ways we're in a turbulent, yet for us, largely positive operating environment. The uncertainty over the exit from the EU is still requiring us to plan for a broad range of outcomes but there are many other factors in our favour, helping us deliver on our strategic objectives.

House prices are broadly stable in Yorkshire despite falls in the south of the country and challenges in the broader economy. The government continues to recognise the importance of housing associations as a key contributor to fixing the housing crisis. We can borrow at low interest rates to build more homes that people across our region need.

Our customers come from all walks of life and unfortunately significant numbers are struggling with the impacts of austerity, universal credit and an uncertain economy. We continue to look to build more quality homes to meet the need and also, importantly, to invest in our existing homes.

We also endeavour to support our customers' independence through a broad range of services including community investment, benefit and money advice, home improvements and independent living services.

Growth continues:

We completed a relatively modest 283 homes this year (on top of the 797 new homes developed as at 31 March 2018) but have started a further 917 new homes for completion in the next year or two. We are still aiming to meet our original target of 3,120 new homes by 2021.

We're very proud of being selected by Homes England to be part of the Strategic Partnership programme, which will provide £62m of grant funding to support building an additional 1,300 social and affordable homes over and above the existing targets. Along with other opportunities, this has enabled us to double our new homes target to 6,000 homes by 2026.

We've expanded the range of tenures we offer and seen the first open market sales of significance at Lairds Way in Penistone. All profits we make from this type of activity are used to subsidise the building of social housing for rent.

Today's Yorkshire:

We have been setting the foundations for significant changes in people, processes and technology over the coming year or two through our change programme branded as "Today's Yorkshire" (TY). This will make it easier for our customers to interact with us in a digital way, and release some cost savings. We've started the next phase of the programme building the new systems which will support more efficient processes and facilitate a change to our operating model. The next year will be one of more upheaval for our people as we make these important changes.

I'd like to take this opportunity to thank everyone at Yorkshire Housing who is making sure that our customers receive a good service while we make these changes in the background. Once rolled out in 2020, customer service will be even better as our customers have access to better information and tools, while our staff will be supported by the processes and infrastructure they need to excel.

Customer/Independence:

As well as our change programme we're working hard on engaging better with customers. We're signed up to the National Housing Federation's "Together with Tenants" scheme. We've recently launched a successful tenants Facebook focus group and will keep trying different ways to reach out. We've worked hard on responding to complaints and seen some performance improvements, but we know we need to do better, especially on consistency and making sure everyone feels like they've been heard and action has been taken where appropriate.

One area I continue to be proud of is Health and Safety, our investment over a number of years has put us in a strong position. As you'll see in the risk section, we can never become complacent though and next year we'll be doing even more. An example being an increase in type 4 (invasive) fire risk assessments on our blocks.

Our longstanding Chief Executive Mervyn Jones retired this year and left the organisation in a strong position. With that solid foundation, I'm looking forward to what's to come in what are exciting times for Yorkshire Housing. We've welcomed our new Chief Executive in Nick Atkin and I'm confident he, with his ideas and energy, will lead this already great organisation to an even better future.

Will Lifford, Chair

CHIEF EXECUTIVE'S REPORT

When I arrived at Yorkshire Housing earlier this year I knew I was joining an organisation that was in a strong position, and that also offered opportunities for further improvement. I've not been disappointed.

I've been hugely impressed by the dedication and enthusiasm of our people. It is rare to encounter a group of people who are so committed and focussed on delivering a great service to our customers. This is despite some of our processes and systems not always supporting them as we are managing some out of date systems. There is also a widespread desire to see changes in how we work. This is not what you find in most other organisations and so is a huge bonus for us in moving forward.

The change programme will address many of these issues and provide a great platform on which we can begin to transform our service and approach. I am genuinely excited at the prospect of what we can individually and collectively achieve when these systems and processes are operating alongside and supporting our work.

We will invest to create a culture that enables people to perform at their best, be efficient, effective and happy in their work. Through doing so this enables us to offer a flexible and customer focused service, as well as optimising performance. Our investment in our culture will be through a combination of premises, technology and our people. There will also need to be a wide range of support to enable the transition to new ways of working, underpinned by the technology required to support flexible working.

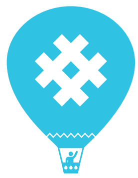
This will be part of our guiding principles:

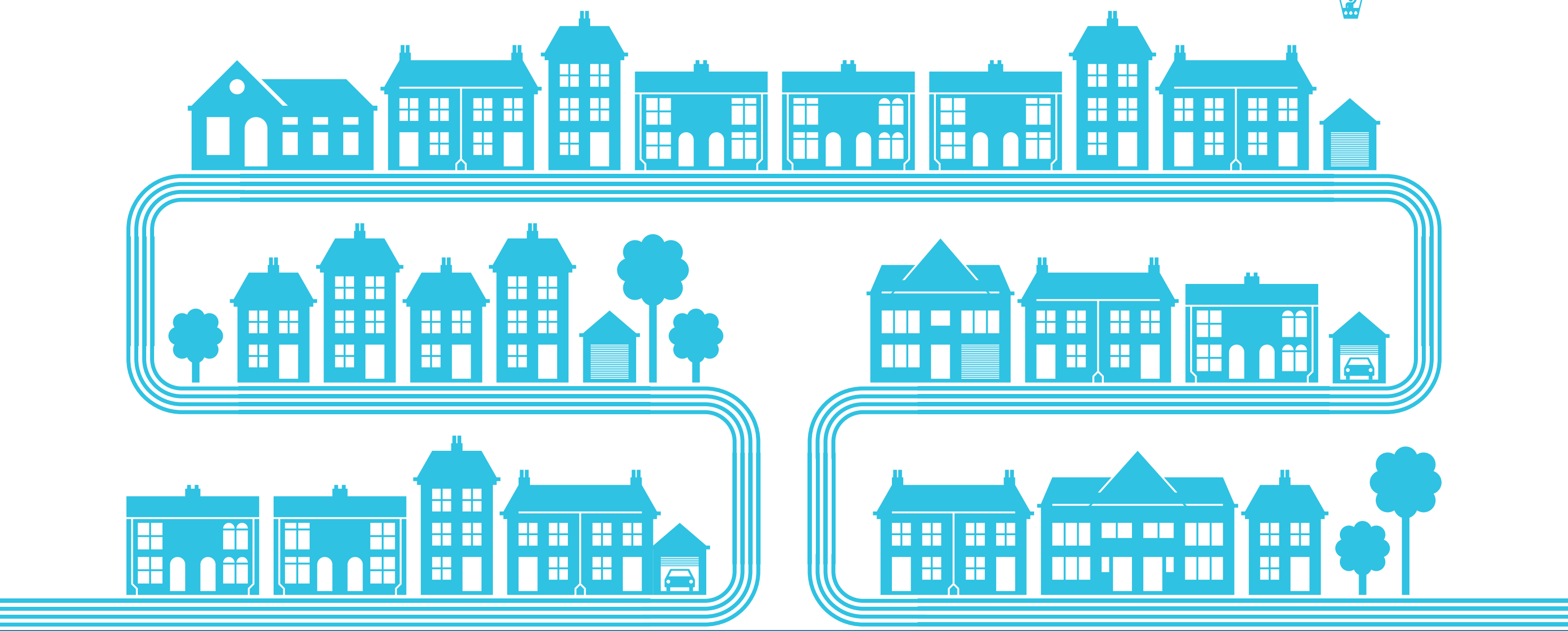
Work is something you do, not somewhere you go and you don't have to be in work to be at work.

The introduction of TY, coupled with some new ideas from me as the new Chief Executive and a refreshed corporate direction, provides a unique opportunity to bring the organisation together. The focus needs to be on creating a place for everyone to collaborate. This will include bringing together different staff groups into one space that works for all.

If we can deliver what we do now with slow and inefficient systems, then just think what we can do with the right tools. There is a lot to do, but the future is looking great.

Nick Atkin, Chief Executive





STRATEGIC REPORT: OUR BUSINESS AT A GLANCE:

Yorkshire Housing (YH) is the largest developing housing association in Yorkshire. YH owns, manages and builds homes across Yorkshire and works to support sustainable communities. YH provides housing and support to vulnerable people including sheltered housing for older people.

YH also provides a range of services designed to help people live independently including community investment work and benefit and money advice.

The Group's primary activities are charitable, with further activities provided by a non-charitable subsidiary which rents and sells properties on the open market and administers part of the government's Help to Buy scheme.

All of the profits are reinvested so that we can do even more for our customers.

STRATEGIC REPORT: 2020 TARGETS

Key highlights:

NEW HOMES BUILT

Current performance: 2,680 homes built and pipeline secured

3,120

CUSTOMERS INTO JOBS

Current performance: 935 customers supported.

1,000

SATISFACTION

Current performance: 89 per cent customer satisfaction.

90%

LIVE INDEPENDENTLY

Current performance: 17,231 vulnerable people supported to live independently

15,000

ENGAGEMENT

Current performance: 79 per cent employee engagement.

85%

COST PER HOME

Current performance: £3,342 cost per home per year.

£3,300

OPERATING MARGIN

Current performance: 29 per cent operating margin.

35%

COST REDUCTION

Current performance: 3.6 per cent reduction in costs.

10%

The new homes built target is 2021 whereas the other targets are 2020. This is intentional and to allow for the lead times involved in increasing a housing development programme.

STRATEGIC REPORT: OBJECTIVES AND PERFORMANCE

Our vision:

"Everyone has the opportunity to live in a quality home they can afford" - And this sets out our ambition chiefly how we'll grow as a charitable housing association that brings more much needed homes to the region and a range of services to help people live independently.

Our strategy and objectives

We are two thirds of the way through the three year plan entitled "growth and transformation". The plan outlines our strategic priorities in delivering our vision. It sets clear targets against each of those strategic priorities as follows:

Growth - A larger business serving more people across Yorkshire.

Key performance indicators:	
Target:	Number of new homes
Measure by 2021[1]:	3,120
Performance at 31/03/19:	1,080
Status:	Progressing towards target

Summary of progress and what's to come:

- We are progressing towards our target to provide an additional 3,120 homes for people on a broad range of incomes by 2021. We have also now extended this aim to include 600 new homes per annum through to 2026, a further 3,000 new homes. Of the additional 3,000 new homes, 1,300 will receive grant funding through our successful Strategic Partnership with Homes England.

- Extending our range of services for older people to reflect increasing need due to changing demographics. Our development programme is focussed on general needs properties at present but we recognise our role in building more older person's accommodation where the market conditions allow. This is being explored further by the executive team and board as we make plans for the next few years.

- New venture partnerships and mergers if they're right for our customers and our business. We're always looking to partner with the right organisations if it will better allow us to deliver for our customers and meet the latent demand in our region. We are discussing joint venture opportunities with a number of organisations locally that, if they go ahead, will further boost our capacity to build by drawing on relative strengths of different partners.

Independence - a strong business helping people to succeed.

Key performance indicators:	
Target:	People into employment, better jobs, training and volunteering
Measure by 2020:	1,000
Performance at 31/03/19:	935
Status:	Exceeding target

Target:	Vulnerable people helped to live independently
Measure by 2020:	15,000
Performance at 31/03/19:	17,231
Status:	Exceeding target

Summary of progress and what's to come:

- Supporting people into financial independence. We support a number of customers through debt advice. We continue to target support towards those people who need it most. These services are in high demand as many of our customers feel the effects of austerity and the universal credit roll out. This service has a mutual benefit for the customer and our business, and the latter being demonstrated by our arrears levels of 1.5%, which are at historically low levels.

- Helping customers into employment and training. This continues to be a successful programme and we have almost reached our 2020 target a year ahead of schedule. This demonstrates our commitment to our customers and the communities we serve. It helps us build sustainable communities with the people that live in them. We believe this helps us sustain tenancies and improve the quality of life of the people who receive the service.

- More support for those who need extra help. The support is offered through targeted care for older people, leveraging partnerships with other specialist providers, or provision of adaptations to vulnerable people to enable them to live independently. We're exceeding our target of helping vulnerable people live independently (17,231 at 31 March 2019) but we're still striving to do more.

[1]The growth target is 2021 whereas the other targets are 2020. This is intentional and to allow for the lead times involved in increasing a housing development programme.

STRATEGIC REPORT: OBJECTIVES AND PERFORMANCE

Independence (continued)

- Our home improvement agency continues to evolve and the way we work with different local authorities has changed significantly as they try to manage budgets. We continue to adapt people's homes and provide a range of other services to help both YH customers and others across the region. The number of customers we served with our Help at Hand independent living service stood at 3,371 for the quarter ended of 31 March 2019, which is below the peak of just over 4,000 earlier in the year. A marketing campaign is ongoing to make sure people are aware of the services we provide so we can continue to make a positive difference to as many people as possible.

- Safeguarding is also crucial element of our Independence strategic priority. At Yorkshire Housing we believe every person has the right to live in safety, free from abuse and neglect. Over the past three years we have invested in our approach to safeguarding, improved our processes and increased training. We've tried to keep it as simple as possible for our staff so if they spot signs of abuse and neglect they can do the right thing and report it. We've worked with other organisations including the local authorities in the areas we operate to do everything in our power to keep these people safe. We're very proud of our approach but know that we always need to continue to improve and develop it further.

Profit - a social business reinvesting to further our charitable purpose.

Key performance indicators:

Target:	Operating margin
Measure by 2020:	35%
Performance at 31/03/19:	29%
Status:	Target under review

Target:	Operating cost per home
Measure by 2020:	£3,300
Performance at 31/03/19:	£3,342
Status:	Target under review

Target:	Reduction in costs
Measure by 2020:	10%
Performance at 31/03/19:	3.6%
Status:	Target under review

Summary of progress and what's to come:

- A number of factors have resulted in the need to reconsider the "profit" strategic priority. The executive team is in the process of revising the targets for the business based on the current operating environment and a revised strategic outlook. The main factors impacting the measures from the existing plan are:
  - the increased growth in open market sales, which offer a relatively quick cash return to reinvest in social housing but also come with a lower operating margin than other parts of the business,
  - completion of the cost reduction identification through TY and a decision by the board to limit cost savings where these would otherwise start to impact on customer experience,
  - the Grenfell Tower disaster and the additional costs associated with a small proportion of properties and schemes where YH has taken the decision to do even more for fire protection and prevention, for example more type 4 intrusive fire risk assessments,
  - the risk of Brexit and the small but not insignificant increase in development related costs, along with the cost we have chosen to take in holding more critical spares for items such as boilers and lifts than we would have in normal trading conditions; and,
  - additional spend in our support functions as we improve the safeguarding of customer data, manage our finances and manage risk.

- Making the best use of our assets. We have appointed new treasury advisors this year to help us look at how we maximise our ability to fund growth in development in the most effective way. We're not doing this at the expense of existing stock, however, and there are a small number of schemes that will need additional investment in the coming year to get them up to our high standards. We are also continuing our disposals programme where properties are assessed to be not economically viable, or where there are others who are better placed to provide services.

- Reducing costs through value for money (VfM) initiatives, and principally though the TY programme, which is delivering new processes, and a new operating structure all enabled by new technology and set out below as our fourth priority.

STRATEGIC REPORT: OBJECTIVES AND PERFORMANCE

Profit (continued)

- We've done more to extend our in-house repairs service. This year we've expanded the work further into the investment programme and are delivering a higher proportion of the kitchen and bathroom installations in-house. Our aim is to improve service quality and consistency at the same time as reducing the cost of provision when compared with third party suppliers.

Transformation – a better business achieving more at lower cost.

Key performance indicators:	
Target:	Customer satisfaction
Measure by 2020:	90%
Performance at 31/03/19:	89%
Status:	Progressing towards target

Target:	Employee engagement
Measure by 2020:	85%
Performance at 31/03/19:	79%
Status:	Progressing towards target

Summary of progress and what's to come:

- Investing in people, processes and technology to make sure that we are making the best of the resources at our disposal. We're approximately two thirds of the way through the TY change programme, which is improving the way we are structured, the way we use technology and our processes. It is with the aim of improving customer experience and reducing costs whilst maintaining YH as a great place to work. In the last financial year the priority has been on developing the future organisational design, the new processes and in making sure we procure the right technology solution from a strategic partner who we can trust to deliver. Now we've done this our focus for the coming year is on delivery. In 2019/20 we are focussing on building the technology to deliver the new process as well as making changes to the organisational structure of the business involving the majority of staff across Yorkshire Housing.

- The board has made it clear, whilst YH needs to make a return on its investment in technology, customer experience remains the primary focus. On this basis a number of cost saving opportunities have been turned down. Cost savings and improved customer experience are far from mutually exclusive, however, and many of the process changes will make it easier to do business with YH at the same time as reducing costs of delivery. We're closely monitoring the customer satisfaction score and at 89% are very close to our target. Because TY has yet to be completed this high score is due to our dedicated staff and should only get better as TY makes it easier for them to serve customers well.

- Digital first for customers and colleagues. This means that we will increasingly deliver our services through the use of technology (e.g. customers requesting a repair or booking an appointment online) rather than through manual, face to face or phone based channels. We're also changing the way in which we manage our business internally so colleagues will be able to self-serve rather than waiting for another team to step in. Our approach is "digital first" and not "digital only" and we'll continue to offer a range of channels for people who need to interact with us in different ways. Moving the majority of customers and staff onto digital channels will allow us to focus our efforts more closely on others who need specific support.

- Technology enabled processes will also provide better data, which we can use to create better insight to drive further improvements in our service delivery and innovatively reduce costs.

Values

Our values of 'respect', 'reliability' and 'enthusiasm', are at the heart of everything we do. Our colleagues continue to live these core values and have our customers and our social purpose as the constant as the external environment changes and we make changes internally through TY.

The quality of our people and this commitment to the core values is the reason for our continued success and the increase in our customer satisfaction score. Our recent, independently conducted, staff survey has highlighted we are above the average score for engaged employees within the social housing sector and the score has improved year-on-year to 79%.

STRATEGIC REPORT: ENVIRONMENT, TRENDS AND FUTURE OUTLOOK

The economy and Brexit

Brexit dominates the political and economic landscape. YH is no different to other UK businesses in monitoring events within government and planning for different eventualities.

The risk of a no-deal Brexit is larger than ever following the changes at the head of government. What this means is unclear and forecasts for the UK economy range between neutral to negative. For YH one of the key considerations is that of the housing market. YH is exposed to house prices deflation but also to a slowdown in sales volumes which may happen concurrently, separately or not at all. Our stress testing has focussed on these scenarios in combination with other downside factors and this, along with our mitigations, is covered more in the risk section.

Despite this risk, we believe we are in a strong financial position to manage any turbulence in the market and that we have the resilience to continue to develop in the counter-cyclical way registered providers have done in the past.

In the wider economy inflation has ranged between approximately 2% and 3% over the last two years and this contrasts with the 1% rent cut over the same period. We're expecting inflation to remain at a comparable level next year unless no-deal Brexit forecasts are realised and are entering the final year of the rent cut. Staff costs are a significant cost at YH and increases are broadly in line with CPI.

Our other major costs tend to be land and goods/materials linked to repairs, investment and development and also the cost of third parties delivering a range of services to YH. We've managed to keep costs low by working closely with suppliers but there are inevitably market pressures and these will continue to force costs up. The TY programme will deliver further cost savings but these are not expected to be realised until the year ending 31 March 2021.

Confidence in the sector remains high and access to capital markets is positive with a range of financing options open to us and the broader sector. The cost of borrowing remains low as we are seen as a low risk return for investors. YH is expecting to seek additional financing to fund further growth and provide further headroom in the event of a downturn. Our exposure to interest rate risk is relatively low with 93% of our borrowing being on a fixed rate at 31 March 2019.

The housing market

The house price decreases witnessed in London and some parts of the south have not come to fruition in our region. Moreover the outlook for prices in Yorkshire and Humber are strong. These predictions come with a caveat because of the aforementioned Brexit uncertainty but housing associations like ours are well placed to deal with that uncertainty. We have the opportunity to change our approach by changing tenures, we also have the options to pause or shelve uncommitted schemes and have extra borrowing capacity should we need it.

Tenant safety

The tragic events at Grenfell Tower are still having a significant impact on the sector two years on. YH is fortunate to not own any high rise properties with ACM cladding. We do, however, have eight units in a larger block in Bradford, West Yorkshire with cladding that failed fire safety tests. We have taken the precautionary measure to rehouse our tenants from that block to other suitable accommodation.

The health and safety of our customers and staff is not about reacting to events or compliance with regulation. It is part of our core values, is a top priority and we are always looking at ways we can improve in this area. There is further information in the Health and Safety section of the Governance and Compliance report.

Social housing green paper

Published in August 2018, the government's social housing green paper also emphasised the safety of homes along with a call for a review of the Decent Homes standard. YH is committed to providing quality homes people can afford and continued to invest in existing properties as well as in new ones. The focus for the next year will be on specific schemes that require further investment to meet YH's high bar for quality.

The paper covered a further four themes, one of which is complaint resolution. Our complaints performance is monitored closely by the executive team and the customer services committee on behalf of the board. We handled 84% of complaints within timescale at 31 March 2019 and 89% of these were resolved at the first stage. These performance measures are below the targets we have set ourselves and we are working hard on making sure we improve this and the consistency of quality in approach.

STRATEGIC REPORT: ENVIRONMENT, TRENDS AND FUTURE OUTLOOK

Social housing green paper (continued)

YH has signed up to be an early adopter of the NHF's "Together with Tenants" plan for improving our relationship with tenants. This is about YH doing the right thing and making sure we empower residents and provide them with the service they deserve.

In doing this we are aiming to make sure we comply with the consumer standards of regulation by default. This is also a natural link with the topic of tackling stigma of being a social housing tenant. At YH we know the answer to who is a typical housing association tenant, it's simple, it's anyone, it's someone like you and me.

The final theme from the green paper is about supply and support for home ownership. Our ambitious growth plans have been covered in detail in the strategy section earlier. Expanding on that, our new homes strategy covers a range of tenures. Our core product remains rented housing at below market rents but we are expanding our offering through shared ownership and open market sales. The majority of our new schemes are mixed tenure to build thriving communities and provide cross subsidies for those most in housing need.

Universal credit

All of the local authorities we operate in have now moved to universal credit (UC) so all new claimants will be on the new system. The roll-out for existing housing benefit claimants continues and at 31 March 2019, 2,133 of our tenancies were paid, at least in part, through benefits that have been transitioned across. The remainder of the roll-out is expected to happen over the next four years to 2023.

We have learned from experience of customers being transitioned and are tailoring our support by our benefit and money advisors to those most likely to be in need. Similarly we changed our approach to income collection to maximise the amount of rent we collect.

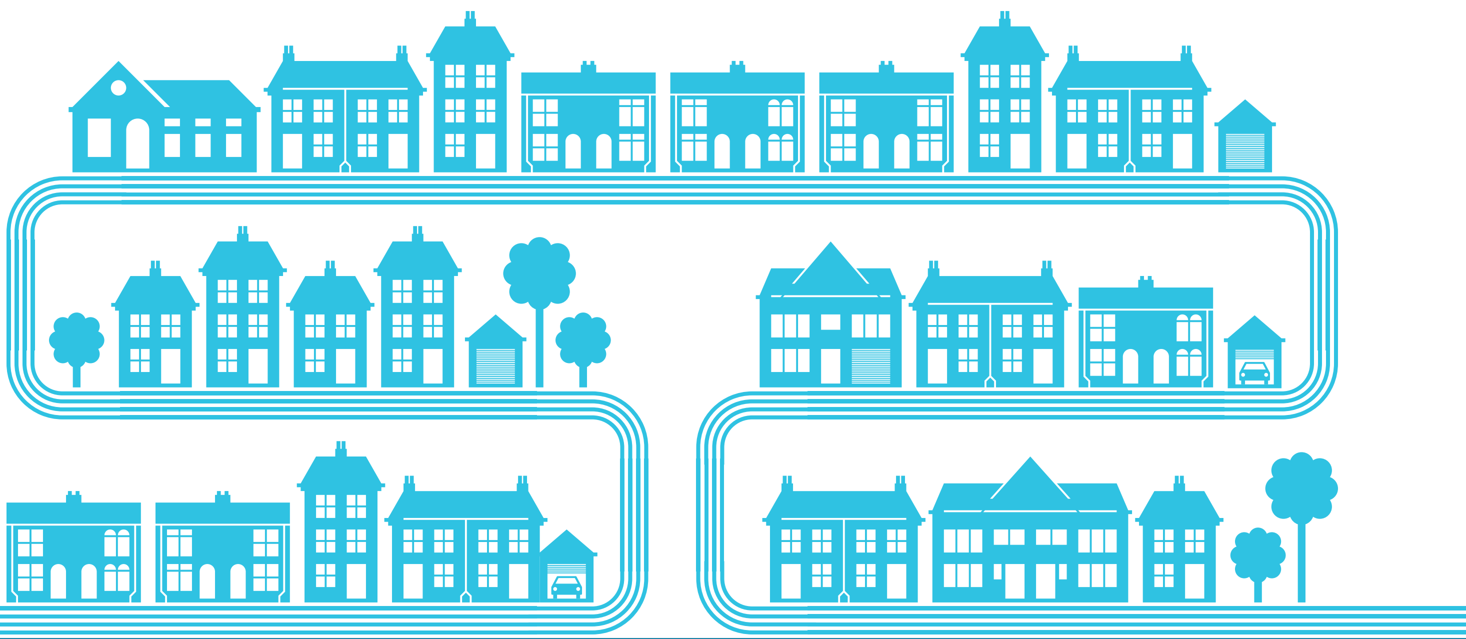
We are pleased with performance in this area and the current arrears figures of 1.5% are very good. We do anticipate that arrears will increase over the next 12 months and have seen that arrears for UC customers are approximately double non-UC levels.

Future developments

We will continue to build more quality homes people can afford in working towards the target of 3,120 homes for people on a broad range of incomes by 2021.

We're also starting to work towards the 1,300 additional homes through our Strategic Partnership with Homes England and are looking beyond that with a pipeline that runs to 2026. To do this we will likely draw down on the remaining loan facilities, are considering issuing the remaining secured bonds and continue working on our financing structure to facilitate the growth whilst managing cost and risk.

We'll continue to monitor the market and will adapt to any changes as Brexit unfolds. The board and executive are also going to refresh the strategy and targets for the organisation. All this is whilst we also look to complete the TY change programme to deliver a better customer experience more effectively than we do now.



STRATEGIC REPORT: FINANCIAL PERFORMANCE

Our Financial Performance

The board is satisfied with the results for the year and with the position of the group and association as at 31 March 2019.

The board is pleased to report total comprehensive income for the group of £11m (2018: £16m). This is after accounting for the one-off adjustment to pensions in the year of £7.3m as we move to defined benefit accounting for the SHPS pension scheme (further details below). The surplus before other comprehensive income was £18.0m (2018: £16.4m). During the year, group turnover has increased to £113.0m (2018: £100.5m) largely through the strategic decision to grow development of open market sales units.

Underlying operating margin decreased to 29% (2018: 31%) as detailed in the value for money section below. This calculation excludes any surplus on the disposal of fixed assets to simplify comparison with others in the sector.

The majority of the operating surplus comes from our core business which is the rental of low-cost social housing. In the table below the "non-social housing activity" includes:

- Sales of properties that were specifically built for sale on the open market,
- The "Help to Buy" services delivered on behalf of the government; and,
- Facilities management services (repairs and environmental work) provided to homes on the Swarcliffe estate in Leeds under a PFI contract.

Yorkshire Housing Residential (YHR), the group's commercial arm, also delivers some charitable activity on behalf of the group and continues to generate a healthy surplus across all of its business streams of £4.7m (2018: £3.0m) prior to gift aiding surpluses to the parent, which supports the group's charitable activity.

Surpluses are included within both the non-letting and non-social housing lines. In order to fund the open market sales activity through YHR, the parent has invested a further £19m in preference shares. This is solely to reinvest those profits from sales back into the social part of the business.

The group's statement of financial position shows an increase in the net book value of social housing properties during the year of £34m (4.2%), reflecting the on-going investment program to existing properties and our ambitious development program. Further details can be found in note 12.

Our overall asset management strategy includes a disposals policy through which we transferred, sold or demolished 146 (2018: 165) homes during the year that were uneconomic to maintain long term or sold through the right to buy or low cost home ownership initiatives.

The group's statement of financial position also includes the group's investment in Yorkshire Housing Transformation Holdings Ltd (YTHL). The PFI contract between YTHL and Leeds City Council is for facilities management and improvement of 1,325 homes (2018: 1,416) on the Swarcliffe Estate.

Group turnover and operating surplus by activity

	Turnover		Operating surplus	
Activity (£m)	**2019**	**2018**	**2019**	**2018**
General needs	76	78	25	27
Housing for older people	5	5	-	-
Supported housing and care homes	3	3	-	(1)
Shared ownership	1	1	1	1
Total from lettings	**85**	**87**	**26**	**27**
Non Letting – other social housing activity	10	5	2	1
Non-social housing activity	18	9	5	3
Valuation changes	-	-	1	1
Sale of fixed assets	-	-	1	1
Total	**113**	**101**	**35**	**33**

STRATEGIC REPORT: FINANCIAL PERFORMANCE

Social Housing Pension Scheme (SHPS) adjustment

As noted above, the results for the year include a one-off adjustment to pensions of £7.3m (re-measurement of SHPS obligation £4.7m and actuarial loss/gain in respect of pension schemes £2.6m). This is because it is possible to identify YH's share of the pension scheme assets and scheme liabilities for the first time and therefore have applied defined benefit accounting. In the previous year, YH was unable to recognise its share of the scheme assets and scheme liabilities, therefore had applied defined contribution accounting. This change is consistent across the housing sector.

The change in accounting treatment and actuarial movements in the year resulted in the £7.3m charge to other comprehensive income this year. Further details can be found in the accounting policies note.

Cashflow and financing

Cash inflows and outflows are set out in the consolidated cash flow statement on page 46. The key cash flows were expenditure of £46m on the acquisition and construction of new housing properties in line with our expanded development programme. This was covered by £8m of grants, property sales of £8m[2], £25m generated from operating activities and the remainder from cash on hand.

The group has detailed budgets in place as well as short and long-term cash flow projections which demonstrate that both current liquidity and long-term viability are assured. Loan funding facilities are available to cover cash requirements over the next two years.

The group funds its operations through a combination of retained earnings, grants, long term loans and short term facilities. Cash flow is monitored in both the short and the long term so that sufficient liquidity is maintained in line with our treasury policy to ensure obligations can be met as they fall due. Excess cash is invested in short term accounts managed by the large UK high street banks.

The loan portfolio is regularly reviewed by the director of finance and the board, who monitor covenant compliance and the cost of funds. At the end of the year, total borrowings were £451m (2018: £453m) and unused secured facilities were an additional £80.6m (2018: £85.7m). £140m (2018: £140m) of the borrowings are in publicly listed bonds; the remainder is borrowed from banks in the UK. All of the borrowings are in sterling.

The group is obliged by its funders to meet a series of loan covenants relating to asset values (asset cover), surpluses (interest cover) and total amount of debt (gearing). All loan covenants were met at the year end and the group's business plan indicates that this will remain the case.

In respect of bank loans, the group manages interest rate risk through the use of embedded fixed rates within its facilities, the terms of which permit all such loans to be classified as "basic" financial instruments under FRS102. At 31 March 2019 the group had no stand-alone swap arrangements.

During the financial year YH waived the option to apply an RPI linked interest rate on facilities totalling £21m meaning they revert to fixed rates of interest. We calculated the value of the facilities to be materially consistent before and after this change. The facilities at all times are classified as "basic" financial instruments.

The treasury strategy is set by the board, which includes a "normal" target of between 50% and 70% of borrowings at fixed rates of interest. However following the public bond issue in 2015 and further borrowings under the government's guarantee programme in 2017, this now stands at 93%. Since interest rates have been at a historic low, the board believes that fixing rates has been a prudent approach, given the long term nature of the group's assets. The treasury strategy and related policy is currently undergoing periodic review.

The repayment profile of the debt at the year-end is shown in note 24.

Credit rating

The association has a credit rating of A3 from Moody's based on a number of credit strengths including a stable income stream and consistent profitability, moderate and stable debt and a simple corporate structure. Challenges come from increased outright sales and potential government policy changes. The social housing sector relies on potential government support in the case of any financial difficulty which is reflected on all credit ratings issued to housing associations.

[2]Housing fixed assets and investment properties.

STRATEGIC REPORT: FINANCIAL PERFORMANCE

Five year performance

The group's five year performance shows the asset base increasing as we continue to develop homes and grow the business. The income and expenditure account has been more variable as the group has responded to the rent cut, embarked on a change programme, sold homes on the open market and changed the pension accounting this year.

The group's five year financial and operational performance

	FRS102 2019	FRS102 2018	FRS102 2017 Restated*	FRS102 2016 Restated*	UK GAAP 2015
Income and expenditure account (£m)					
Total turnover	113	101	101	96	92
Operating surplus	35	33	41	28	25
Surplus for the year transferred to reserves	11	16	19	14	13
Statement of financial position (£m)					
Fixed assets	884	849	827	805	778
Net current (liabilities)/assets	69	91	(4)	(8)	17
Total assets less current liabilities	**953**	**940**	**823**	**797**	**795**
Long term loans	448	451	352	341	337
Social housing grant	279	282	282	284	289
Other creditors	9	1	1	3	5
Revaluation reserve	29	29	29	29	29
Revenue reserve	188	177	159	140	134
Group funds	**953**	**940**	**823**	**797**	**795**
Cash flow (£m)					
Net cash inflow from operating activities	25	28	39	39	38
Returns on investment and servicing of finance	(19)	(18)	(16)	(17)	(11)
Capital expenditure					
New homes (net of grant)	(40)	(26)	(29)	(35)	(32)
Existing homes improvements	(11)	(14)	(14)	(14)	(13)
Sales of homes	8	9	12	9	9
Other fixed assets	(1)	(1)	(1)	-	-
	(37)	(22)	(9)	(18)	(9)
New loans (net of repayments)	(1)	102	12	(1)	30
Liquid resource management	-	-	-	-	(20)
Increase/(decrease) in cash and deposits	**(38)**	**80**	**3**	**(19)**	**1**

*Restated as a comparative following the change to UK GAAP (introduction of FRS102).

STRATEGIC REPORT: VALUE FOR MONEY

Value for money

The group consciously looks to go beyond compliance with the VfM Standard (March 2018). YH has a clear vision supported by strategic priorities and we recognise our duty to deliver them in the most cost effective way.

Our strategic priorities are underpinned by the aim of delivering value for stakeholders, whether they be our customers, the government, local authorities or any others.

Each of our strategic priorities are considered in turn from a VfM perspective below. This builds on from the strategy and objectives section above.

The VfM targets are based on our predictions of what is most likely to happen in the external operating environment. These will need to change should there be a significant external event such as a no-deal Brexit.

Growth:

Metric set by the regulator?	VFM metric	YH2020 Target	YH2019 Actual	YH2018 Actual	Benchmark 2018 Median [3]
Yes	New supply of social housing delivered	3.0%	1.6%	1.6%	1.10%
Yes	New supply of non-social housing delivered	0.33%	0.17%	0.04%	0.00%
Yes	Gearing	48%	47%	45%	45%
Yes	Reinvestment in new and existing homes	11.1%	6.7%	4.8%	6.20%

We continue to develop more homes than our peers, and plan to double our output in the coming year. The board recognise that building more homes for rent is a powerful driver of value for money. Increased numbers allow fixed costs to be spread over a larger cost base as long as each additional scheme makes a surplus.

With this in mind, strict development appraisal parameters and hurdles ensure that new homes add a positive value to the group's finances. These hurdles and assumptions have been reviewed by the board in 2019 to make sure they are reflective of our current operating environment and ambition.

The tenure mix of our schemes is also balanced to meet our strategic objectives in the most effective way but also to ensure we generate returns in order to reinvest in existing and further new homes. Our development programme is designed to maximise returns from any open market sales in order to fund the range of social and affordable tenures that is at the core of our offering, all whilst creating thriving sustainable communities.

Of the anticipated 3,120 units in our new homes strategy, we have completed 1,080 units with a further 917 under construction as at 31 March 2019. All of the non-social completions this year (27 units) were at Lairds Way, Penistone and all profits are being reinvested in further growth. The new supply of social units of 256 is modest compared to our target but with 651 social homes on site this will increase significantly next year, and it represents the current phase of the development cycle.

With this growth and the expansion of other tenures including open market sale comes additional risk. The board manages this through its risk appetite, setting of the New Homes strategy, oversight of investment appraisals and performance monitoring.

Long term financial forecasting has been used to clarify that there is financial capacity. Stress testing is also a key tool used by the board to manage our development risk and ensuring there are appropriate mitigations available should the external environment change.

[3] The median benchmark comparison is from 55 larger housing associations operating in the north, midlands, east and south west regions.

STRATEGIC REPORT: VALUE FOR MONEY

Independence:

Metric set by the regulator?	VFM metric	YH2020 Target	YH2019 Actual	YH2018 Actual	Benchmark 2018 Median
No	Rent collected as a percentage of rent due	98.8%	99.6%	100.2%	99.9%
No	Occupancy	99.0%	99.3%	99.6%	99.4%

We continue to strive to help our customers live independently, whether that is through financial independence or through helping people stay in their own home with an adaptation or other support service.

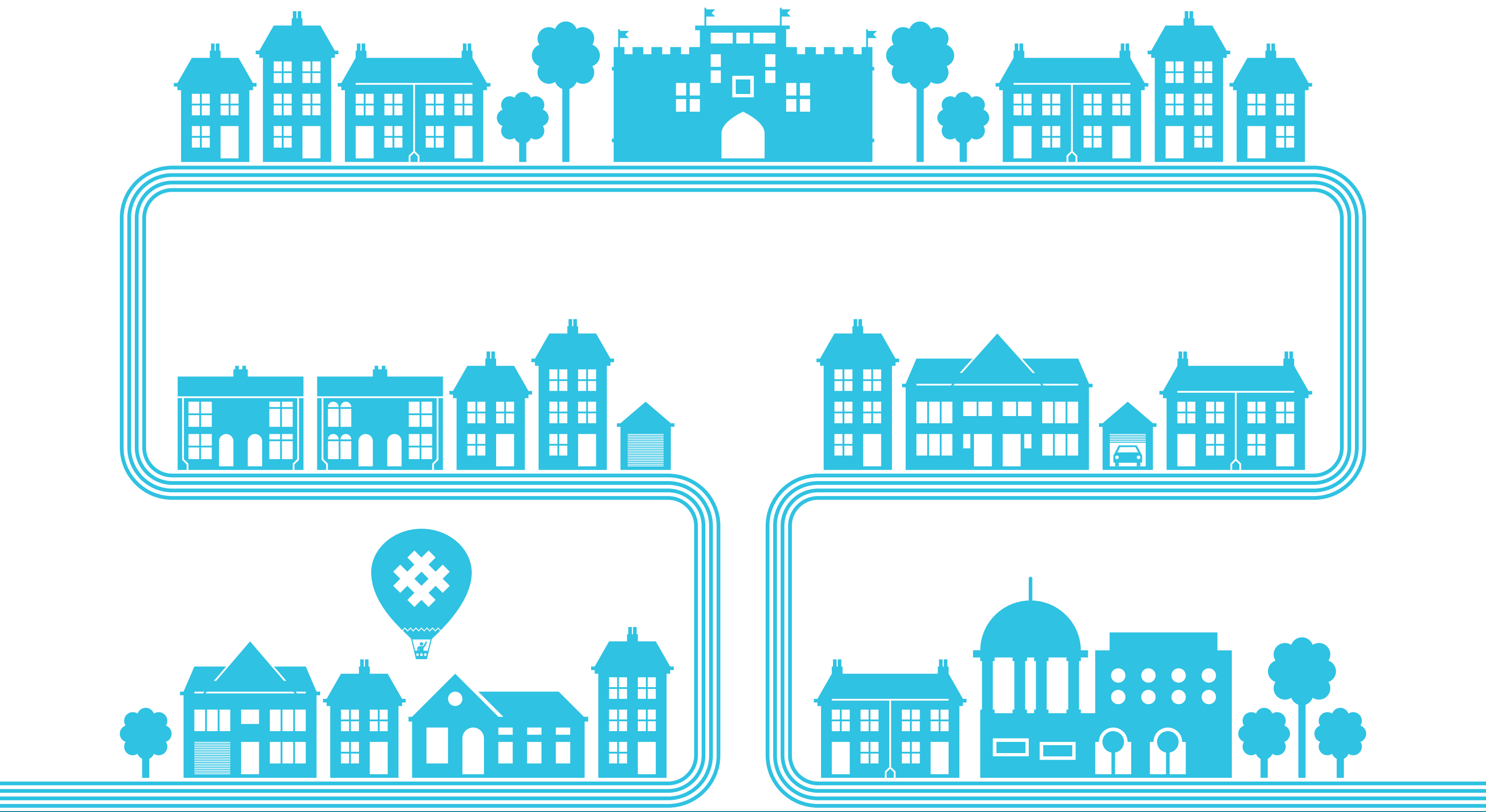
We have successfully supported over 900 customers into work, training or volunteering over the past two years. We believe this, along with our benefit and money advice service, has helped people achieve financial independence. We have also worked hard at collecting rent from all of our tenants, and now have the lowest level of arrears ever.

We offer minor adaptations to our tenants' homes to help them stay in their homes longer than if they didn't receive this support. We also offer adaptations to tenants and non-tenants through our home improvement agency (HIA) working in partnership with a number of local authorities across our region.

Our HIA works to very small margins and we continue to work with local authorities on how we can deliver this service in the most cost effective way.

In the past year we have assisted in excess of 17,000 people to remain in their own homes, safe and secure.

Universal credit continues to be rolled out, and whilst our performance has been good so far, some of our customers are finding it increasingly hard to manage. Accordingly we have anticipated an impact in 2020 with rent collection and occupancy both falling. We expect our peers' performance to worsen also, and so we still be around the median level.



STRATEGIC REPORT: VALUE FOR MONEY

Profit:

Metric set by the regulator?	VFM metric	YH2020 Target	YH2019 Actual	YH2018 Actual	Benchmark 2018 Median
Yes	Operating margin (overall)	29.3%	29.1%	30.6%	28.6%
Yes	Operating margin (social housing)	29.7%	29.3%	31.9%	33.4%
Yes	Headline social Housing cost per unit	3,601	3,342	3,478	3,265
Yes	ROCE[4]	3.8%	3.6%	3.4%	4.5%
Yes	EBITDA MRI[5] interest cover	187%	178%	156%	184%

We generated an operating surplus of £35.0m (£33.0m in 2017/18), all of which we need to invest in existing homes and building new ones. We forecast continued operating surpluses over the next three years, increasing to £38m by 2021/22 which reflects our growth.

Our operating margin has fallen since last year to 29.1% (2018: 30.6%). The reduction is due to a combination of the 1% rent cut imposed by the government and increased management costs whilst we are investing in our change programme. This is likely to continue for several years but will deliver long term cost savings contributing to a rise in margin towards 35%.

Despite this drop in margin the headline social housing cost per unit has reduced. This is partly due to the increase in units but the main driver is that 2019 saw a lower than average capitalised investment cost as some works were delayed to 2020. This has more than offset the increase in management costs. We are anticipating seeing an increase in 2020 which reflects a return to more normal levels of investment in our existing homes and costs associated with delivery of the TY programme.

The cost per unit is something that is closely monitored by management and longer term sustainable cost reductions are a focus of the TY programme as long as they are not at the expense of customer experience. The board and senior management are very clear that this is about value and not just about cutting costs. This is why the customer experience comes first.

It also means we are investing where we need to in order to respond to a changing operating environment, whether that be on fire safety, cybersecurity or finance and risk. The cost savings from the TY programme, along with the growth from developing new units, are the key ways in which we plan to improve our performance against our targets and our peer group.

As mentioned in the strategy and objectives section, we are looking at ways to fund growth in the best way. Our treasury advisors are helping us assess the options and a key driver is keeping the cost of borrowing down. This has to be balanced with flexibility and risk to ensure our ambitious growth plans don't expose the rest of our operations to an unacceptable level of risk.

EBITDA MRI interest cover is a risk measure – are we generating enough cash to cover our borrowing costs, and we have seen an increase in 2019 reflecting a rise in operating surplus without increasing borrowing. We anticipate a similar picture for 2020, in line with our peer group, but it does depend on future sources of funding through our treasury strategy.

There is still uncertainty around the effects of leaving the EU upon interest rates, inflation, employment and the wider economy. The board acknowledges that this poses a major risk and may adversely affect the ability to cut costs and delivery growth.

[4] Return on capital employed

[5] Earnings before interest, tax, depreciation and amortisation, capitalised major repairs included

STRATEGIC REPORT: VALUE FOR MONEY

Transformation:

Metric set by the regulator?	VFM metric	YH2020 Target	YH2019 Actual	YH2018 Actual	Benchmark 2018 Median
No	Customer satisfaction	90%	89%	87%	88%
No	Employee engagement	85%	79%	76%	N/a

Through the TY programme Yorkshire Housing is changing how we serve customers, how we are structured and this is all enabled by changing how we use technology. Our goals are to improve customer experience, reduce costs and keep YH as a great place to work. The board has approved the detailed business case for the programme based on the benefits it will offer including a return on the original investment.

This upgrade to our technology is a conscious decision to ensure our colleagues have the tools with which to perform their roles more efficiently. Removing system frustration will help ultimately make our business cheaper to operate. A good example of this is through our direct labour organisation (DLO), HomeWorks. The DLO already allows us to more closely manage repairs and maintenance costs. The new ways of working and systems will allow us to better diagnose problems and manage appointments, meaning we can improve efficiency whilst maintaining quality.

The design, development and implementation of the plan, organisational restructure and associated software requires significant cost. The next year of the programme will be the most significant in terms of expenditure. We are restructuring teams this financial year as well as building the software solution upon which our customer facing processes will be based.

We envisage spending £10.3m on our TY programme in 2019/20. This will lead to a marginally higher forecast for our social cost per unit although much of the cost is anticipated to be capitalised towards the development of the software and amortised over the next five years.

Despite the high cost, significant benefits have been identified. The board is satisfied that the financial benefits from the programme outweigh the cost. The programme will also deliver a number of non-financial benefits as already outlined. A proportion of these cost savings have been made already with the bulk of the remainder anticipated from the year ending 31 March 2021 once the programme has completed.

Customer satisfaction levels are only marginally behind our target at present but that is despite challenges faced by our staff in delivering those services. The outputs from the programme will make it easier for our staff to deliver services well first time and is designed to improve the customer satisfaction further. In making things easier to do and once the uncertainty surrounding organisational structure changes subsides we also believe we will be able to achieve the target for employee engagement.

STRATEGIC REPORT: RISK MANAGEMENT

Our risk management framework helps us to identify, assess and monitor risks significant to the group and subsidiaries. The board appraises these risks each year through their assessment of the strategic risk register. Emerging risks, improvement actions and risk indicators are monitored regularly by senior management, the risk & assurance committee and the board.

Approach to risk management and framework

Yorkshire Housing's risk management framework is designed to facilitate the achievement of our strategic and operational objectives. Key to our approach is the identification and effective mitigation of risks that prevent success or can be exploited to further improve Yorkshire Housing.

The board is ultimately responsible for the management of risk at YH with the chief executive accountable to it. The Board's sub-committees provide oversight and challenge, however, all staff play a role in risk management, primarily through identification of operational risk factors and ensuring processes adequately mitigate identified risks. By setting these expectations, Yorkshire Housing ensures that all three layers contribute to the identification of risks and their effective management to achieve the target risk position.

By having a strong risk management framework, with a defined and regularly considered risk appetite, management have the confidence to make decisions that are sustainable. These decisions are validated by assurance over the management of strategic risks, the sources of which are mapped on the risk register and analysed for their worth.

Board Oversight	YH Leadership	Service Delivery
• Yorkshire Housing Ltd board • Risk and assurance committee • Customer services committee • Development committee • Governance committee	• Directors meetings • Divisional meetings • Heads of service meetings • Team meetings	• Policies • Procedures • Line management • Training

→ → → **Tone from the top and risk appetite** → → →

← ← ← **Assurance and reporting** ← ← ←

• Ultimate responsibility for risk management • Set risk appetite and challenge management on risk profile • Monitor performance of the business	• Identify and assess strategic risks • Accountability for risk mitigation • Translate risk appetite for delivery	• Design and implement processes that align to risk appetite • Responsibility for risk mitigation activity • Identify new risks as they occur day to day

STRATEGIC REPORT: RISK MANAGEMENT

Risk environment

Yorkshire Housing has seen changes in its risk environment in the year due to both internal and external developments. Internally, we have completed a project looking at the implementation of GDPR (moving the risk to our operational risk register) and have agreed the detailed business case on the TY programme, which brings with it a host of opportunities and risks for 2019/20. We remain focused on Health and Safety across our business, with fire safety at the top of the list, particularly in light of the Grenfell disaster.

Political uncertainty has become ever more apparent during the year with Brexit the primary driver leading to the review and rewording of one of our strategic risks (see also risk 5 – political uncertainty). Brexit features in a number of the other risks including regarding the housing market (risk 7), our growth plan (risk 10) and indirectly in economic changes (risk 8). Other risks remain largely as they were, though continuous improvement in process and assurance has had an overall positive impact.

During the year, we also undertook ‘deep dive’ reviews of a number of strategic risks, discussing the output and implications with the risk and assurance committee.

To validate our risk position, we also utilise external resources, most notably:

- our outsourced internal auditors who have a number of in and out-of-sector clients, and
- the Regulator of Social Housing’s Sector Risk profile, on which we perform a gap analysis.

Risks mapped to strategic priorities

The table below shows how each strategic risk maps to our strategic priorities. Each shaded square shows a link between the risk and the priority.

Strategic Risk	Strategic Priority			
	Growth	Independence	Profit	Transformation
Health and Safety	✓	✓	✓	✓
Regulatory compliance			✓	
Cyber security			✓	
Universal Credit		✓	✓	
Political uncertainty	✓	✓	✓	
Today’s Yorkshire	✓	✓	✓	✓
Housing market	✓		✓	
Economic changes		✓	✓	
Counterparty	✓		✓	✓
Growth plan	✓		✓	

STRATEGIC REPORT: OUR RISKS

1. Health and Safety

Change in risk profile:	
Exposure remains similar to last year end	

Current risk rating (after controls):	
The risk profile has a moderate likelihood and/or impact	

Target:	
Green	

Serious health & safety incident in which YH is at fault resulting in death or serious injury and/or significant financial loss (fines, downgrade, rectifying problem).

Summary:
Yorkshire Housing, along with the sector as a whole, continues to see the health, safety and wellbeing of customers, staff and any others it interacts with as a key priority. We set a very low appetite for any incidents.

Mitigation:
People and culture are our primary mitigations in ensuring health and safety risks are addressed. We have high quality people overseeing health and safety centrally, mandatory training in place for all staff and foster a culture of safety first through all our activities. We also invest significant resources to establish and validate our position, which is regularly reported to senior management and the board.

Route to target
We continue to improve our data quality to provide assurance around health and safety, which will support our wider culture. The Customer Relationship Management ("CRM") system being implemented as part of TY will be a step change to facilitate this and be one of the main enablers to move the risk from amber to green.

2. Regulatory compliance

Change in risk profile:	
Exposure remains similar to last year end	

Current risk rating (after controls):	
The risk profile has a moderate likelihood and/or impact	

Target:	
Green	

Regulatory compliance breach resulting in a downgrade. Causes could be staff turnover, poor data or lack of adequate process.

Summary:
By operating in a regulated environment, ensuring we remain compliant is a key area of focus. Data plays a major part in obtaining assurance over our compliance, which is an area we are looking to improve. We are implementing a data strategy and have begun a major data cleanse exercise.

Mitigation:
Intensive training is undertaken for all areas of compliance and performance is regularly reported to senior management. Critical processes including key compliance aspects are documented, monitored and reviewed at least annually and covered as a priority periodically as part of the internal audit programme.

Route to target
Data forms a fundamental part of the Today's Yorkshire programme. Through enabling data to be more readily available and intelligently reviewed, we can take greater confidence that our regulatory returns and key compliance activities are accurate.

STRATEGIC REPORT: OUR RISKS

3. Cyber security

Change in risk profile:
Exposure remains similar to last year end

Current risk rating (after controls):
The risk profile has a moderate likelihood and/or impact

Target:
Amber

Loss of systems or data due to a malicious cyber security attack which results in significant financial and reputational damage.

Summary:
Cyber security has become a major issue worldwide with an increase in major breaches impacting on reputation. The Data Protection Act 2018 has also increased the regulatory impact with security by design now a key requirement. Even a minor breach could lead to operational impacts (loss of key systems) or extensive resources expended dealing with an issue.

Mitigation:
During 2018 we have undertaken a review of our cyber security arrangements and developed a revised strategy. Actions already taken include enhanced remote log in procedures, increased scanning of our IT infrastructure for weaknesses, penetration testing and phishing awareness campaigns.

4. Universal Credit

Change in risk profile:
Exposure remains similar to last year end

Current risk rating (after controls):
The risk profile has a moderate likelihood and/or impact

Target:
Amber

Significant reduction in the customer's ability or willingness to pay rents following universal credit & other government or macroeconomic factors resulting in significant reduction in cash collected and/or higher cash collection costs.

Summary:
A significant proportion of our income comes from tenants in receipt of benefits. Universal credit customers tend to have higher arrears than those on housing benefit. The continued roll-out of UC causes a risk of lower cash receipts for YH. There is also an ethical/reputational challenge in chasing arrears when people may be suffering hardship.

Mitigation:
A number of our tenants are currently on Universal Credit and this will only increase as the roll-out continues. We identify and actively support tenants through the transition via our benefits and money advice team. With the full roll out being delayed the current exposure has been reduced but remains under review.

STRATEGIC REPORT: OUR RISKS

5. Political uncertainty

Change in risk profile:
Amended in year

Current risk rating (after controls):
The risk profile has a low likelihood and/or impact

Target:
Amber

Large scale political change could lead to disruption in our business as usual services, significantly restrict income and/or require changes in strategy.

Summary:

Our strategy has broad coverage to take into account the current political policies. Whilst the present environment is favourable, Brexit and other political changes, including a new Prime Minister, may change this position.

Mitigation:

We have limited ability to influence the wider political landscape. However, we undertake horizon scanning and ensure that financially we are able to weather any sudden changes. We perform rigorous stress testing to understand what the implications of disaster scenarios would do to our business and to plan appropriate mitigation actions.

6. Today's Yorkshire

Change in risk profile:
Exposure remains similar to last year end

Current risk rating (after controls):
The risk profile has a moderate likelihood and/or impact

Target:
Amber

We fail to identify the required benefits, design a suitable organisation, get business ownership or implement the right solutions under "Today's Yorkshire". This could lead to significant financial loss, reduction in customer satisfaction or a hostile takeover.

Summary:

The Today's Yorkshire programme has recently moved into the build and implementation phase. This programme is designed to refresh our IT infrastructure on a modern platform and enable us to work efficiently. Failure would have a major financial and people impact.

Mitigation:

A dedicated Director is in post and a governance structure has been designed to ensure adequate oversight and challenge is present. The board has been heavily involved in commissioning of the programme, approving the outline and detailed business cases. It also receives an update at each meeting of progress to plan. External assurance has been sought at various intervals of the programme.

STRATEGIC REPORT: OUR RISKS

7. Housing market

Change in risk profile:
Exposure remains similar to last year end

Current risk rating (after controls):
The risk profile has a moderate likelihood and/or impact

Target:
Amber

Significant shock in the housing market resulting in losses in development projects and disposals or issues for collateral used for financing arrangements.

Summary:
We have a large development programme that relies on sales to maintain an appropriate cashflow. Our ability to fund developments may also be hindered if lenders perceive housing developments to be higher risk. Fewer than planned disposals, or at lower values than expected, of stock that is expensive to manage would also impact on budgets and our ability to do more for our remaining tenants.

Mitigation:
Each development scheme and disposal undergoes a thorough risk-based appraisal considering both financial and non-financial aspects. The Development Committee is also in place and oversees all activity. Our stress testing also covers market downturn scenarios (linked to risks 5 political uncertainty and 8 economic changes) and how we would control development spend in a crisis.

8. Economic changes

Change in risk profile:
Exposure remains similar to last year end

Current risk rating (after controls):
The risk profile has a moderate likelihood and/or impact

Target:
Amber

Significant changes to the economy that adversely impacts the financial viability of Yorkshire Housing. Causes could include interest rates and inflation.

Summary:
Financial stability remains a key pillar in our success. Changes to the macro economic environment can have a major impact on current performance and financial position and could result in Yorkshire Housing becoming a takeover target.

Mitigation:
We maintain a strong cash position and the vast majority of our debt is arranged at a fixed rate. To validate our stability, we undertake stress tests based on the worst case scenarios published by the Bank of England, which are reported to the board.

STRATEGIC REPORT: OUR RISKS

9. Counterparty

Change in risk profile:
Exposure remains similar to last year end

Current risk rating (after controls):
The risk profile has a low likelihood and/or impact

Target:
Green

Significant financial loss from the failure of a significant counterparty. This could be a bank, JV partner, major contractor or systems provider that supports a compliance activity (development, repairs/investment, H&S or ICT).

Summary:
Counterparties are a major part of the strategy for Yorkshire Housing, with a large development programme, partnership arrangements and major repairs and investments works all utilising third parties. Failure of any one of these would have a major impact to both current and long term plans.

Mitigation:
A robust treasury policy is in place and sets out the rules associated with third parties to limit our exposure. When entering into major contracts, we utilise consultants for support and seek independent legal advice before signing. Joint ventures are scrutinised and approved by the board.

10. Growth plan

Change in risk profile:
Exposure has increased in the year

Current risk rating (after controls):
The risk profile has a low likelihood and/or impact

Target:
Green

We are unable to deliver the growth plan profitably because of competition for land, shortages of key construction roles and materials, or errors in option appraisal.

Summary:
In order to generate properties for sale and rent, we have entered into a large development programme. To facilitate this, we must be able to acquire land and source a partner that can build the homes to time and budget. Competition remains fierce for land and with high employment and rising cost of materials, living within budgets is subject to significant risks.

Mitigation:
We have a dedicated team looking at our development programme, identifying land and selecting partners. A detailed and thorough options appraisal is also in place which utilises current data on cost to build and likely market value. The risk has increased due to uncertainty around Brexit but remains within our appetite.

STRATEGIC REPORT: INTERNAL CONTROL ENVIRONMENT AND ASSURANCE

To ensure that the board delivers upon its requirements for risk management it maintains overall responsibility for establishing and maintaining the system of internal control and for reviewing its effectiveness.

The system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The process for identifying, evaluating and managing the significant risks faced by the group, as well as monitoring the effectiveness of the controls put in place to mitigate them, is on-going and has been in place throughout the year including up to the date of approval of the annual report and financial statements.

Key elements of the control framework include:

- Board approved terms of reference which set out the responsibilities for the board itself, its committees and subsidiaries, and delegated authorities covering the chief executive and directors.

- Clear management structure with responsibility for control environment effectiveness built into senior staff role profiles.

- A corporate plan which sets out key strategic and business planning considerations and includes financial and performance targets and forecasts. Our financial plan is subject to stress testing, which considers what factors could break this plan and what mitigations we can put in place to prevent this happening.

- Independent assurance obtained from BDO UK LLP (12 internal audits), Grant Thornton UK LLP (the annual external audit), Homes England (development scheme audits), Investors in People awarded a gold rating, Gas Safe and CORGI (consistently & continuously assess our gas work), NICEIC (assessing our compliance with electrical regulations), Local Authorities (review contracted services against Quality Assessment Framework) and Foundations (a Quality Mark from the national body for Home Improvement Agencies).

- The Regulator of Social Housing published their annual Regulatory Judgement for Yorkshire Housing in November 2018 which confirmed a rating of “G1” for governance and “V1” for viability, the highest possible ratings.

- Internal assurance from a number of management audits. These focus on areas of operational risk that are outside of the scope of third party assurance. We continue to follow best practice on methodology through continued promotion of learning, development and engagement.

- Detailed financial regulations which cover authorisation levels, reconciliations and segregation of duties. This is backed up by monthly performance reviews (financial and non-financial), reporting to directors and also presented periodically to the risk and assurance committee.

- A strong culture of integrity supported by our code of conduct. An annual staff survey collects anonymised views on all aspects of the business including awareness and adherence to the Yorkshire Housing values and behaviours. Formal recruitment, retention, training and development policies are in place and agreed with the staff forum which meets regularly with the chief executive. The fraud and whistle blowing registers are reviewed by the risk and assurance committee (“RAC”) at least once a year. All cases of fraud are reported to the RAC. There was one fraud loss event during the year (2018: 2). Three cases of whistle blowing were received and investigated during the year (2018: 5), each relating to employment aspects, being addressed by HR with no further action required outside of normal working practices (grievance process).

STRATEGIC REPORT: INTERNAL CONTROL ENVIRONMENT AND ASSURANCE

- Regular performance reporting:
  - Business planning – reviewed by the executive team and the board at least annually.
  - Management accounts – reviewed by the executive team monthly and the board at least quarterly.
  - Key performance indicators (KPIs) – reviewed by senior management and the executive team monthly and the board at least quarterly.
  - Health and safety measures and incidents – reviewed by the executive team at least quarterly, with major issues considered as urgent items.
  - Loan covenant compliance and liquidity – reviewed quarterly by the executive team and subsequently reported to lenders.
  - HR statistics – reviewed at least annually by the executive team and by the board.

- The RAC convene quarterly and report to the board on the effectiveness of internal controls. RAC is also responsible for:
  - Alerting the board to emerging risks and issues.
  - Overseeing both internal and external audit.
  - Maintaining an independent channel of feedback for auditors.

- A detailed exercise is undertaken by management annually to assess the operation of the system of internal control and is reported to the board. The board is satisfied that all necessary action is being taken to address control weaknesses identified in this report and throughout the year.

Will Lifford
Chair
19 August 2019

GOVERNANCE AND COMPLIANCE: YORKSHIRE HOUSING BOARD MEMBERS

The Yorkshire Housing board works with the committees and directors team to ensure that business is dealt with effectively, decisions are taken at the most appropriate level and the results of those decisions enhance our performance.

Will Lifford
Chair of the board

Will is a chartered accountant and a former UK head of audit with accountants Grant Thornton. Since retiring, he has held a number of non-executive roles in the public, charity and not-for-profit sectors. He is a former trustee and Chair of Martin House Children's Hospice and is currently a board member of the Independent Parliamentary Standards Authority. Will is a member of the governance committee.

Sue Hall
Vice chair

Sue has more than 30 years' leadership experience in IT transformation, risk management and consultancy. She was formerly director of information systems and strategy with leading global law firm, Linklaters LLP, and is the lead non-executive director and Board Chair at the Valuation Office Agency. Sue is chair of the governance committee.

Linda Christon
Board member

Linda has 30 years' experience working in housing, health and social care. Formerly a regional director of the Commission for Social Care Inspection. Linda is chair of the customer services committee.

YORKSHIRE HOUSING BOARD MEMBERS

Richard Flanagan
Board member

Richard is a chartered surveyor with over 25 years' experience in commercial development, valuations and development consultancy. He currently runs his own property consultancy and is a chair of RICS APC assessment panels, determining whether candidates are competent to practice. Richard is a member of the development committee.

Alison Hadden
Board member

Alison began her housing career 30 years ago and has spent the past eight years as a chief executive. Alison is currently the chair of Stafford and Rural Homes and continues to work as an experienced interim manager within housing. Alison is committed to bringing her considerable experience of the sector to benefit our customers. Alison is a member of the risk and assurance committee.

Keith Holloway
Board member

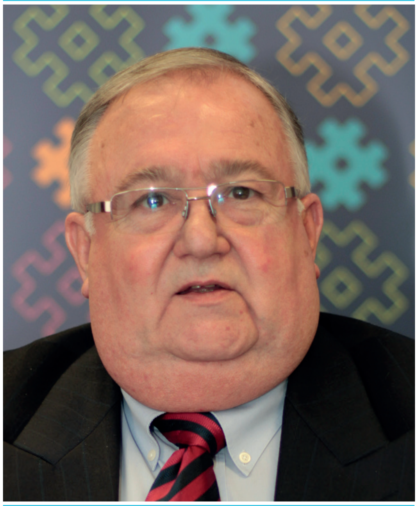
Keith is a founding director of Adept People and Performance, a company that provides consultancy services to housing associations. Formerly a housing association chief executive, he has a wide range of skills and experience relevant to the housing sector. Keith is chair of the development committee and a member of the governance committee

YORKSHIRE HOUSING BOARD MEMBERS

Naz Parkar
Board member

Naz has worked in social housing for over 30 years, and joined the Home and Communities Agency as head of investment before becoming an executive director in 2013. Naz re-joined local government in 2017 as the director for economy and infrastructure and in 2018 moved to the role of director of growth and housing at Kirklees Council. He lives in Yorkshire and is keen to make a genuine difference to communities in the region. Naz is a member of the development committee.

David Perry
Board member



David is a retired managing director of several Shell UK subsidiaries. He also spent time leading the European operation of a foreign exchange brokerage, giving him significant experience in the world of commercial finance. David has been involved with Yorkshire Housing for several years. David is a member of the customer services committee.

Philip Severs
Board member

Philip is a chartered accountant. He has substantial public and private sector experience and has held a number of non-executive roles throughout his career. He was formerly finance director of Sheffield Hallam University and a non-executive member of Chesterfield Royal Hospital Foundation Trust. He is currently Chairman of Harrogate Healthcare Facilities Management LTD, a wholly owned subsidiary of Harrogate & District Foundation Trust. Philip is chair of the risk and assurance committee.

YORKSHIRE HOUSING EXECUTIVE TEAM

Nick Atkin
Chief executive

Nick has a track record of leading organisations through transformational change, driving performance improvement, with a focus on maximising the untapped potential from businesses and people.

Nick has previously introduced a fully flexible / remote working approach. He also led the move to 90% of customer led transactions to be delivered through online self-service routes. He is regularly included in the top 25 most influential people in housing and is a keen advocate of innovation. He uses digital as an enabler to drive fundamental change in how businesses operate. He is also a disruptor in the 'future of work' debate and has been paperless for 17 years.

He writes regularly for Inside Housing and HR Magazine as one of their columnists and tweets on a regular basis (@nickatkin_yh).

David Bolton
Director of property services

David has been director of property services since 2008 and is responsible for the delivery of Yorkshire Housing's property related services to over 18,000 homes across Yorkshire including Leeds City Council homes. David also takes responsibility for health and safety, landlord compliance services and is lead director for Yorkshire Housing's home improvement agencies.

David is a board member of Yorkshire Transformations Ltd and a trustee of East Lancashire Hospitals NHS Trust. An alumnus of the University of Central Lancashire, David also supports the University Business School in a voluntary capacity.

Andy Gamble
Director of development

Andy joined Yorkshire Housing in June 2017. He has over 30 years' experience in the affordable housing sector, working with public and private companies. He previously worked at Accent Group where he led on development and growth since 2005.

Andy began his career with British Waterways Board, as an assistant mining surveyor. He is a chartered surveyor and member of the Chartered Institute of Housing.

YORKSHIRE HOUSING EXECUTIVE TEAM

Michelle Gregg
Director of business transformation

Michelle leads our exciting business transformation programme which will ensure the organisation is geared up to meet the challenges of a changing sector. She also has responsibility for HR, learning and development and communications.

Michelle joined us in 2015 from Merseyside and Cheshire-based Plus Dane group where she was interim executive director of neighbourhoods. Her previous roles include deputy chief executive for North West-based Your Housing Group.

Guy Millichamp
Director of finance

Guy joined the group in 2001 and has held a number of finance roles before becoming director of finance in February 2015. As well as being Yorkshire Housing's chief financial officer, Guy also leads on business planning, governance, risk and assurance.

A chartered accountant with a background in the not for profit sector including charities, education and housing. Guy is currently a board member at Rochdale Boroughwide Housing.

Cath Owston
Director of customer services

Cath Owston is interim director of customer services at Yorkshire Housing. Her remit includes responsibility for our neighbourhoods, independent living service and customer contact centre teams.

Cath joins Yorkshire Housing from Rochdale Boroughwide Housing where she was executive director of customer and community. Her thirty years in housing include four years at New Charter Housing Trust Group as director of customer experience and five years at Trafford Trust where she was transformation manager. She is also a board member with Bolton at Home and Chair of Starts with you, a social enterprise in Bolton.

REPORT OF THE BOARD

Board composition

The board comprises of nine members, elected by the shareholders. At present there is one tenant member on the board (David Perry). Under standing orders, the board may co-opt up to five additional members if necessary to meet identified skill shortages or to improve the diversity of the board to better reflect the communities we serve.

Membership of the board comprises 33% women and 11% members of the black and minority ethnic communities, there are no members who declare themselves to be disabled.

The board carries out an annual appraisal of its performance and an annual appraisal of individual board members. Each board member (excluding co-optees) is appointed for a fixed term of office of up to three years. Reappointment is possible for up to a maximum of two additional terms.

Board and committees

The board has established four committees to oversee specific areas of the Group's work and sets the scope and responsibilities for each in approved terms of reference. Delegation from the board may allow for decisions to be made or request that a committee consider and provide assurance to support the board on decision making.

The board also appoints subsidiary boards to oversee the work of its wholly owned companies YH Residential Limited, Yorkshire Community Property Services and Yorkshire Housing Finance plc.

Yorkshire Housing Board

Charged with overall governance of the organisation.

Risk and Assurance Committee

Provides the board with assurance relating to governance, risk management and internal control.

Has primary relationship with internal and external auditors.

Provides scrutiny over financial reporting and related controls.

Customer Services Committee

Advise the board on regulatory and internal requirements relating to customer services for all customers whatever their relationship with YH.

Ensures the customer voice is heard and YH responds accordingly.

Challenge the business to ensure focus on social purpose and value.

Development Committee

Support the board to deliver growth and generate profit for a purpose, approving investment hurdles and assumptions as well as large schemes.

Advise and recommend to the board on matters relating to developments and new business, and monitoring progress.

Governance Committee

Ensure the board and its committees have an appropriate balance of skills.

Ensuring the governance structure remains effective with appropriate succession plans and transparent recruitment for both the Board and executive.

REPORT OF THE BOARD

Governance Arrangements

The board is committed to ensuring that it has effective governance arrangements that deliver its aims and objectives for tenants and potential tenants in an effective, transparent and accountable manner. The board assesses the effectiveness of the governance structure annually including roles, responsibilities and accountabilities of the board.

The National Housing Federation ("NHF") 2015 Code of Governance has been adopted by the board as a formal framework to underpin its governance arrangements. This particular code of governance was selected as it is bespoke to the housing sector and it is a widely recognised example of best practice.

Compliance with this code ensures Yorkshire Housing will:

- Adhere to all relevant laws.
- Ensure that its constitutional documents are, and remain, fit for purpose. Be accountable to residents and relevant stakeholders.
- Safeguard taxpayers' interests and the reputation of the housing sector.
- Have an effective risk management and internal controls assurance framework.

The board is satisfied that its arrangements are clear and effective. An annual compliance assessment is undertaken by the board of its chosen code of governance. This assessment is reviewed and validated externally by independent consultants every three years.

The next independent review of the Governance arrangements is scheduled for late 2019.

Accordingly, the board states that the group is fully compliant with the NHF 2015 Code of Governance.

Merger code

The board has adopted the National Housing Federation's voluntary code; "Mergers, Group Structures and Partnerships". As a result the board is informed of merger, group structure or partnership opportunities at the outset. A record is also kept of activity including any proposals reviewed or submitted along with the outcome. There has been no activity during the year.

Financial Reporting Council audit quality review

As part of its annual inspection of audit firms the Audit Quality Review team (AQRT) of the Financial Reporting Council (FRC) reviewed Grant Thornton's audit of the group's financial statements for the year ended 31 March 2018. The risk and assurance committee discussed the report and its finding with Grant Thornton and any actions taken to address the matter raised. The committee is satisfied that Grant Thornton had an appropriate plan in place for this year's audit.

Employees

Employees are at the heart of the group's ability to provide high quality services to its customers. The group is accredited by Investors in People, and was awarded a gold rating in November 2016, which we still maintain. The group invests a significant sum in the training and development of its staff and encourages all staff to reach their potential.

A staff forum exists where staff representatives meet with directors to discuss relevant topics and raise issues of concern. During the last year, this group has met quarterly, focusing on staff restructures, the staff survey action plan and HR policies.

The organisation has conducted an annual staff survey since 2009. We use this to benchmark ourselves against other organisations. The company we use are also able to assess which questions have the greatest impact on staff engagement. We analyse our performance in these areas and identify areas for improvement. The survey results as at 31 March 2019 showed a slight increase in staff engagement to 79% (2018: 76%).

REPORT OF THE BOARD

Health and safety

The group takes the health and safety of its customers, employees and other people seriously. The board has approved a Health & Safety Policy that sets out how the group provides and maintains appropriate working conditions, equipment and systems of work for all employees. It recognises the group's responsibilities and those of employees to co-operate by working safely at all times and adhering to the procedures set down.

Key risk areas have been identified and have action plans in place to ensure compliance and best practice. The Grenfell tragedy shook the sector into further reviewing potential fire risks. We have undertaken a full review of all our properties and believe the group to be strong in this area for the following reasons:

- The group does not own any tower blocks (6 stories or higher).
- The build quality of our units has been said to pose no undue risk to fire safety by qualified internal fire surveyors with further advice accessed via Savills our external consultants.
- Additional funding has been agreed to carry out type 4 fire risk assessments to extra care and sheltered properties to improve fire safety.
- The new build process has been improved to include fire safety inspections by qualified internal fire safety surveyors at first and second fix. Where required a fire risk assessment will to be carried out to all new build properties before the properties are occupied.

Risk assessments and surveys are in place for all communal areas for fire, asbestos and legionella, with robust arrangements for delivering any required actions.

Managers are responsible for the health and safety of their teams and for providing a safe environment for customers and the public. There is a strong focus on training our colleagues, including health and safety plans for all roles and mandatory e-learning modules for all staff to complete.

The joint health and safety consultation group provides a forum where staff can review and approve policies and challenge any health or safety matters. This group is also working pro-actively to support and deliver our Wellbeing Strategy which aims to improve healthy living and reduce stress.

During the year, we've had a number of inspections from independent regulators, including Gas Safe all of which rated the group as good or better.

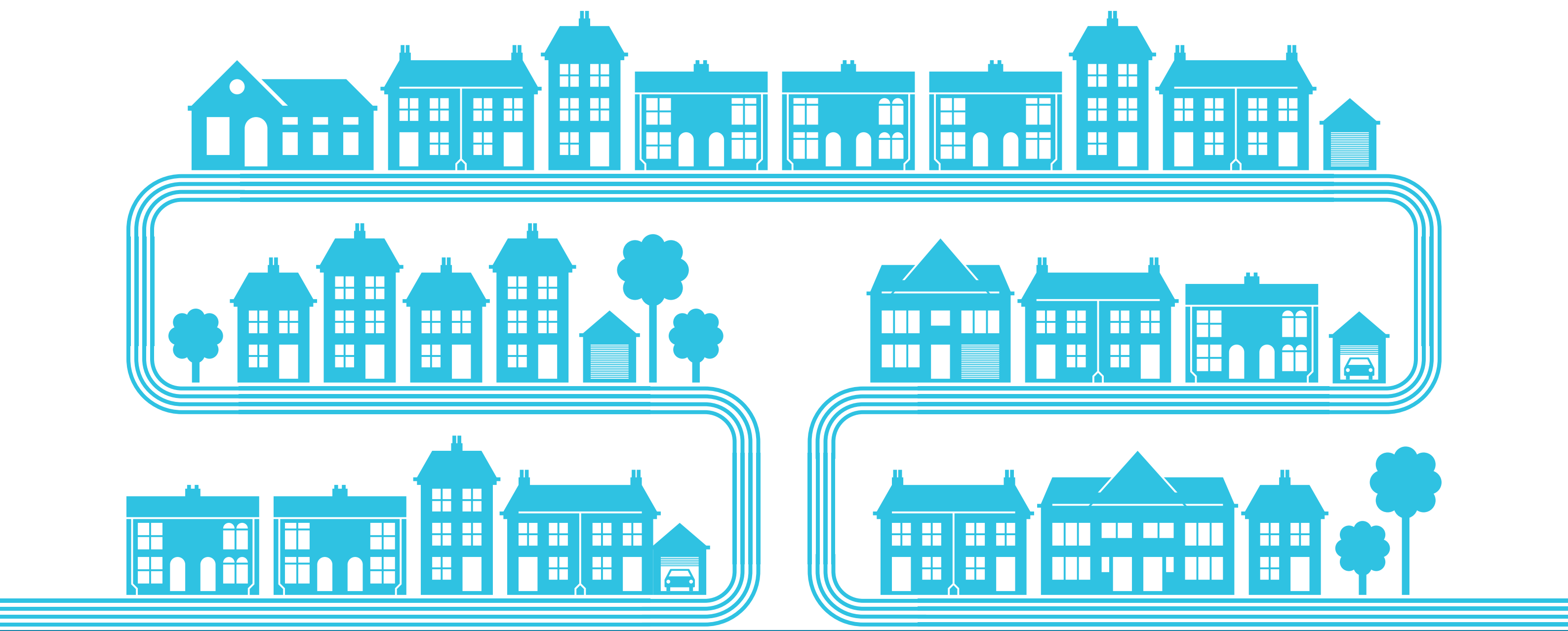
Works were completed in June 2019 to the sheltered housing complex in Haxby following a kitchen fire. The fire authority have visited the site and signed off the fire safety works.

Modern Slavery Act 2015

YHL has produced a Slavery and Human Trafficking Statement which can be accessed via YHL's website.

Gender Pay Gap Act 2010

YHL has produced a Gender Pay Gap Report which can be accessed via YHL's website.



REPORT OF THE BOARD

Equality and diversity

Yorkshire Housing is committed to promoting equality of opportunity and creating a working environment that is inclusive and free from discrimination or harassment. Respect is one of our values, and this policy confirms our commitment to equality diversity and inclusion in employment and service delivery.

We value diversity and recognise the benefits of employing a diverse workforce. As an employer and through our work in providing homes and services, we will help ensure fair treatment for all members of the community regardless of race, ethnic origin, nationality, gender, disability, religion, marital status, maternity, sexuality or sexual orientation, or age.

Under the Equality Act 2010 we have a responsibility as a social housing provider to promote equality of opportunity. The Act makes discrimination unlawful in relation to the nine protected characteristics.

Yorkshire Housing aims to be open, inclusive and diverse. These principles guide our work. Our Respect value means we believe everyone has a right to be treated with dignity, fairness and respect, and we:

- Value the diversity and talents of all individuals
- Support and empower people to succeed in our organisation
- Create a diverse workforce and inclusive workplace
- Understand the diverse needs of our customers
- Promote equality of opportunity in employment and services
- Deliver appropriate, flexible and accessible services
- Challenge prejudice discrimination and harassment
- Promote equality diversity and inclusion with our customers, partners, stakeholders and supply chain.

We are committed to creating a positive and inclusive culture with a well-trained workforce. To help achieve a diverse workforce we monitor recruitment and progression against protected characteristics.

Equality and diversity is included in training for all colleagues and board members and specific training is provided appropriate to roles. The Head of People is responsible for equality and diversity training.

We consider measures for example:

- Ensuring fair representation of minority communities in the workforce and governance structure
- Setting targets for recruitment of under-represented groups, such as women in trade roles
- As a disability confident employer support recruitment of people with disabilities
- Use apprenticeships and other training opportunities to encourage applications from underrepresented groups

Yorkshire Housing ethnicity make up (at 31 March 2019) was BAME 12.95%, against a target of 12%. The number of male and female Yorkshire Housing workers is almost equal.

The equality, diversity and inclusion policy is approved by the board of Yorkshire Housing, who with the Chief Executive have overall responsibility for policy and compliance with equality legislation and regulation. The executive is responsible for implementation and monitoring of performance. The Staff Forum is consulted on policy and practice.

REPORT OF THE BOARD

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

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

Co-operative and Community Benefit Society legislation requires the board to prepare financial statements for each financial year. Under that law the board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws), including FRS 102, 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:

In preparing these financial statements, the board are required to:

- Select suitable accounting policies and apply them consistently.
- Make judgements and 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.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The board is responsible for keeping proper accounting records 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 (2019). It is also responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Statement of compliance

The board has sought assurance of the group’s compliance with all regulatory requirements. A key element of the (Regulator for Social Housing) Governance and Financial Viability Standard is the requirement to comply with all relevant laws. Consequently the board has taken reasonable steps to seek necessary assurance and confirms that the group has complied with all relevant laws.

The process of seeking assurance for compliance with the Governance and Financial Viability Standard has been independently assessed by internal auditors (November 2018) receiving a rating of moderate for design and substantial for operational effectiveness.

On this basis the board confirms that the group complies with the requirements of the Regulator for Social Housing Governance and Financial Viability Standard.

REPORT OF THE BOARD

Donations

During the year, the group made charitable donations amounting to £833 (2018: £10,619).

Going concern

The company's business activities, its current financial position and future developments are set out in the strategic report. 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 has a long-term (30 year) business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

In reviewing the business plan the Board has considered a number of scenarios including a no-deal Brexit in combination with other downside risks. The modelling of these scenarios shows a significant impact on the groups operating results, cashflows and loan covenants in the worst case if no action is taken.

The board has also considered the mitigations including ceasing all uncommitted development schemes. Through this and other mitigations it is expected that the organisation has the ability to react and ensure the ongoing viability of the group. On this basis the board believes that the future viability of the group is secure and so it continues to adopt the going concern basis in the financial statements.

Statement of disclosure to auditors

So far as each member of the board is aware, there is no relevant audit information of which the group's auditors are unaware and each member has taken all the steps that he/she ought to have taken as a member in order to make him/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent Auditors

A resolution to re-appoint Grant Thornton UK LLP as external auditors will be proposed at the Yorkshire Housing Group annual general meeting.

On behalf of the board
Company Secretary
19 August 2019

Yorkshire Housing Limited
Co-operative and Community Benefit
Societies Act 2014 (registered number 30443R)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF YORKSHIRE HOUSING LIMITED

Opinion

We have audited the financial statements of Yorkshire Housing Limited (the 'parent society') and its subsidiaries (the 'group') for the year ended 31 March 2019, which comprise the Group and Association Statement of comprehensive income, Group and Association Statement of changes in reserves, Group and Association Statement of financial position, Group cash flow statement 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 2019 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.

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 Annual Report, set out on pages 6 - 39 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF YORKSHIRE HOUSING LIMITED

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:
Independent auditor's report to the members of Yorkshire Housing Limited (continued)

- 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 the responsibilities of the board set out on page 38, 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.

Use of our report

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.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
22 August 2019

FINANCIAL STATEMENTS: GROUP STATEMENT OF COMPREHENSIVE INCOME

Group statement of comprehensive income

	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Turnover	3	113,032		100,533	
Operating costs	3	(80,156)		(69,743)	
Other income	3	578		1,049	
Gain on disposal of fixed assets	6	1,580		1,184	
Operating surplus			**35,034**		**33,023**
Interest receivable and dividends	7		1,162		632
Interest and financing costs	8		(18,188)		(17,761)
Surplus before taxation			**18,008**		**15,894**
Taxation	11		(1)		(20)
Deferred tax	11		(58)		492
Surplus for the year			**17,949**		**16,366**
Other comprehensive income					
Re-measurement of SHPS obligation	31		(4,722)		-
Actuarial gain / (loss) in respect of pension schemes	31		(2,577)		94
Total comprehensive income for the year			**10,650**		**16,460**

The consolidated results relate wholly to continuing activities. The accompanying notes form part of these financial statements. The financial statements were authorised and approved by the board on 19 August 2019.

Board member **Board member** **Company secretary**

Date of approval: 19 August 2019
Yorkshire Housing Limited - Co-operative and Community Benefit Societies Act 2014 (registered number 30443R)

ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME

Association statement of comprehensive income

	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Turnover	3	102,770		96,578	
Operating costs	3	(74,214)		(68,001)	
Other income and gains	3	2,622		2,191	
Gain on disposal of fixed assets	6	1,580		1,222	
Operating surplus			**32,758**		**31,990**
Interest receivable and dividends	7		1,187		630
Interest and financing costs	8		(18,043)		(17,611)
Surplus before taxation			**15,902**		**15,009**
Taxation	11		-		-
Surplus for the year			**15,902**		**15,009**
Other comprehensive income					
Re-measurement of SHPS obligation	31		(4,722)		-
Actuarial gain / (loss) in respect of pension schemes	31		(2,577)		94
Total comprehensive income for the year			**8,603**		**15,103**

The association's results relate wholly to continuing activities. The accompanying notes form part of these financial statements. The financial statements were authorised and approved by the board on 19 August 2019.

Board member **Board member** **Company secretary**

Date of approval: 19 August 2019
Yorkshire Housing Limited - Co-operative and Community Benefit Societies Act 2014 (registered number 30443R)

GROUP STATEMENT AND ASSOCIATION STATEMENT OF CHANGES IN RESERVES

Group statement of changes in reserves

	Income and expenditure reserve	Restricted reserve	Revaluation reserve	Total reserve
	£'000	£'000	£'000	£'000
Balance at 1 April 2017	161,186	13	28,546	189,745
Surplus for the year	16,366	-	-	16,366
Other Comprehensive Income	94	-	-	94
Transfer on asset sale	42	-	(42)	-
Balance at 31 March 2018	**177,688**	**13**	**28,504**	**206,205**
Surplus / deficit for the year	17,949	-	-	17,949
Other Comprehensive Income: Re-measurement of SHPS obligation	(4,722)	-	-	(4,722)
Actuarial losses on defined benefit pension scheme	(2,577)	-	-	(2,577)
Transfer on asset sale	-	-	(14)	(14)
Restricted expenditure from restricted reserve	-	3	-	3
Balance at 31 March 2019	**188,338**	**16**	**28,490**	**216,844**

The accompanying notes form part of these financial statements.

Association statement of changes in reserves

	Income and expenditure reserve	Restricted reserve	Revaluation reserve	Total reserve
	£'000	£'000	£'000	£'000
Balance at 1 April 2017	154,999	13	28,546	183,558
Surplus for the year	15,009	-	-	15,009
Other Comprehensive Income	94	-	-	94
Transfer on asset sale	42	-	(42)	-
Balance at 31 March 2018	**170,144**	**13**	**28,504**	**198,661**
Surplus / deficit for the year	15,902	-	-	15,902
Other Comprehensive Income: Re-measurement of SHPS obligation	(4,722)	-	-	(4,722)
Actuarial losses on defined benefit pension scheme	(2,577)	-	-	(2,577)
Transfer on asset sale	-	-	(14)	(14)
Restricted expenditure from restricted reserve	-	3	-	3
Balance at 31 March 2019	**178,747**	**16**	**28,490**	**207,253**

The accompanying notes form part of these financial statements.

GROUP AND ASSOCIATION STATEMENT OF FINANCIAL POSITION

Group and association statements of financial position at 31 March 2019

		Group		Association	
	Note	2019 £'000	2018 Restated £'000	2019 £'000	2018 Restated £'000
Fixed assets					
Tangible fixed assets – housing properties	12	849,131	815,158	849,131	815,158
Other tangible fixed assets	13	6,467	6,834	6,460	6,813
Investment properties	14	28,253	26,901	3,840	3,755
Homebuy loans receivable	18	-	-	-	-
Investments	17	-	-	33,453	14,948
		883,851	848,893	892,884	840,674
Current assets					
Properties held for sale	15	36,419	15,193	18,594	6,197
Trade and other debtors	16	11,743	10,894	11,529	16,279
Cash and cash equivalents	17	50,900	88,800	50,654	88,408
		99,062	114,887	80,777	110,884
Creditors: amounts falling due within one year	19	(29,353)	(23,544)	(30,777)	(20,855)
Net current assets		69,709	91,343	50,000	90,029
Total assets less current liabilities		953,560	940,236	942,884	930,703
Creditors: amounts falling due after more than one year	20	(723,293)	(733,804)	(722,493)	(732,042)
Provisions for liabilities					
Deferred tax provision	27	(285)	(227)	-	-
Pension liability	31	(13,138)	-	(13,138)	-
Total net assets		**216,844**	**206,205**	**207,253**	**198,661**
Reserves					
Income and expenditure reserve		188,338	177,688	178,747	170,144
Revaluation reserve		28,490	28,504	28,490	28,504
Restricted reserve		16	13	16	13
Total reserves		**216,844**	**206,205**	**207,253**	**198,661**

The accompanying notes form part of these financial statements.
The financial statements were approved by the board on 19 August 2019.

Board member **Board member** **Company secretary**

Date of approval: 19 August 2019
Yorkshire Housing Limited - Co-operative and Community Benefit Societies Act 2014 (registered number 30443R)

GROUP CASH FLOW STATEMENT

Group cash flow statement

	2019 £'000	2018 £'000
Net cash generated from operating activities (note 26)	**25,347**	**29,076**
Cash flow from investing activities		
Purchase of housing properties	(56,726)	(39,490)
Purchase of other fixed assets	(189)	(605)
Purchase of investment properties	(749)	(3,210)
Proceeds from sale of fixed assets and investment properties	8,207	8,209
Grants received	5,751	4,082
Interest received	479	180
Interest and dividends from joint venture	577	452
	(42,650)	(30,382)
Cash flow from financing activities		
Interest paid	(19,253)	(16,764)
Bank loan drawn down	-	10,000
New secured loans	-	91,134
Borrowing costs	-	(1,146)
Repayments of borrowings	(1,344)	(1,562)
	(20,597)	81,662
Net change in cash and cash equivalents	**(37,900)**	**80,356**
Cash and cash equivalents at beginning of the year	88,800	8,444
Cash and cash equivalents at end of the year	50,900	88,800
Net change in cash and cash equivalents	**(37,900)**	**80,356**
Cash and cash equivalents		
Cash deposits	45,210	85,886
Cash at bank	5,690	2,914
Cash and cash equivalents as at 31 March	**50,900**	**88,800**

NOTES TO THE FINANCIAL STATEMENTS

1. Legal status

Yorkshire Housing Limited was incorporated on 1 April 2008 and is registered in England and Wales under the Co operative and Community Benefit Societies Act 2014 (registered number 30443R). The Company is a registered social housing provider (Homes England registration L4521). The registered office is Dysons Chambers, 12-14 Briggate, Leeds, England, LS1 6ER.

The companies, Yorkshire Housing Limited and its subsidiaries, are referred to as “the group”. Within the group there are three limited companies, a public limited company and a joint venture. None of the subsidiaries are registered social housing providers. The principal activity of the group is the provision of social housing and housing management.

YH Residential Limited is a company limited by shares, registered with Companies House under the Companies Act 2006. The principal activity of the company is the provision of market rented properties and property management.

Yorkshire Community Property Services Limited is registered with Companies House under the Companies Act 2006. The Company is a non-trading company.

Yorkshire Housing Finance plc is registered with Companies House under the Companies Act 2006 and has listed debt on the London Stock Exchange. The principal activity of the company is to provide long term funding to the group.

Yorkshire Housing Limited owns a 33% share of Yorkshire Transformations Holdings Limited (“YTHL”). YTHL owns 100% of its subsidiary Yorkshire Transformations Limited (“YTL”) which manages the maintenance and refurbishment of homes on the Swarcliffe estate for Leeds City Council under a private finance initiative (“PFI”).

2. Principal accounting policies

Basis of accounting

The consolidated financial statements of the Group and Association are prepared in accordance and are fully compliant with UK Generally Accepted Accounting Practice including Financial Reporting Standard 102 (FRS102) and the Housing Statement of Recommended Practice 2014 (SORP 2014) and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019. The Public Benefit Entity sections of FRS102 have been applied. The financial statements are presented in sterling (£), which is also the functional currency.

The association has applied the defined benefit accounting for the SHPS obligation for the year ended 31 March 2019 as required by the amendments to section 28 of FRS 102, which have been early adopted.

The association has taken advantage of the following disclosure exemption in preparing these financial statements, as permitted by the FRS 102:

- The requirements of Section 7 to present a statement of cash flows and related notes.

The following accounting policies have been applied consistently in dealing with items which are considered to be material in relation to the financial statements of the group and all constituent subsidiaries.

Going concern

The group’s business activities, its current financial position and factors likely to affect its future development are set out within the strategic review. The group has in place long term debt facilities which will provide adequate resources to finance committed development and day to day operations. The group has a long term business plan which demonstrates its ability to service its long term debt whilst continuing to comply with funders’ covenants.

On this basis the board has 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.

NOTES TO THE FINANCIAL STATEMENTS

2. Principal accounting policies (continued)

Basis of consolidation
The group consolidated financial statements include the results of Yorkshire Housing Limited's subsidiary companies Y H Residential Limited, Yorkshire Community Property Services Limited and YH Finance Plc plus a 33% share of Yorkshire Transformations Holdings Limited which is a joint venture.

Details of the subsidiary undertakings are included in note 17 to the financial statements. All intragroup transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Investments in subsidiaries are accounted for at cost less impairment in the relevant company's financial statements.

Accounting judgements and estimates
Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts where required or appropriate and other factors.

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

a) Classification and identification of investment properties
The group has reviewed the classification of properties owned and where properties do not meet the criteria for social benefit these have been identified, classed as investment properties and valued at fair value. The group has determined that properties are for social benefit unless they are market rented, market sale, commercial properties including garages, which are investment properties.

The group has classified all properties as either held for social benefit or for investment purposes. Where properties do not meet the required criteria these are classed as investment properties and are held at fair value; social benefit properties are held at amortised cost. Valued properties totalled £28.3m at 31 March 2019.

b) Impairment
As part of the group's continuous review of the sustainability of its properties, homes or schemes are assessed for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the asset's carrying amount to the recoverable amount and any impairment losses are charged to the statement of comprehensive income.

Other assets are also reviewed for impairment if there is an indication that impairment may have occurred.

No impairment was required in 2018/19.

c) Joint Venture Accounting Policy
Management have considered the requirements under FRS 102 for the accounting treatment of joint ventures. Where joint ventures are making losses and these losses are in excess of the investment value the entity must stop recognising the investment once it has been reduced to zero. YTL's losses are in excess of the investment value after accounting for its cashflow hedge. The cashflow hedge is used to manage the interest rate risk of the company and is therefore linked to the operations of the Company. Over time it is expected the hedge will unwind and the joint venture will move into surplus.

d) Classification of loans
The group has a number of bank loans and a bond, all of which have been classified as basic financial instruments under the definition given in section 11 of FRS 102. The assessment of certain loans and interest rate fixes as basic financial instruments requires judgement. Certain loans have two way break clauses which are applicable where the loan is repaid early and could result in a break cost or a break gain. Management have considered the terms of its loan agreements and concluded that they do meet the definition of a basic financial instrument and therefore are held at amortised cost.

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

a) Useful lives of depreciable assets
Useful economic lives are reviewed by Management at each reporting date based on the expected lives of the assets. Accumulated depreciation totalled £161.9m at 31 March 2019. The carrying amount of housing properties was £849.1m at the year ended 31 March 2019.

NOTES TO THE FINANCIAL STATEMENTS

2. Principal accounting policies (continued)

b) Capitalisation of development costs

The group capitalises development expenditure (allocating development costs to individual components upon completion) in accordance with the new build housing property accounting policy, this requires judgement on the period of time that interest can be capitalised against the build, deciding the point at which the build is complete with any future costs being written off and the value of staff time and overheads to be capitalised as part of the development. Development costs of £855k and interest of £1,311 were capitalised in the year ended 31 March 2019.

c) Fair value measurement

Management uses valuation techniques to determine the fair value of assets which include commercial properties, investment properties and fixed asset investments. This involves developing estimates and assumptions consistent with how market participants would price the asset. Management base the assumptions on observable data as far as possible but this is not always available. In that case, management uses the latest information available. The annual valuation for investment properties is carried out by independent professional advisors, qualified by the Royal Institution of Chartered Surveyors to undertake valuations, using a market value short term tenancy basis of valuation. The increase in fair value in the year was £603k (2018: £1,093k).

d) Impairment of social housing properties

Where there is evidence of impairment the fixed assets are written down to their recoverable amount and any write down is charged to the statement of comprehensive income. Potential indicators of impairment include difficulties in letting empty homes, decisions to dispose of homes and significant policy changes which might offset future revenues. No impairment was recognised in 2018/19.

e) Pension costs

Estimates of the defined benefit obligation is determined using a number of actuarial valuations using underlying assumptions. These include discount rates, rates of inflation, future salaries and mortality rates. Variations in these assumptions may significantly impact the liability and the annual defined benefit expenses. An obligation of £13.1m was recognised at 31 March 2019.

f) Bad debts

Bad debts are provided for within the financial statements at 71% of tenant arrears older than 10 weeks. Former tenant arrears are provided for at 71%. Tenant arrears includes collection fees associated with historical arrears, rechargeable repairs and investment works. A provision of £0.75m was recognised at 31 March 2019.

Turnover and revenue recognition

The main source of revenue is rental and service charge income from lettings. Revenue is also generated from the sale of properties on the open market or through shared ownership. Other services included in turnover are contractual fees received in respect of private finance initiatives (PFIs), supporting people income, income from other support services, amortised government grants, sale of properties built or acquired for disposal, and other non-lettings income.

Revenue is recorded in respect of actual activity undertaken within each category. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred. Where activity has been delivered but the income has not been received in the financial year that income is included in turnover.

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

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

The rechargeable repairs, lifecycle works and related income from the PFI has been treated on the basis YH is a principal in the transaction rather than an agent as it has been previously. This has resulted in £2.2m additional turnover and operating costs being recorded in the year ended 31 March 2019. No adjustment has been made to the year ending 31 March 2018 and the equivalent amount was £1.9m.

NOTES TO THE FINANCIAL STATEMENTS

2. Principal accounting policies (continued)

Supported housing
Income and expenditure on housing accommodation is allocated on the basis of the number of units for each type of accommodation, except for staffing and running costs for which the level of expenditure is directly attributable.

Fixed assets and depreciation
a) New build
Housing properties in the course of construction are held at cost and are not depreciated. They are transferred to completed properties when ready for letting or sale. The group's policy is to capitalise the costs associated with acquiring land and building, indirect costs directly attributable to the new build, interest costs and development expenditure including direct development staff cost.

b) Housing properties
Housing properties are stated at cost less accumulated depreciation. Properties acquired through merger, where they were previously stated at existing use value – Social Housing are stated at deemed cost on transfer to Yorkshire Housing Limited. The valuation at the merger date has been adopted as the deemed cost of acquisition of the properties. No depreciation is charged on land or for properties in the course of construction.

Where a housing property comprises two or more major components with substantially different useful economic lives ("UEL"s), each component is accounted for separately and depreciated over its individual UEL. Expenditure relating to subsequent replacement of components is capitalised as incurred.

Existing schemes at the time of adoption had component values allocated based on a matrix produced by Savills. This was created to be used nationally by all housing associations. New schemes built by Yorkshire Housing since adoption have costs allocated using a local matrix produced by a third party which is reviewed and revised every five years based on construction costs.

Depreciation is charged by component from the date of acquisition until the date of disposal on a straight line basis over the UEL of the component.

Useful economic lives for identified components are as follows:

Housing properties	Years
Heating	13
Kitchen	20
Solar panels	25
Bathroom	25
Windows	25
Roof	50
Structure	75
Freehold land is not depreciated.	

c) Other tangible fixed assets
Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged by component from the date of acquisition until the date of disposal on a straight line basis over the UEL of the component. No depreciation is charged on land. Leased office premises are depreciated over the term of the lease.

Useful economic lives for other fixed assets are as follows:

Other fixed assets	Years
Motor vehicles – residual value £2k	5
Computer equipment	5
Computer data room	10
Fixtures and fittings	10
Freehold office and shops	60

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

Annually housing properties are assessed for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the asset's carrying amount to its recoverable amount. Where the carrying amount of an asset is deemed to exceed its recoverable amount, the asset is written down to its recoverable amount, this is likely to be the value in use of the asset based on its service potential.

NOTES TO THE FINANCIAL STATEMENTS

2. Principal accounting policies (continued)

d) Impairment (continued)

The resulting impairment loss is recognised in the statement of comprehensive income under operating cost (note 3). Where an asset is currently deemed not be providing service potential to the association, its recoverable amount is its fair value less costs to sell.

An impairment loss is reversed if the reasons for the impairment loss have ceased to apply and is included in surplus or deficit in the statement of comprehensive income.

e) Capitalisation of interest

Interest is capitalised on borrowings to finance the development of qualifying assets to the extent that it accrues in respect of the period of development it represents.

f) Capitalisation of development costs

Costs directly attributable to bringing the asset to its working condition up to the date of completion are capitalised. Development labour and travel costs are allocated on the basis of property additions in the financial year including properties held in stock and work in progress but excluding capitalised major repairs. Development costs not capitalised are shown as other expenditure in note 3.

g) Capitalisation of maintenance costs

Any expenditure on an existing property that meets one of the following circumstances is capitalised into one of the housing property components:

- Replacement or restoration of a component of the property that has been previously treated separately for depreciation purposes and has been depreciated over its individual useful economic life.
- The economic benefits of the property have been enhanced in excess of the previously assessed standard of performance.

Any expenditure on an existing property that does not replace a component or result in an enhancement of the economic benefits of that property is charged to the Statement of Comprehensive Income.

Government grants

Government grants include grants receivable from the Homes England (previously the Homes and Communities Agency), local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the UEL of the housing property structure and where applicable its individual components (excluding land) under the accruals model, in the case of new build this will be when the properties are completed.

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.

Grants due from government organisations or received in advance are included as current assets or liabilities.

Government grants received for housing properties are subordinated to the repayment of loans by agreement with Homes England. 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.

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 turnover in the statement of comprehensive income.

Investment properties

Investment properties consist of commercial properties and other properties not held for social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently at fair value as at the year end. Properties let at a commercial rent are carried at fair value. The valuation is carried out by an independent professional advisor qualified by the Royal Institution of Chartered Surveyors to undertake valuations. The basis of valuation is market value subject to tenancy. The properties are held as investment properties and are not subject to depreciation but re-valued annually. Any gains or losses are recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

2. Principal accounting policies (continued)

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

Sale of tangible fixed assets
The surplus or deficit recognised on disposal of property assets that are deemed to be in the normal course of business will be included in operating activities and shown within operating surplus. These will include planned individual property sales, right to buy, right to acquire and stock rationalisation. Where disposals are non-routine and outside the remit of normal business these will be treated as non-operating and any surplus/deficit will be disclosed below the operating surplus line.

Investments
Investments in group companies are held at cost less impairment.

Current assets investments
Current asset investments are available at short notice. They include monies held on deposit which are readily available or withdrawn without penalty and preference shares held with YH Residential which are redeemable within five days' notice from Yorkshire Housing Limited.

Debtors and creditors
Short term debtors and creditors are measured at transaction values. Debtors are shown less any impairment. Where deferral of payment terms has been agreed below market rate, and where material, the balance is shown at the present value, discounted at a market rate. The debt service reserve has been reclassified this year as a debtor due after one year (previously cash) to better reflect the underlying nature of the balance. The debt service reserve is measured at fair value.

Homebuy
Homebuy loans are treated as concessionary loans and are recognised at the amount paid to the purchaser. No interest is accrued and any impairment loss is recognised in the statement of comprehensive income. The associated Homebuy grant is recognised as deferred loan until the loan is redeemed.

Leasing
When entering into a lease which requires taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease". The asset is recorded on the statement of financial position as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors.

Rentals payable are apportioned between the finance element, which is charged to the statement of comprehensive income, and the capital element which reduces the outstanding obligation for future instalments. All other leases are classified as operating leases.

The rentals paid under an operating lease which is defined as any lease which is not a finance lease, are charged to the statement of comprehensive income on a straight line basis over the term of the lease.

Joint venture
The Group's interest in the joint venture is a jointly controlled entity and the investment is accounted for using the equity method under FRS 102. The joint venture is carried within the Group's financial statements at the Group's share of its net assets/liabilities and the Group recognises its share of the profits for the period. The joint venture has a different accounting period to the Group and this is considered at the reporting date as to the results that are incorporated.

Management deem that unless the difference is material then the year end results and position for the joint venture, at 31 December, are used in the consolidation and/or investment value.

FRS 102 states that where a joint venture is making losses that are in excess of the investment value, the entity must stop recognising the investment once it has been reduced to zero. Management have taken this position to include other comprehensive income. The joint venture is currently in a net liability and generating losses including other comprehensive income as a result of a cashflow hedge held within the joint venture to receive fixed interest rates against a variable rate loan.

NOTES TO THE FINANCIAL STATEMENTS

2. Principal accounting policies (continued)

Restricted reserve
Yorkshire Housing Limited maintains a restricted reserve for specific amounts donated to a hardship fund.

Revaluation reserve
The difference on transition between the organisation assets that have been revalued and the historical cost carrying value is credited or debited to the revaluation reserve. The reserve is only applicable to housing assets held at deemed cost.

Agency managed schemes
Where Yorkshire Housing Limited carries the financial risk, all of the scheme's income and expenditure is included in the Statement of Comprehensive Income. Where the agency carries the financial risk, only the turnover and costs which relate solely to Yorkshire Housing Limited is included. Other turnover and costs of schemes in this category are excluded from the statement of comprehensive income.

Deferred taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the statement of financial position date.

A deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable surpluses against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax relating to investment property that is measured at fair value is measured using the tax rates and allowances that apply to the sale of the asset, except for investment property that has a limited useful life and is held in a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is measured on an undiscounted basis.

Current taxation
The tax currently payable is based on taxable surplus for the year. Taxable surplus differs from net surplus as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The current liability is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

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 recovered from HM Revenue and Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

Financial instruments
All financial instruments meet the criteria of a basic financial instrument as defined in section 11 FRS102. Financial instruments are held in the statement of financial position at gross proceeds less the cost of raising the funds which are amortised over the life of the loan and are accounted for in accordance with FRS102.

The financial instruments are initially recorded at amortised cost, adjusted for transaction costs. Subsequent measurement is as follows:

Financial liabilities
- Bonds and loans are classified as "financial liabilities" under FRS102 and are held at amortised cost using the effective interest rate method to allocate costs of issue, including the discount on issue.

- Accrued interest payable on the Bonds is also classified as "other financial liabilities" and held at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

2. Principal accounting policies (continued)

Financial assets

- Financial assets such as cash, current asset investments and receivables are classified as "loans and receivables" under FRS 102 and are held at amortised cost using the effective interest rate method to allocate cost of issue, including the discount on issue.

- Accrued interest receivable on loans advanced to Yorkshire Housing Limited is classified as "loans receivables" and held at amortised cost as debtors due within one year.

Loan finance issue costs are written off evenly over the expected minimum life of the associated loan. Loans are stated in the statement of financial position at the gross amount less the unamortised portion of the associated issue costs.

Service charge sinking funds and service costs

Unutilised contributions to service charge sinking funds and over-recovery of service costs which are repayable to tenants or leaseholders or are intended to be reflected in reductions to future service charge contributions are recognised as a liability in the statement of financial position.

The amount included in liabilities in respect of service charge sinking funds includes interest credited to the fund. Where there has been an under-recovery of leaseholders' or tenants' variable service charges and recovery of the outstanding balance is virtually certain, the balance is recognised in the statement of financial position as a trade receivable.

Debit and credit balances on individual schemes are not aggregated as there is no right of set-off.

Pension costs

In the previous year, the association was unable to recognise its share of the scheme assets and scheme liabilities, therefore had applied defined contribution accounting in respect of the SHPS. For the year ended 31 March 2018, the association had recognised as a past service deficit liability of £6,558k, within creditors, based on the present value of the association's deficit funding agreement.

For the year ended 31 March 2019, the association is able to identify its share of the scheme assets and scheme liabilities from 1 April 2018 and therefore has applied defined benefit accounting from this date onwards. For accounting purposes, the relevant date for accounting for this change from defined contribution to defined benefit accounting is 1 April 2018. The scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates.

The deficit funding agreement liability that was previously recognised within creditors of £6,558k was derecognised on the 1 April 2018, and an initial net defined benefit pension liability of £11,300k was recognised at this date in the statement of financial position. The resulting net difference of £4,722k on initial recognition of the SHPS obligation was recognised in other comprehensive income.

As at the year ended 31 March 2019, the net defined benefit pension deficit liability was £13,138k, which has been included within the provisions for pensions liability in the financial statements.

In the year ended 31 March 2019, the current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period within the income and expenditure account. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income. Refer to Note 31 for more details.

Investment in Preference Shares

The investment in preference shares comprises of the preference shares issued by YH Residential Limited, a wholly owned subsidiary of Yorkshire Housing Limited. The investment is a basic financial instrument and is measured at cost less impairment.

Gift Aid Policy

Yorkshire Housing Limited receives gift aid from its subsidiary undertaking, YH Residential Limited. This gift aid is received in the year following the year end in which it relates to and therefore Yorkshire Housing only recognise this income once YH Residential has created an obligation to pay it.

NOTES TO THE FINANCIAL STATEMENTS

3. Particulars of turnover, operating costs and operating surplus

	2019			
	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000
Group turnover and costs				
Social housing lettings	84,930	-	(60,004)	24,926
Other social housing activities				
Sale of houses acquired for disposal	9,441	(6,983)	-	2,458
Other	519	-	(544)	(25)
	9,960	(6,983)	(544)	2,433
Non social housing activities				
Non social lettings	2,172	-	(1,513)	659
Open Market Sales	5,938	(4,488)	-	1,450
Help to Buy initiatives	2,909	-	(779)	2,130
Third party contracts	5,670	-	(4,085)	1,585
Home improvement agencies	1,453	-	(1,760)	(307)
	18,142	(4,488)	(8,137)	5,517
Total	**113,032**	**(11,471)**	**(68,685)**	**32,876**

	2018			
	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000
Group turnover and costs				
Social housing lettings	86,798	-	(59,119)	27,679
Other social housing activities				
First tranche shared ownership sales	3,534	(2,778)	-	756
Care and support services	491	-	(460)	31
Other	646	-	(590)	56
	4,671	(2,778)	(1,050)	843
Non social housing activities				
Non social lettings	1,995	-	(2,303)	(308)
Help to Buy initiatives	2,585	-	(630)	1,955
Third party contracts	2,651	-	(1,702)	949
Home improvement agencies	1,833	-	(2,161)	(328)
	9,064	-	(6,796)	2,268
Total	**100,533**	**(2,778)**	**(66,965)**	**30,790**

NOTES TO THE FINANCIAL STATEMENTS

3. Particulars of turnover, operating costs and operating surplus (continued)

Group other income and gains	2019 £'000	2018 £'000
Revaluation gain on investment properties	603	1,093
(Loss) / gain on current asset investments	(25)	(44)
	578	**1,049**

Association turnover and costs	2019			
	Turnover £'000	Operating sales £'000	Operating costs £'000	Surplus £'000
Social housing lettings	84,930	-	(60,004)	24,926
Other social housing activities				
First tranche shared ownership sales	9,441	(6,983)	-	2,458
Other	1,249	-	(1,382)	(133)
	10,690	(6,983)	(1,382)	2,325
Non-social housing activities				
Non social lettings	27	-	-	27
Third party contracts	5,670	-	(4,085)	1,585
Home improvement agencies	1,453	-	(1,760)	(307)
	7,150	-	(5,845)	1,305
Total	**102,770**	**(6,983)**	**(67,231)**	**28,556**

Association turnover and costs	2018			
	Turnover £'000	Operating sales £'000	Operating costs £'000	Surplus £'000
Social housing lettings	86,798	-	(59,685)	27,113
Other social housing activities				
Sale of houses acquired for disposal	3,534	(2,778)	-	756
Care and support services	491	-	(460)	31
Other	1,271	-	(1,215)	56
	5,296	(2,778)	(1,675)	843
Non-social housing activities				
Third party contracts	2,651	-	(1,702)	949
Home improvement agencies	1,833	-	(2,161)	(328)
	4,484	-	(3,863)	621
Total	**96,578**	**(2,778)**	**(65,223)**	**28,577**

NOTES TO THE FINANCIAL STATEMENTS

3. Particulars of turnover, operating costs and operating surplus (continued)

Group operating activities	2019					2018
Turnover and costs from social housing lettings	**General needs £'000**	**Housing for older people £'000**	**Supported housing and care homes £'000**	**Shared ownership £'000**	**Total £'000**	**Total £'000**
Turnover from lettings						
Rent receivable	67,898	2,895	1,255	913	72,961	73,399
Supporting people income	486	422	607	-	1,515	1,998
Service charges receivable	2,640	1,439	532	581	5,192	5,413
Amortised government grants	4,867	249	141	5	5,262	5,988
Turnover from lettings	**75,891**	**5,005**	**2,535**	**1,499**	**84,930**	**86,798**
Cost of lettings						
Management	(13,220)	(718)	(506)	(106)	(14,550)	(13,850)
Service charge costs	(3,406)	(1,784)	(1,070)	(253)	(6,513)	(6,869)
Routine maintenance	(10,753)	(601)	(303)	(18)	(11,675)	(11,313)
Planned maintenance	(3,940)	(924)	(205)	(14)	(5,083)	(5,529)
Major repairs expenditure	(4,329)	(422)	(102)	(3)	(4,856)	(4,827)
Bad debts	(454)	(25)	(15)	-	(494)	(489)
Property leasing costs and agency fees	(135)	-	(17)	(6)	(158)	(146)
Depreciation of housing properties	(15,021)	(689)	(284)	(115)	(16,109)	(16,096)
Other expenses	(566)	-	-	-	(566)	-
Operating cost of lettings	**(51,824)**	**(5,163)**	**(2,502)**	**(515)**	**(60,004**	**(59,119)**
Operating surplus/ (deficit) on lettings	**24,067**	**(158)**	**33**	**984**	**24,926**	**27,679**
Void losses	**521**	**83**	**105**	**-**	**708**	**625**

NOTES TO THE FINANCIAL STATEMENTS

3. Particulars of turnover, operating costs and operating surplus (continued)

Association operating activities	2019					2018
Turnover and costs from social housing lettings	**General needs £'000**	**Housing for older people £'000**	**Supported housing and care homes £'000**	**Shared ownership £'000**	**Total £'000**	**Total £'000**
Turnover from lettings						
Rent receivable	67,898	2,895	1,255	913	72,961	73,399
Supporting people income	486	422	607	-	1,515	1,998
Service charges receivable	2,640	1,439	532	581	5,192	5,413
Amortised government grants	4,867	249	141	5	5,262	5,988
Turnover from lettings	**75,891**	**5,005**	**2,535**	**1,499**	**84,930**	**86,798**
Cost of lettings:						
Management	(13,220)	(718)	(506)	(106)	(14,550)	(13,850)
Service charge costs	(3,406)	(1,784)	(1,070)	(253)	(6,513)	(6,869)
Routine maintenance	(10,753)	(601)	(303)	(18)	(11,675)	(11,313)
Planned maintenance	(3,940)	(924)	(205)	(14)	(5,083)	(5,529)
Major repairs expenditure	(4,329)	(422)	(102)	(3)	(4,856)	(4,827)
Bad debts	(454)	(25)	(15)	-	(494)	(489)
Property leasing costs and agency fees	(135)	-	(17)	(6)	(158)	(146)
Depreciation of housing properties	(15,021)	(689)	(284)	(115)	(16,109)	(16,096)
Other expenses	(566)	-	-	-	(566)	(566)
Operating cost of lettings	**(51,824)**	**(5,163)**	**(2,502)**	**(515)**	**(60,004)**	**(59,685)**
Operating surplus / (deficit) on lettings	**24,065**	**(158)**	**33**	**983**	**24,926**	**27,113**
Void losses	**521**	**83**	**105**	**-**	**709**	**625**

NOTES TO THE FINANCIAL STATEMENTS

3. Particulars of turnover, operating costs and operating surplus (continued)

Association other income and gains	2019 £'000	2018 £'000
Revaluation gain on investment properties	85	69
(Loss) / gain on current asset investments	(25)	(44)
Gift Aid	2,562	2,166
	2,622	**2,191**

4. Yorkshire Housing property portfolio

	Group number of units		Association number of units	
	2019	**2018**	**2019**	**2018**
Housing properties				
General needs	9,559	9,646	9,559	9,646
Housing for older people	767	767	767	767
Affordable Properties	3,575	3,534	3,575	3,534
Shared ownership	445	369	445	369
Intermediate rent	1,533	1,474	1,533	1,474
Market rent	323	298	-	-
Supported housing and care homes	214	228	214	228
Total managed	**16,416**	**16,316**	**16,093**	**16,018**
Accommodation owned, managed by other bodies	**281**	**290**	**281**	**389**
Properties awaiting sale	**43**	**14**	**43**	**13**
Properties in development at the year end	**917**	**953**	**651**	**657**

NOTES TO THE FINANCIAL STATEMENTS

5. Operating surplus

	Group		Association	
Operating surplus is stated after charging:	**2019 £'000**	**2018 £'000**	**2019 £'000**	**2018 £'000**
Depreciation of housing properties	16,110	16,095	16,110	16,095
Impairment of housing properties	-	-	-	-
Depreciation of other tangible fixed assets	522	631	522	627
Loss on disposal of other tangible fixed assets	(34)	(73)	(34)	(73)
Operating lease rentals				
- land and buildings	786	832	786	832
- office equipment and computers	278	244	278	244
Auditors' remuneration (excluding VAT)				
- audit services for the parent	54	48	54	48
- audit services for the subsidiaries	16	16	16	16
Auditors' remuneration for non audit services				
- other advisory services	2	5	2	5
Total audit and non-audit services	**72**	**69**	**72**	**69**

6. Gain on disposal of property, plant and equipment

	Group		Association	
	2019 £'000	**2018 £'000**	**2019 £'000**	**2018 £'000**
Housing property				
Disposal proceeds	7,660	8,176	7,660	7,984
Carrying value of fixed assets	(6,311)	(6,905)	(6,311)	(6,675)
Costs associated with disposal	(229)	(408)	(229)	(408)
	1,120	**863**	**1,120**	**901**
Shared ownership (staircasing)				
Disposal proceeds	786	444	786	444
Carrying value of fixed assets	(316)	(119)	(316)	(119)
Costs associated with disposal	(10)	(4)	(10)	(4)
Surplus	**460**	**321**	**460**	**321**
Total	**1,580**	**1,184**	**1,580**	**1,222**

NOTES TO THE FINANCIAL STATEMENTS

7. Interest receivable and other income

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Interest receivable from cash deposits	477	180	502	178
Joint venture dividends and deposits	685	452	685	452
Total	**1,162**	**632**	**1,187**	**630**

8. Interest payable and financing costs

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Payable on bank loans	19,126	17,978	13,206	12,043
On amounts payable to group companies	-	-	5,775	5.785
Defined benefit pension scheme	277	94	277	94
Unwinding amortised bond issue costs	53	92	53	92
Bond cost	43	19	43	19
	19,499	18,183	19,354	18,033
Less: Interest capitalised	(1,311)	(422)	(1,311)	(422)
Total	**18,188**	**17,761**	**18,043**	**17,611**

Interest has been capitalised at an average rate of 4.06% 2019 (2018: 4.38%).

9. Remuneration of the board and directors

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Aggregate emoluments payable to board and committee members	127	123	127	125
Aggregate emoluments payable to directors	768	726	768	726
Aggregate remuneration of key management personnel (including employers' National Insurance)	858	815	858	815

Board

Board and committee members received emoluments of £127k (2018: £123k).

Remuneration by non-executive board member (excludes committee members):	2019 £'000	2018 £'000
Will Lifford (Chair)	17	17
Sue Hall (Vice Chair)	10	10
Linda Christon	10	9
Richard Flanagan	7	6
Alison Hadden	7	5
Keith Holloway	10	10
Naz Parkar	7	5
David Perry	7	9
Philip Severs	10	10
Total	**85**	**81**

Directors

The emoluments paid to the directors of the group were £768k (2018: £726k).

Emoluments paid to the highest paid director (Chief Executive), excluding pension contributions, were £119k for 9 months of employment (2018: £156k for 12 months). The Chief Executive is a deferred member of the North Yorkshire County Council Superannuation Fund, previously available to all Yorkshire Housing members of staff, under the same conditions. The association has not made any pension contribution in respect of the Chief Executive this financial year (2018: £nil).

Key management personnel

Key management personnel are considered to be the executive directors of the Group.

The aggregate remuneration of key management personnel (including employers' national insurance contributions) for the financial year was £858k (2018: £815k). This sum includes executive directors only. Remuneration for board and committee members is as shown above.

During the year the aggregate compensation for loss of office of key management personnel was £29k (2018: £nil).

NOTES TO THE FINANCIAL STATEMENTS

10. Employee information

	Group		Association	
	2019 No.	2018 No.	2019 No.	2018 No.
The average monthly number of persons (including the Chief Executive) expressed as full-time equivalents (FTE) of 35 hours per week. Employed during the financial year was:	586	666	586	666

	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Staff costs (for the above person including board members on payroll)				
Wages and salaries	18,972	20,941	18,972	20,941
Social security costs	1,702	1,867	1,702	1,867
Other pension costs	799	747	799	747
Total	**21,473**	**23,555**	**21,473**	**23,555**

42 FTE (2018: 34 FTE) were employed on a joint contract between Y H Residential Limited and the association, remunerated by the association and recharged at £1,076k (2018: £967k) to Y H Residential Limited. Figures above exclude national insurance rebates for sick and maternity pay.

The number of employees including directors who received emoluments in the following ranges	2019 No.	2018 No.
£170,001 to £180,000	-	1
£110,001 to £120,000	4	-
£100,001 to £110,000	3	4
£90,001 to £100,000	-	1
£70,001 to £80,000	3	-
£60,001 to £70,000	6	7
Total	**16**	**13**

NOTES TO THE FINANCIAL STATEMENTS

11. Taxation

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Current tax	**1**	**20**	**-**	**-**
Deferred tax:				
Origination and reversal of timing difference	65	(46)	-	-
Changes in tax rates	(6)	5	-	-
Adjustment in respect of previous periods	-	(451)	-	-
Total deferred tax	**58**	**(492)**	**-**	**-**
Tax per income statement	**59**	**(472)**	**-**	**-**

The charge for the year can be reconciled to the surplus shown in statement of comprehensive income statement as follows:

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Surplus on ordinary activities before tax	18,008	15,894	15,902	10,771
Tax on surplus at standard UK rate of 19% (2018 : 19%)	3,421	3,020	3,021	2,154
Factors affecting total tax charge for the current period:				
Expenses deductible	-	95	-	-
Income not taxable	(3,326)	(2,681)	(3,021)	(2,154)
Losses	-	-	-	-
Tax rate change	(6)	6	-	-
Gains	(30)	6	-	-
Qualifying charitable donations	(-)	(487)	-	-
Adjustment from previous periods	(-)	(431)	-	-
	59	**(472)**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS

12. Tangible fixed assets – housing properties

Group and Association	Social housing properties held for lettings £'000	Housing properties for letting under construction £'000	Shared ownership properties under construction £'000	Completed shared ownership housing properties £'000	Total housing properties £'000
Cost					
At 1 April 2018	929,712	4,908	7,587	17,477	959,684
Additions	-	35,511	10,434	-	45,945
Works to existing properties	10,778	-	-	-	10,778
Schemes completed	11,341	(11,341)	(7,344)	7,344	-
Disposals (note 6)	(10,110)	-	-	(371)	(10,481)
At 31 March 2019	**941,721**	**29,078**	**10,677**	**24,450**	**1,005,926**
Depreciation and impairment					
At 1 April 2018	143,145	-	-	1,381	144,526
Depreciation charged in year	15,995	-	-	115	16,110
Released on disposal (note 6)	(3,785)	-	-	(56)	(3,841)
At 31 March 2019	**155,355**	**-**	**-**	**1,440**	**156,795**
Net book value at 31 March 2019	**786,366**	**29,078**	**10,677**	**23,010**	**849,131**
Net book value at 31 March 2018	**786,567**	**4,908**	**7,587**	**16,096**	**815,158**

Development costs have been capitalised amounting to £855,166 (2018: £835,635).

Interest has been capitalised at a rate of 4.093% (2018: 4.738%) during the financial year and amounted to £1,310,845 (2018: £422,301).

NOTES TO THE FINANCIAL STATEMENTS

12. Tangible fixed assets – housing properties (continued)

Housing properties are shown	2019 £'000	2018 £'000
At cost	934,570	888,249
At valuation	71,357	71,435
	1,005,927	**959,684**

The association acquired 6,337 units of housing stock through mergers with Ryedale Housing in 1999 and Brunel Housing in 2005. Ryedale included their housing stock at Existing Use Value – Social Housing Value (EUV – SH), with the resulting increase in carrying value arising from the valuation transferred to a revaluation reserve. Brunel included their housing stock at cost. Yorkshire Housing Ltd includes its directly acquired and developed housing property in its balance sheet at cost less depreciation less any impairment losses. The property transferred from Ryedale Housing and Brunel Housing is stated in the Yorkshire Housing Ltd balance sheet at deemed cost; being the EUV – SH value at the respective dates of merger. The corresponding revaluation reserves were transferred to Yorkshire Housing Ltd and are amortised over the useful life of the assets associated with the reserve. The total value of assets included in the balance sheet at 31 March 2019 is deemed cost is £71,357k.

Group expenditure on works to existing properties during the year amounted to £32.4m (2018: £39m) of which £10.8m (2018: £13m) was capitalised and included as works to existing properties.

	2019 £'000	2018 £'000
Total grant received for existing properties	341,028	334,599
Less amortised through the statement of comprehensive income	(63,106)	(56,578)
Total deferred grant in the statement of financial position	**277,922**	**278,021**

NOTES TO THE FINANCIAL STATEMENTS

13. Other tangible fixed assets

Group	Freehold offices £'000	Computer equipment £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 April 2018	6,268	2,476	485	2,296	11,525
Additions	-	170	19	-	189
Disposals	-	-	-	(178)	(178)
At 31 March 2019	**6,268**	**2,646**	**504**	**2,118**	**11,536**
Accumulated depreciation					
At 1 April 2018	1,035	1,753	284	1,619	4,691
Depreciation charged in year	97	243	40	142	522
Eliminated in respect of disposals	-	-	-	(144)	(144)
At 31 March 2019	**1,132**	**1,996**	**324**	**1,617**	**5,069**
Net book value at 31 March 2019	**5,136**	**650**	**180**	**501**	**6,467**
At 31 March 2018	5,233	723	201	677	6,834

Association	Freehold offices £'000	Computer equipment £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 April 2018	6,268	2,391	449	2,296	11,404
Additions	-	170	19	-	189
Disposals	-	-	-	(178)	(178)
At 31 March 2019	**6,268**	**2,561**	**468**	**2,118**	**11,415**
Accumulated depreciation					
At 1 April 2018	1,035	1,681	256	1,619	4,591
Depreciation charged in year	97	232	37	142	508
Eliminated in respect of disposals	-	-	-	(144)	(144)
At 31 March 2019	**1,132**	**1,913**	**293**	**1,617**	**4,955**
Net book value at 31 March 2019	**5,136**	**648**	**175**	**501**	**6,460**
At 31 March 2018	5,233	710	193	677	6,813

NOTES TO THE FINANCIAL STATEMENTS

14. Investment properties non-social housing and commercial properties held for letting

	Group		Association	
	2019 £'000	**2018 £'000**	**2019 £'000**	**2018 £'000**
At 1 April	26,901	23,282	3,755	3,686
Additions	749	3,210	-	-
Properties for disposal	-	(226)	-	-
Increase in value	603	635	85	69
Total	**28,253**	**26,901**	**3,840**	**3,755**

Investment properties consist of market rented housing properties, garages and commercial units. In accordance with the group accounting policy, investment properties have been included at their market value. The properties were valued as at 31 March 2019, by Jones Lang LaSalle Ltd, Chartered Surveyors. The valuation was undertaken on the basis of market value and in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors, the NHF financial reporting SORP and represents the aggregate of all the units, assuming phased disposal without deduction of costs or incentives. No allowances were made for the vendor's sale costs or for any tax liabilities, which may arise upon the property disposal.

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

Discount rate	8.5%
Discount rate (other)	6.5%
Annual inflation rate (management costs)	1.5%
Annual inflation rate (repairs costs)	1.0%
Level of long-term annual rent increase	1.0%

Underlying inflation was excluded from the cashflow model therefore the income and cost increases noted here are above inflation increases. This has been factored in when selecting the appropriate discount rates.

15. Properties held for sale and stock

	Group		Association	
	2019 £'000	**2018 £'000**	**2019 £'000**	**2018 £'000**
Van stock - materials	299	257	299	257
Completed properties held for sale				
First tranche shared ownership	1,412	2,854	1,412	2,854
Properties for market sale	-	119	-	119
Partially completed properties				
First tranche shared ownership	5,195	1,358	5,195	1,358
Properties for market sale	29,513	10,605	11,688	1,609
Total	**36,419**	**15,193**	**18,594**	**6,197**

NOTES TO THE FINANCIAL STATEMENTS

16. Debtors

	Group		Association	
Due within one year	**2019 £'000**	**2018 Restated £'000**	**2019 £'000**	**2018 Restated £'000**
Arrears of rent and service charges	1,953	2,157	1,936	2,149
Less: provision for bad and doubtful debts	(735)	(736)	(740)	(728)
	1,218	1,421	1,196	1,421
Prepayments and accrued income	4,472	1,972	3,453	2,939
Other debtors	5,279	6,702	6,106	5,654
Amounts owed by group undertakings	-	-	-	5,466
	10,969	**10,095**	**10,755**	**15,480**
Due after more than one year				
Debt service reserve fund cost	605	605	605	605
Increase in fair value	169	194	169	194
	774	**799**	**774**	**799**
Total	**11,743**	**10,894**	**11,529**	**16,279**

The debt service reserve has been reclassified this year as a debtor due after one year (previously cash) to better reflect the underlying nature of the balance.

The debt service reserve fund is held for an issued bond and is invested in stock under the management of the Royal Bank of Canada Global Markets. The investments are stated at fair value and the overall control of the account is with THFC.

17. Investments, cash and cash equivalents

Fixed asset investments

Association	**2019 £'000**	**2018 £'000**
Investment in group undertakings	900	900
Investment in group undertakings – Preference Shares	32,000	13,000
Investment in Yorkshire Transformations Holdings	553	1,048
	33,453	**14,948**

YHL owns 33% of Yorkshire Transformations Holdings ["YTH"] as at 31 March 2019. The Group financial statements do not recognise the value of the investment in YTH. As at 31 December 2018 YTH had net liabilities of £7,029k (2017: £7,352k). In accordance with FRS102 no investment has been recognised when the Group's share is in deficit.

17. Investments, cash and cash equivalents (continued)

In March 2017, Y H Residential Limited issued 50,000,000 £1 preference shares. The shares are non-voting redeemable preference shares of £1 each in the capital of Y H Residential designated as a Preference Share. The preference shares are redeemable at 5 days' notice at the behest of Y H Residential Limited. The preference shares are non-convertible and are a basic financial instrument measured at cost less impairment. There are no dividend or interest commitments in respect of these preference shares. There is no fixed maturity or redemption date.

As at 31 March 2019, 32,000,000 of these shares have been called up and fully paid (2018: 13,000,000 shares).

	Group		Association	
Cash and cash equivalents	**2019 £'000**	**2018 Restated £'000**	**2019 £'000**	**2018 Restated £'000**
Cash deposits	45,210	85,886	45,210	85,885
Cash at bank	5,690	2,914	5,444	2,523
Total	**50,900**	**88,800**	**50,654**	**88,409**

The debt service reserve has been reclassified this year as a debtor due after one year (previously cash) to better reflect the underlying nature of the balance (see note 16).

The cash deposits are deposited with building societies and banks but are not available for immediate access.

The board believe that the carrying value of the investments is supported by their underlying net assets.

18. Homebuy loans

Group and association	**2019 £'000**	**2018 £'000**
At 1 April	1,499	1,762
Redeemed in the year	(101)	(263)
At 31 March	1,398	1,499
Less financing	(1,398)	(1,499)
Total	**-**	**-**

Interest payable on Homebuy loans is at 0% (2018: 0%).

NOTES TO THE FINANCIAL STATEMENTS

19. Creditors: amounts falling due within one year

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Borrowings (note 24)	3,340	1,345	2,305	311
Bank loan interest	4,533	4,889	2,142	2,482
Trade creditors	5,297	3,966	5,261	3,951
Rent and service charges received in advance	3,250	2,928	2,999	2,702
Other taxation and social security costs	527	674	523	674
Accruals and deferred income	5,878	4,341	4,809	3,964
Amounts owed to group undertakings	-	-	6,210	1,370
Past service deficit contributions under SHPS	-	1,020	-	1,020
Deferred capital grant	6,528	4,381	6,528	4,381
Total	**29,353**	**23,544**	**30,777**	**20,855**

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

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Borrowings (note 24)	447,860	451,199	305,222	307,527
Amounts owed to group undertakings	-	-	140,000	140,000
Recycled capital grant fund (note 22)	7,673	7,146	7,673	7,146
Disposal proceeds fund (note 21)	255	395	255	395
Held on behalf of leaseholders	1,307	1,228	1,307	1,228
Deferred capital grant (note 24)	271,394	273,640	271,394	273,640
Past service deficit contributions: SHPS	-	5,558	-	5,558
	728,489	**739,166**	**725,851**	**735,494**
Less bond issue costs (note 24)	(5,196)	(5,362)	(1,009)	(1,053)
Less issue costs owed to group undertakings	-	-	(2,349)	(2,399)
Total	**723,293**	**733,804**	**722,493**	**732,042**

The amounts owed to group undertakings of £140,000,000 represents the on lending of the Public Bond that was issued by YH Finance Plc, a wholly owned subsidiary. Full details of the associated instrument are given in Note 24. Loans are secured against 14,120 properties, with a further 1,931 units available for security.

The bond issue costs disclosed above relate to the three bonds included within note 24.

NOTES TO THE FINANCIAL STATEMENTS

21. Disposal proceeds fund

	Group		Association	
Movements in the Disposal Proceeds fund (DPF) were as follows:	**2019 £'000**	**2018 £'000**	**2019 £'000**	**2018 £'000**
Opening balance as at 1 April	395	945	395	945
Withdrawals	(140)	(550)	(140)	(550)
Closing balance as at 31 March	**255**	**395**	**255**	**395**

Withdrawals from the disposal proceeds fund have been used for the purchase and development of new housing schemes for letting.

The current DPF balance will be utilised before closure on 06 April 2020.

22. Recycled Capital Grant Fund

	Group		Association	
Movements in the recycled capital grant fund were as follows:	**2019 £'000**	**2018 £'000**	**2019 £'000**	**2018 £'000**
Opening balance as at 1 April	7,145	7,682	7,145	7,682
Grants recycled	2,261	2,462	2,261	2,462
Homebuy grants recycled	97	68	97	68
Interest accrued	53	29	53	29
Withdrawals	(1,883)	(3,096)	(1,883)	(3,096)
Closing balance as at 31 March	**7,673**	**7,145**	**7,673**	**7,145**

Recycled grant is repayable to Homes England if not recycled within three years, but no repayments were required in the year (2018: £nil).

NOTES TO THE FINANCIAL STATEMENTS

23. Deferred grant income

Group and association	2019 £'000	2018 £'000
Opening balance at 1 April	278,020	277,859
Grant received in the year	5,401	5,032
Grant transferred from recycled capital grant fund	1,883	3,096
Grant transferred from disposals proceeds fund	140	550
Released to income in the year – Amortisation	(4,350)	(4,380)
Released to income in the year – Disposal	(911)	(1,675)
Released to recycled capital grant fund	(2,261)	(2,462)
Closing balance at 31 March	**277,922**	**278,020**

Amounts to be released within one year	6,528	4,381
Amounts to be released in more than one year	271,394	273,639
	277,922	**278,020**

24. Debt analysis

	Group		Association	
Borrowings	**2019 £'000**	**2018 £'000**	**2019 £'000**	**2018 £'000**
Due within one year				
Bank loans	3,340	1,345	2,305	311
Total due within 1 year	**3,340**	**1,345**	**2,305**	**311**
Due after more than one year				
Bank loans	257,739	261,078	255,101	257,406
Other loan	121	121	121	121
THFC bond	30,000	30,000	30,000	30,000
Public bond	140,000	140,000	-	-
AHF Bond	20,000	20,000	20,000	20,000
Total due after more than 1 year	**447,860**	**451,199**	**305,222**	**307,527**
Total borrowings before costs, discount and premium on issue	**451,200**	**452,544**	**307,527**	**307,838**
Bond costs, discount and premium on issue				
THFC bond	(2,884)	(2,982)	(2,884)	(2,982)
Public bond	(4,187)	(4,309)	-	-
AHF Bond	1,875	1,929	1,875	1,929
	(5,196)	(5,362)	(1,009)	(1,053)
Total borrowings	**446,004**	**447,182**	**306,518**	**306,785**

NOTES TO THE FINANCIAL STATEMENTS

24. Debt analysis (continued)

The Public, The Housing Finance Corporation ("THFC") and AHF bonds are treated as basic financial instruments and are stated above at face value, which states the full liability. The issue costs relating to these bonds are included as a separate line above.

There are issue costs and discounts on issue amounting to £4.2m for the public bond, £2.9m for the THFC bond and £1.2m for the AHF bond. In addition to this, the AHF Bond was issued at a premium of £3.2m and this premium has been included within the costs line and is being unwound over the life of the bond.

Terms of repayment and interest rates
Bank loans have various repayment profiles with the final maturity date of 2039. There are no plans to make early repayments on loans. The loans have fixed and variable interest rates ranging from 1.09% to 11.30% and a weighted average rate of 4.09%.

As at 31 March 2019 the group had undrawn loan facilities of £81m (2018: £70m).

The 'other loan' is with the Bradford Health Authority. There is no interest payable; but on disposal of the properties the surplus realised is shared between the lender and Yorkshire Housing.

On 31 October 2014 Yorkshire Housing Finance Plc issued a secured bond for £200m at a coupon rate of 4.13% ("the bonds") due to mature 31 October 2044 which are guaranteed by defined assets within Yorkshire Housing Limited. Of the £200m the draw-down of £60m has been deferred until a future date. The Company placed the £140m bonds at an issue price of 98.175% giving an effective yield of 4.23%.

On 30th July 2008 Yorkshire Housing Limited issued a secured bond of £30m with The Housing Finance Corporation ("THFC") attracting 5.13% interest due to mature in 2035. On 28th March 2017 Yorkshire Housing Limited issued a guaranteed secured bond of £20m to the AHF attracting 2.893% interest and due to mature in 2043.

All loans are secured on housing stock, which covers the value of outstanding liabilities.

Public bond	2019 £'000	2018 £'000
Bond	140,000	140,000
Less: unamortised discount on issue	(2,348)	(2,399)
Total bond less discount on issue	137,652	137,601
Less: unamortised issue cost	(1,838)	(1,910)
Total	**135,814**	**135,691**

Housing loans from banks are secured by fixed charges on 13,868 (2018: 14,263) of the group's housing properties and repayable at varying rates of interest and instalments.

Capital loan repayments made within the year were £1,345k (2018: £1,574k).

NOTES TO THE FINANCIAL STATEMENTS

24. Debt analysis (continued)

	Group		Association	
Maturity of financial liabilities	**2019 £'000**	**2018 £'000**	**2019 £'000**	**2018 £'000**
In less than one year	3,340	1,345	2,305	311
In more than one year but less than two years	5,509	3,339	4,475	2,305
In more than two years but less than five years	14,969	15,222	13,365	12,584
In more than five years	427,382	432,638	287,382	292,638
Total	**451,200**	**452,544**	**307,527**	**307,838**

The total group borrowings of £451,200k are split between £418,527k fixed and £32,672k variable rate debt. The maturity analysis above does not include the issue costs disclosed within note 20.

25. Share capital

	2019 £	2018 £
Shares of £1 each, allotted and fully paid		
As at 1 April	167	179
Net issues less retirements	(27)	(12)
As at 31 March	**140**	**167**

The shares are non-transferable, non-redeemable and carry no rights to receive either income or capital payments. They are thus classified as non-equity shares.

NOTES TO THE FINANCIAL STATEMENTS

26. Cash flow from operating activities

	2019 £'000	2018 £'000
Surplus for the year	18,008	15,894
Depreciation of housing assets	16,110	16,095
Depreciation of other tangible fixed assets	522	631
Gain on investment assets	(603)	(635)
Gain from sale of housing properties	(1,580)	(1,184)
Loss on disposal of other fixed assets	34	93
Increase in stock	(21,226)	(11,964)
Increase in trade and other debtors	(835)	(2,713)
Increase in trade and other creditors	4,214	2,882
Pension costs	(42)	(94)
Pension contributions paid	(1,020)	(983)
Release of capital grants	(5,261)	(6,055)
Interest charge	18,188	17,761
Interest received	(1,162)	(632)
Tax charge	-	(20)
Net cash generated from operating activities	**25,347**	**29,076**

NOTES TO THE FINANCIAL STATEMENTS

27. Provision for liabilities – other provisions

Group deferred tax	2019 £'000	2018 £'000
Deferred tax (assets)/liabilities		
Provision at start of period	227	719
Adjustment in respect of prior years	-	-
Deferred tax charge to the SOCI for the period	58	-
Deferred charge to OCI for the period	-	(492)
Provision at end of period	**285**	**227**
Fixed assets timing difference	287	228
Short term timing difference	(2)	(1)
	285	**227**
Deferred tax (assets)		
Recoverable within 12 months	(2)	(1)
	(2)	**(1)**
Deferred tax liabilities		
Payable within 12 months	287	228
	287	**228**

The provision of deferred tax relates solely to the trading subsidiary and is expected to be settled within 12 months.

28. Capital commitments

	Group		Association	
	2019 £'000	**2018 £'000**	**2019 £'000**	**2018 £'000**
Capital expenditure contracted for less certified at the year end	84,673	51,915	81,716	51,915
Capital expenditure authorised by the board but not contracted at the year end	200,489	143,399	200,489	143,399
Total	**285,162**	**195,314**	**282,205**	**195,314**

	2019 £'000	2018 £'000	2019 £'000	2018 £'000
It is proposed that the above commitment will be funded as follows (which covers a number of years):				
Borrowing and operating activities	251,129	164,386	248,172	164,386
Grant	34,033	30,928	34,033	30,928
Total	**285,162**	**195,314**	**282,205**	**195,314**

NOTES TO THE FINANCIAL STATEMENTS

28. Capital commitments (continued)

Our board approved development program takes us up to March 2026 is forecasted as follows:	2019 £'000	2018 £'000
Units in the development pipeline	5,007 units	2,323 units
Projected pipeline cost	782,513	395,487
Projected source of funding:		
Social housing grants	85,293	32,349
Proceeds from sales	302,682	143,731
Surplus and borrowing	394,538	219,407
Total	**782,513**	**395,487**

29. Contingent assets/liabilities

The group and association have no contingent liabilities.

30. Operating lease commitments

The Company was committed to making the following remaining lease payments under non-cancellable operating leases:

	Land and buildings		Equipment and vehicles	
Group	**2019 £'000**	**2018 £'000**	**2019 £'000**	**2018 £'000**
Operating leases which expire				
Within one year	656	734	220	204
Between two and five years	1,886	1,884	339	363
In over five years	2,594	3,030	-	-
	5,136	**5,648**	**559**	**567**

	Land and buildings		Equipment and vehicles	
Association	**2019 £'000**	**2018 £'000**	**2019 £'000**	**2018 £'000**
Operating leases which expire				
Within one year	656	734	220	204
Between two and five years	1,886	1,884	339	363
In over five years	2,594	3,030	-	-
	5,136	**5,648**	**559**	**567**

NOTES TO THE FINANCIAL STATEMENTS

31. Pensions

The association participates in SHPS, a multi-employer pension scheme which provides benefits to non-associated participating employers. The scheme is classed as a defined benefit scheme in the UK. The scheme is classified as a last man standing' arrangement. Therefore, the association is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

For the year ended 31 March 2018, the SHPS obligation was being accounted for as a defined contribution as there was not sufficient information available to identify each employer's share of assets and liabilities in the scheme. Therefore, for 31 March 2018, the contributions payable from the association to the SHPS under the terms of its funding agreement for past deficits was recognised as a liability within other creditors in the association's financial statements. The net present value of £6,578k was recognised within creditors for this contractual obligation for the year ended 31 March 2018.

For the year ended 31 March 2019, sufficient information is available for the association in respect of SHPS to account for its obligation on a defined benefit basis. The most recent formal actuarial valuation was completed as at 30 September 2017 and rolled forward, allowing for the different financial assumptions required under FRS 102, to 31 March 2019 by a qualified independent actuary.

Under the defined benefit pension accounting approach, the SHPS net deficit as at 1 April 2018 is £11,300k and £13,138k as at 31 March 2019.

Amendments to section 28 of FRS 102 have been early adopted. This requires the difference on transition from defined contribution accounting to defined benefit accounting to be presented separately in other comprehensive income. The change on transition has resulted in a re-measurement difference of £4,722k, which has been recognised at the relevant date of application, 1 April 2018, in other comprehensive income.

	2018 £'000
Past service deficit liability as at 1 April derecognised	6,578
Net pension scheme deficit under defined benefit accounting as at 1 April	(11,300)
Loss recognised in other comprehensive income on initial recognition at 1 April	**(4,722)**

Net pension scheme deficit under defined benefit accounting	2018 £'000
Fair value of plan assets as at 1 April 2018	36,907
Opening scheme liabilities as at 1 April 2018	(48,207)
	(11,300)

NOTES TO THE FINANCIAL STATEMENTS

31. Pensions (continued)

Reconciliation of opening and closing balances of the present value of scheme liabilities	31 March 2019 £'000
Opening scheme liabilities as at 1 April 2018	**48,207**
Current service cost	-
Expenses	42
Interest expense	1,221
Actuarial losses (gains)	3,281
Benefits paid and expenses	(1,749)
Defined benefit obligation at end of period	**51,002**

Reconciliation of opening and closing balances of the fair value of plan assets	31 March 2019 £'000
Fair value of plan assets at start of period	36,907
Interest Income	944
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	618
Contributions by employer	1,144
Benefits paid and expenses	(1,749)
Fair value of plan assets at end of period	**37,864**

Amounts recognised in surplus or deficit	31 March 2019 £'000
Current service cost	-
Expenses	42
Net interest expense	277
Defined benefit costs recognised in statement of comprehensive income (SoCI)	**319**

Defined benefit costs recognised in other comprehensive income	31 March 2019 £'000
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	618
Experience gains and (losses) arising on the plan liabilities	164
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligations - gain (loss)	(142)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligations - gain (loss)	(3,303)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	**(2,663)**
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in other comprehensive income	**(2,663)**

NOTES TO THE FINANCIAL STATEMENTS

31. Pensions (continued)

Assets	31 March 2019 £'000	31 March 2018 £'000
Global Equity	**6,371**	**7,290**
Absolute Return	3,276	4,508
Alternative Risk Premia	2,184	1,400
Emerging Markets Debt	1,306	1,488
Risk Sharing	1,144	342
Insurance-linked Securities	1,086	970
Property	1,409	1,699
Infrastructure	1,986	946
Corporate Bond Fund	1,767	1,516
Secured Income	1,356	1,368
Liability Driven Investments	13,847	13,445
Other	2,132	1,935
Total Assets	**37,864**	**36,907**

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

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:	Life expectancy at 65 (Years)
Male retiring in 2019	21.8
Female retiring in 2019	23.5
Male retiring in 2039	23.2
Female retiring in 2039	24.7

NOTES TO THE FINANCIAL STATEMENTS

32. Group undertakings and related parties

Company	Legal status	RSH Regulated		Basis of control
Yorkshire Housing Limited	Cooperative and Community Benefit Society Act 2014	Registered with RSH	Registered provider	Group company
Yorkshire Community Property Services Limited	Companies Act	Non RSH regulated	Non registered provider	100 per cent share
Y H Residential Limited	Companies Act	Non RSH regulated	Non registered provider	100 per cent share
Yorkshire Housing Finance PLC	Public Limited Company	Non RSH regulated	Non registered provider	100 per cent share
Yorkshire Transformations Holdings Limited	Companies Act	Non RSH regulated	Non registered provider	33 per cent share

All subsidiaries are incorporated or registered in England and Wales.

NOTES TO THE FINANCIAL STATEMENTS

32. Group undertakings and related parties (continued)

Yorkshire Housing Limited had the following transactions with unregistered related parties during the years:

YH Residential Limited	2019 £'000	2018 £'000
Received from related group entities:		
Interest receivable	35	89
Management charge for central services	598	393
Rent and service charges	169	88
Gift Aid	2,562	2,166
	3,364	**2,736**
Paid to related group entities:		
Fee for managing group properties	566	566
Fee for selling group properties on the open market	261	179
Interest payable	8	-
	835	**745**

Y H Residential Limited owns and manages the market rented homes portfolio. Yorkshire Housing Limited calculates the YH Residential management charge on a combination of FTE and turnover apportionment basis.

Yorkshire Housing Finance Plc	2019 £'000	2018 £'000
Paid to related group entities:		
Interest payable	5,825	5,823

Yorkshire Housing Finance PLC is a wholly owned subsidiary of Yorkshire Housing Limited providing long term finance through a bond issue.

Yorkshire Housing Finance Plc issued a £140m bond issue October 2014; the cash raised from the issue has been lent to Yorkshire Housing Limited.

Yorkshire Community Property Services Limited	2019 £'000	2018 £'000
Paid to related group entities:		
Interest payable	4	2

Yorkshire Community Property Services Limited is currently not trading.

NOTES TO THE FINANCIAL STATEMENTS

33. Related party transactions

A proportion of the board members and shareholders are tenants of the group and reside in the group's property. The terms of the tenancy arrangements are consistent with those offered to other tenants of the Group and they are not able to use their position to advantage.

Yorkshire Transformations Holdings Limited is a joint venture which undertakes the refurbishment, maintenance and financing of homes in the Swarcliffe area of Leeds under a Private Finance Initiative with BOS Infrastructure (No3) Limited and DIF Infra 3 Limited.

Related party transactions with Yorkshire Transformations Limited were as follows:

	2019 £'000	2018 £'000
Contractual income		
Income received 2018/19	5,306	2,437
Other income		
Repayment of subordinated debt	496	18
Directors fees	61	59
Subordinated debt interest	608	126
Dividend	77	328
Total income	**6,548**	**2,968**
Trading debtor at 31 March	**1**	**185**

During the year Yorkshire Housing Limited transacted with its non-regulated subsidiaries, Y H Residential Limited and Yorkshire Community Property Services Limited. These transactions were conducted on an arm's length basis and were eliminated on consolidation within the group's financial statements.

Yorkshire Housing Finance Plc is a wholly owned subsidiary of Yorkshire Housing Limited providing long term finance through a bond issue.

Yorkshire Transformations Holdings Limited is a joint venture which undertakes the refurbishment, maintenance and financing of homes in the Swarcliffe area of Leeds under a Private Finance Initiative with Leeds City Council.

Yorkshire Community Property Services Limited owned the organisation's York office, Yorkshire House, which had been provided to Yorkshire Housing Limited until its disposal in 2013.

Further details of these transactions can be found within the financial statements of the subsidiary company.

Tenant board members

We have one board member, David Perry who is a tenant of Yorkshire Housing and has a tenancy agreement which is on the association's normal terms and he cannot use his position to his advantage. Mr Perry had no balance outstanding at 31 March 2019 (2018: nil) payable to Yorkshire Housing Group.

We have one board member, Naz Parkar who is a Director at Kirklees Council and no involvement in the bidding for and setting of any contracts between or against the two parties.

NOTES TO THE FINANCIAL STATEMENTS

34. Financial assets and liabilities

The board policy on financial instruments is explained in the strategic report as are references to financial risks.

	2019 £'000	2018 £'000
Financial assets		
Debtors at amortised cost	6,497	8,123
Debt service reserve investments at fair value	774	799
Cash at amortised cost	50,900	88,800
	58,171	**97,722**
Financial liabilities		
Trade and other creditors at amortised cost	17,017	21,002
Loans at amortised cost	451,200	452,544
	468,217	**473,546**

COMPANY INFORMATION

Registrations:
Co-operative and Community Benefit Society registered number: 30443R
Homes England registered provider number: L4521

Secretary:
Guy Millichamp

Registered office:
Dysons Chambers, 12-14 Briggate, Leeds, England, LS1 6ER

Independent auditors:
Grant Thornton UK LLP
No 1 Whitehall Riverside, Leeds, LS1 4BN

Board:
Will Lifford – Chair
Sue Hall – Vice Chair
Linda Christon
Richard Flanagan
Alison Hadden
Keith Holloway
Naz Parkar
David Perry
Philip Severs

Executive directors:
Nick Atkin – Chief executive (appointed 1 April 2019)
Mervyn Jones – Chief executive (resigned 31 December 2018)
David Bolton – Director of property services
Andy Gamble – Director of development
Guy Millichamp – Director of finance
Michelle Gregg – Director of business transformation
Cath Owston – Director of customer services
Gillian Taylor – Director of business transformation (resigned 31 August 2018)

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