OPTIMA COMMUNITY ASSOCIATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

Registered Co-operative and Community Benefit Society Number 7535
Regulator of Social Housing Number L4228

Registered office: 4040 Lakeside
Solihull Parkway
Birmingham
B37 7TN

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OPTIMA COMMUNITY ASSOCIATION LIMITED
BOARD, EXECUTIVE DIRECTORS AND ADVISERS

Board

Richard Nowell (Chair)	
Philip Allkins	
Susan Brooksbank-Taylor	(Appointed 4 February 2019)
John Creswell	(Appointed 4 February 2019)
Colin Dennis	
Tricia Gbinigie	
Richard Grainger	(Appointed 4 February 2019)
Janice Nichols	
Danielle Oum	(Resigned 31 January 2019)
Helen Scarrett	
Colin Williams	

Executive Directors

Kevin Rodgers	Chief Executive
Nick Byrne	Executive Director - Development
Stuart Kellas	Chief Financial Officer
Kate Still	Chief Operating Officer

Membership of the Group Committees in operation at the date of signing of the financial Statements was:

Audit and Risk Committee

Crispin Passmore (Chair)	WM Housing Group
Alison Cambage	Independent
Karthik Srinivas	Independent
Richard Nowell	WM Housing Group
Andrew Winscom	Independent

Remuneration Committee

John Creswell (Chair)	WM Housing Group
Susan Brooksbank-Taylor (Appointed 25 March 2019)	WM Housing Group
Janice Nichols	WM Housing Group
Danielle Oum (Resigned 31 January 2019)	WM Housing Group
Helen Scarrett	WM Housing Group

Advisers

Statutory auditor

Beever and Struthers
St George's House
215 - 219 Chester Road
Manchester
M15 4JE

Internal auditor

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Principal bankers

Barclays Bank plc
PO Box 3333
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GN

Principal solicitors

Trowers & Hamlin
3 Bunhill Row
London
EC1Y 8YZ

Anthony Collins
134 Edmund Street
Birmingham
B3 2ES

Taxation advisers

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Registered office

4040 Lakeside
Solihull Parkway
Birmingham
B37 7YN

The Board presents its report and audited financial statements for the year ended 31 March 2019.

The Association

The Association is a not-for-profit organisation that operates primarily in Birmingham. As at 31 March 2019, Optima Community Association Limited ("Optima") owned a number of residential schemes providing 2,228 units of accommodation (2018: 2,220).

Principal activities

Optima's principal activities are the development and management of social housing. The Association has taken advantage of the exemption available under the Housing SORP 2018 and has not produced a strategic report as part of these financial statements. A strategic report is included with the consolidated financial statements of WM Housing Group Limited, the immediate and ultimate parent company.

Governance Code Compliance

Optima Community Association Limited continues to follow best practice with regards to corporate governance and has adopted the NHF's Code of Governance - *Promoting Board Excellence for Housing Associations 2015*. The Association has undertaken a detailed self-assessment against the Code during the year. Optima Community Association Limited is fully compliant with the Code as at 31 March 2018 and 31 March 2019.

Compliance with Regulatory Standards

In April 2015, the Homes and Communities Agency (now the Regulator of Social Housing) revised its regulatory framework. With effect from March 2016, regulatory compliance with this standard must be reviewed at least annually and compliance certified in annual financial statements.

WM Housing Group has reviewed its compliance with all of the regulatory standards both Economic (Governance and Financial Viability, Value for Money and Rent) and Consumer Standards (Tenant Involvement and Empowerment, Home, Tenancy and Neighbourhood and Community) as at March 2019. This comprised a comprehensive self-assessment to provide boards with an honest picture of how well the Group is performing against regulatory requirements, legislation, and internal key measures. The objective of the assessment is to provide an understanding of performance and the outcomes the Group is delivering for its customers, key stakeholders and partners.

The self-assessment also includes improvement plans for 2019/20 to further strengthen compliance. It also includes a detailed assessment of compliance with all relevant law, which is a requirement of the Governance and Financial Viability Standard.

As WM Housing operates a group structure and the economic standards are regulated at this level, the parent board has a very important role in directing, challenging and signing-off the self-assessment of compliance with the regulatory standard as part of our business planning and regulatory compliance work. The parent board has delegated responsibility for supporting the assurance process to the Audit and Risk Committee.

The self-assessment compliance statement with the Governance and Financial Viability standard was formally approved and signed-off by WM Housing Group Board at its meeting in May 2019.

Optima Community Association Limited has received assurance and is satisfied that all reasonable steps have been taken to ensure compliance with the Governance & Financial Viability Standard in all material aspects during the financial year 2018/19.

Regulatory Judgments

Regulatory judgements rate organisations on how well they meet the Regulator's standards relating to corporate governance - how well the company is run and the Board's awareness of risks to the business and financial management and viability - the company's financial ability to continue to provide affordable homes in the future.

On 14 November 2018, the Regulator confirmed that they had completed work on WM Housing's stability check and that the Group's Ratings remained unchanged, with a Governance Rating of **G1 (compliant)** - "The provider meets our governance requirements" and a Viability Assessment of **V1 (compliant)** - "The provider meets our viability requirements and has the financial capacity to deal with a wide range of adverse scenarios."

Governance

During 2015/16, the Group undertook a governance review in consultation with all Boards, which resulted in the adoption of the following re-drafted documents, all of which were effective from 28 July 2015: -

- Intra Group Agreement
- Standing Orders
- Terms of Reference

During the last two years, a review of the governance structure of the WM Housing Group has been undertaken by a 'Task and Finish' group comprising representatives from the Parent Board. Subsidiary Boards and key stakeholders were consulted at various intervals throughout the review.

As a result of this review, all Registered Provider members of the Group (with the exception of Optima Community Association Limited) moved to a single joint (or co-terminous) Board, with revisions to current committee roles and delegations. Optima Community Association Limited retained its own Subsidiary Board, but delegated many of its powers to the Parent Board. The Parent Board is supported by three Local Stakeholder Boards that focus on local issues and ensure that we deliver effective tenant involvement and effective scrutiny of our local services.

On 2nd April 2019, WM Housing Group formally announced plans to amalgamate its group structure and rebrand as Citizen. The plans are part of a major transformation of the organisation which will see us invest £870m in our communities over the next five years.

The change will mean the organisation's registered providers; Family Housing Association (Birmingham) Limited, Optima Community Association Limited, West Mercia Homes Limited, Whitefriars Housing Group Limited and WM Housing Group Limited will no longer exist as separate legal entities, with the amalgamation and rebrand being completed by the Autumn of 2019.

Value for Money (VfM)

In 2017, WM Housing Group launched a new Business Strategy outlining the Group's aspirations to build on its vision of "*Making Places Where People are Proud to Live and Work*".

The Group's three strategic objectives are to create:
- A sustainable business;
- A delivery-focussed business; and
- A growing business

Becoming Citizen is the most important change in our history. Citizen truly reflects our aspirations and shared sense of social purpose. It is about valuing people and providing a foundation for each person to make the most of life.

We have renewed our purpose and values in line with our new brand to represent who we are and what we want to achieve. We are currently working on the new corporate plan to set out our mission - we want to use every opportunity to deliver social value and ensure good outcomes for people we serve. As part of our new five-year plan we will expand on what we are already doing and implement new ideas.

Becoming Citizen will mean making transformational changes to the way that we work and the services that we offer and deliver. To ensure that we achieve this, we have already initiated some major projects, including customer service training, a service innovation programme and Lean Transformation, and so far have identified savings of £2.5m p.a. that will be recognised by 31 March 2022.

Our carefully selected and strategically limited areas of diversification from our primary purpose (e.g. building homes for outright sale) are closely controlled, managed and monitored to ensure that they do not add significantly to the risks faced by our group. The profits that these activities generate are 'profit for purpose', and together with the financial surpluses generated by our asset-owning parts of the business, these are reinvested into our homes and communities to fund new developments, improvements to our customers' homes and new and improved systems and services.

As a registered provider of social housing, with effect from April 2018 we are no longer required to produce a separate Value for Money self-assessment. We now measure our performance against the Regulator of Social Housing's metrics of:

1. Reinvestment %
2. New supply delivered %
3. Gearing %
4. Earnings before interest, tax, depreciation, amortisation, major repairs included (EBITDA MRI) interest cover %
5. Headline social housing cost per unit
6. Operating margin %
7. Return on capital employed (ROCE)

These metrics, alongside other disclosures required as part of the Regulator of Social Housing's Value for Money standard are disclosed at a Group level within the audited Group Financial Statements and are published on our website at: -

https://www.wmhousing.co.uk/corporate/performance/value-for-money/

Directors' and Officers' Liability Insurance

Directors and Officers have been insured throughout the period to indemnify the Association against liability of the officers when acting for the Association.

Going concern

After making enquiries the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in the financial statements.

Following the referendum decision on 23 June 2016 in favour of leaving the EU ("Brexit"), the United Kingdom had been due to leave the EU on 29 March 2019, two years after it started the exit process by invoking Article 50 of the EU's Lisbon Treaty. However, the withdrawal agreement negotiated between the EU and UK was rejected three times by the UK Parliament. Having granted an initial extension of the Article 50 process until 12 April 2019, EU leaders have now backed a six-month extension until 31 October 2019. However, the UK will leave before this date if the withdrawal agreement is ratified by the UK and the EU before then.

Brexit has caused significant uncertainty in financial markets and the political world, and this is likely to continue as politicians negotiate our exit from the EU and put new arrangements in place. As a Group, WM Housing Group will continue to analyse the local and immediate impacts as more information becomes available regarding the timing and nature of the way that the UK will finally leave the EU, and the detailed implications will be tested through our risk management and stress testing arrangements. We have undertaken a detailed Brexit 'Self-Assessment', and are confident that our business plan and stress testing are able to withstand the likely range of pressures in the short and medium term.

Internal controls assurance

The Board acknowledges its ultimate responsibility for ensuring that the Association has in place a system of control that is appropriate to the various business environments in which it operates. Any such system can provide reasonable but not absolute assurance against material misstatements or loss and the development of the system is a continuing process. The system of control is designed to manage key risks and to provide reasonable assurance that planned business objectives and outcomes are achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Association's assets and interests.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls which are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Association is exposed and has been in place throughout the period commencing 1 April 2018 up to the date of approval of the report and financial statements. The risk assessments are updated at least annually and reported to the Board.

Internal controls assurance (Continued)

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

- Environment and control procedures
- Appropriately qualified staff
- Identification and evaluation of key risks
- Information and financial reporting systems
- Monitoring and corrective action
- Clear policies in place for both employees and Board Members covering key risk areas (e.g. Probity Policy, Conduct Becoming Policy, Anti-Fraud Policy, Anti-Bribery Policy and a Confidential Reporting (Whistleblowing) Policy).

KPMG LLP were appointed as internal auditors for the Group and have delivered the 2018/19 internal audit programme as the first year of their term of appointment. The KPMG Internal Audit approach complies with best professional practice, in particular, Government Internal Audit Standards and the Chartered Institute of Internal Auditors' Position Statement on Risk Based Internal Auditing.

Internal Audit provides an independent and objective assurance and consulting activity that is designed to add value to the Association's operations. It helps the Association to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The internal control framework and the risk management process are subject to regular review by Internal Audit who advise the Senior Leadership Team and report to the Group's Audit & Risk Committee.

The Audit & Risk Committee conducts an annual review of the effectiveness of the system of internal control and has taken account of any changes needed to maintain the effectiveness of risk management and control process. The Audit & Risk Committee makes an annual report to the Board. The Board has received this report.

The Association has in place procedures to ensure every incident is recorded on the fraud register which is reported in detail to the Audit & Risk Committee and these incidents are summarised in the report to the Board on internal controls which is presented each year. During 2018/19 and up to the date of signing the accounts, there have been no incidents (2018: no incidents) recorded in the fraud register.

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

Statement of the responsibilities of the Board for the financial statements

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the association and of the Income and Expenditure for that period of account.

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

- Select suitable policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to 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 has general responsibility for taking reasonable steps to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

Statements as to disclosure of information to Auditor

The Board Members who hold office at the date of approval of this Report confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditor is unaware, and each Board Member has taken all the steps that they ought to have taken as a Board Member to make themselves aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

Auditor

Beever and Struthers are auditors to Optima Community Association Limited and to its parent, WM Housing Group Limited as at 31 March 2019.

The report of the Board was approved on 05 August 2019 and signed on its behalf by:

Stuart Kellas
Secretary

Opinion

We have audited the financial statements of Optima Community Association Limited "the Association" for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves, the Statement of Cash Flows and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the 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.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report to you 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 Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the Board

As explained more fully in the Statement of the Responsibilities of the Board set out on page 8, 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 determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's web-site 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 Association, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association for our audit work, for this report, or for the opinions we have formed.

Beever and Struthers

Beever and Struthers, Statutory Auditor
St George's House
215/219 Chester Road
Manchester
M15 4JE

Date: 22.8.19

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2019 £'000	2018 £'000
Turnover	2	14,550	14,683
Operating Expenditure	2	(10,434)	(9,988)
Surplus on Disposal of Fixed Assets	4	251	188
Operating Surplus	6	**4,367**	**4,883**
Interest Receivable	9	102	31
Interest and Financing Costs	10	(2,487)	(12,645)
Surplus/(Deficit) before Tax		**1,982**	**(7,731)**
Taxation	11	-	-
Surplus/(Deficit) for the Year		**1,982**	**(7,731)**
Actuarial Gain in respect of Pension Schemes	8	788	458
Initial Recognition of Multi-Employer Defined Benefit Pension Scheme	8	(494)	-
Total Comprehensive Income for the Year		**2,276**	**(7,273)**

The results relate wholly to continuing activities and the notes on pages 16 to 49 form an integral part of these financial statements.

The financial statements on pages 12 to 49 were approved and authorised for issue by the Board on 05 August 2019 and signed on its behalf by:

Richard Nowell Chair	Colin Dennis Board Member	Stuart Kellas Secretary

STATEMENT OF FINANCIAL POSITION

	Notes	2019 £'000	2018 £'000
Fixed Assets			
Tangible Fixed Assets	12	107,791	107,666
Current Assets			
Trade and other Debtors	14	1,293	1,098
Cash and Cash Equivalents	15	18,136	16,793
		19,429	17,891
Less: Creditors: amounts falling due within one year	16	(4,626)	(4,389)
Net Current Assets		**14,803**	**13,502**
Total Assets less Current Liabilities		**122,594**	**121,168**
Creditors: Amounts falling due after more than one year	17	(112,515)	(113,323)
Provision for Liabilities - Pension Provision	8	(4,525)	(4,567)
Total Net Assets		**5,554**	**3,278**
Reserves			
Income and Expenditure Reserve		5,554	3,278
Total Reserves		**5,554**	**3,278**

The notes on pages 16 to 49 form an integral part of these financial statements.

The financial statements on pages 12 to 49 were approved and authorised for issue by the Board on 05 August 2019 and signed on its behalf by:

Richard Nowell
Chair

Colin Dennis
Board Member

Stuart Kellas
Secretary

STATEMENT OF CHANGES IN RESERVES

	Income and Expenditure Reserve £'000	Total Controlling Interest £'000	Unrestricted Fund £'000
Balance at 1 April 2017	**10,551**	**10,551**	**10,551**
Deficit for the year	(7,731)	(7,731)	(7,731)
Other Comprehensive Income for the year:			
- Actuarial gain in respect of pension schemes	458	458	458
Balance at 31 March 2018	**3,278**	**3,278**	**3,278**
Surplus for the year	1,982	1,982	1,982
Other Comprehensive Income for the year:			
- Actuarial gain in respect of pension schemes	788	788	788
- Initial Recognition of Multi-Employer Defined Benefit Pension Scheme	(494)	(494)	(494)
Balance at 31 March 2019	**5,554**	**5,554**	**5,554**

The notes on pages 16 to 49 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	Notes	2019 £'000	2018 £'000
Net cash generated from Operating Activities (see below)		**5,194**	**7,613**
Cash flow from investing activities:			
Purchase of tangible fixed assets		(3,181)	(231)
Proceeds from sale of tangible fixed assets		1,264	430
Grants Received		315	-
Interest received		102	31
		(1,500)	230
Cash flow from financing activities:			
Interest paid		(2,373)	(12,337)
New secured loans		-	69,849
Repayment of borrowings		22	(53,000)
		(2,351)	4,512
Net change in cash and cash equivalents		**1,343**	**12,355**
Cash and cash equivalents at beginning of the year		**16,793**	**4,438**
Cash and cash equivalents at end of the year		**18,136**	**16,793**
Cash flow from Operating Activities:			
Surplus/(Deficit) for the year		1,982	(7,731)
Adjustments for non-cash items:			
Depreciation of tangible fixed assets		2,204	2,428
Amortised grant		(757)	(758)
(Increase)/Decrease in trade and other debtors		(195)	685
(Decrease)/Increase in trade and other creditors		(140)	597
Pension costs less contributions payable		139	(33)
Carrying amount of tangible fixed asset disposals		229	241
Adjustments for investing or financing activities:			
Proceeds from the sale of tangible fixed assets		(653)	(430)
Interest payable		2,487	12,645
Interest received		(102)	(31)
Cash from Operations		**5,194**	**7,613**
Taxation paid		-	-
Net cash generated from Operating Activities		**5,194**	**7,613**

The notes on pages 16 to 49 form an integral part of these financial statements.

LEGAL STATUS

Optima Community Association Limited is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing as a Private Registered Provider of Social Housing. The registered office is: -

4040 Lakeside
Solihull Parkway
Birmingham
B37 7YN

The Association is a wholly owned subsidiary of WM Housing Group Limited and has one direct subsidiary entity: -

Name	Incorporation	Registered / Non-registered
Attwood Green Estate Services Limited	Companies Act 2006	Non-registered

The transactions of Attwood Green Estate Services Limited are not consolidated with the results of either Optima Community Association Limited or WM Housing Group Limited as they are deemed to be immaterial, and are shown under Investments in the Statement of Financial Position.

1. PRINCIPAL ACCOUNTING POLICIES

Basis of accounting

The Association's financial statements have been prepared in accordance with applicable United Kingdom Accounting Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2018.

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. The financial statements are prepared on the historical cost basis of accounting and are presented in sterling £.

The Financial Reporting Council (FRC) has recently conducted its planned triennial review of FRS102. The result of this review is that an updated version of the standard, FRS102 (March 2018) has been released, applicable to accounting periods beginning on or after 1 January 2018. Early application was permitted provided that all amendments were applied at the same time. The financial statements have therefore been prepared in compliance with FRS102 (March 2018) with effect from 2017/18. In complying with FRS102 the Association meets the definition of a public benefit entity.

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS102:

- No disclosure has been given for the aggregate remuneration of the key management personnel as their remuneration is included in the consolidated financial statements for the ultimate parent company, WM Housing Group, as a whole.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Going Concern

The Association's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. Government's announcements in July 2015 impacting on the future income of the Group led to a reassessment of the Group's business plan as well as an assessment of imminent or likely future breach in borrowing covenants. No significant concerns were noted and we consider it appropriate to continue to prepare the financial statements on a going concern basis.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

- **Development expenditure.** The Association capitalises development expenditure in respect of new developments of social and affordable housing. Initial capitalisation of costs is based on management's judgement that a development scheme is confirmed, usually when Board approval has taken place including access to the appropriate funding. In determining whether a project is likely to cease, management monitors the development and considers if changes have occurred that result in impairment.
- **Categorisation of housing properties.** The Association has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Association has considered if the asset is held for social benefit or to earn commercial rentals. The Association has not identified any investment properties.
- **Impairment.** The Association has identified a cash generating unit (CGU) for impairment assessment purposes at a property scheme level.
- **Provision for bad debts.** The Association provides for bad debts as at 31 March each year based on a percentage scale of current tenant arrears plus 100% of former tenant arrears. The adequacy of the provision methodology is reviewed on an annual basis to ensure that provisions reflect changes in arrears experience and the implications of Welfare Reform.
- **Categorisation of debt.** The Association's debt has been treated as "basic" in accordance with paragraphs 11.8, 11.9 and 11.9A of FRS 102 (March 2018). The Group has some fixed rate loans which have a two-way break clause (i.e. in addition to reasonable compensation being payable by a borrower to a lender if a loan is prepaid where the prevailing fixed rate is lower than the existing loan's fixed rate, reasonable compensation could be payable by the lender to the borrower in the event that a loan is prepaid and the prevailing fixed rate is higher than the existing loan's fixed rate).

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Other key sources of estimation and assumptions:

- **Tangible fixed assets.** Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- **Pension and other post-employment benefits.** The Association participates in two pension schemes, the West Midlands Pension Fund (as an Admitted Body) and the Social Housing Pension Scheme.

  For the purposes of the financial statements, the West Midlands Pension Fund is classified as defined benefit schemes for the years ended 31 March 2018 and 31 March 2019.

  The Social Housing Pension Scheme (SHPS) is a multi-employer scheme. For financial years ending on or before 28 February 2019, it has not been possible for the company to obtain sufficient information to enable it to account for the SHPS Defined Benefit Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme. For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme. The accounting treatment of the Scheme is therefore not consistent between the two financial years, but is in line with the guidance issued in *FRED 71: Draft amendments to FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland - Multi-employer defined benefit plan.*

  The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty.

  For the West Midlands Pension Fund, the pension scheme liabilities are measured using a projected unit method and discounted at an AA corporate bond rate. The pension scheme assets are valued at market rate. The pension scheme deficit is recognised in full on the Statement of Financial Position. The mortality rate is based on publicly available mortality tables for the specific sector. Future salary increases and pension increases are based on expected future inflation rates for the respective sector. In accordance with the impact estimates set out in the *Potential impact of McCloud/Sargeant ruling on pension accounts disclosures* paper prepared by the Government Actuary's Department (GAD), the scheme liabilities have been calculated on a 'worst-case' basis (i.e. what potential remedy would incur the highest increase in costs/liabilities).

  For the Social Housing Pension Scheme, the actuarial assumptions and other key information used to generate the accounting disclosures for the year ended 31 March 2019 are the default assumptions adopted by The Pensions Trust. No changes have been made to these default assumptions.

  Further details for all pension schemes are provided in note 8.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Other key sources of estimation and assumptions (Continued):

- **Impairment of non-financial assets.** Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value or its value in use. A cash generating unit is normally a group of properties at scheme level whose cash income can be separately identified.

  Following a trigger for impairment, the Association performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from sales transactions in an arm's length transaction on similar cash generating units (properties) or observable market prices less incremental costs for disposing of the properties. The value in use calculation is based on a depreciated replacement cost model. The depreciated replacement cost is based on available data of the cost of constructing or acquiring replacement properties to provide the same level of service potential to the Association as the existing property.

  There have not been any impairment triggers recognised in the year, and there have therefore been no impairment losses identified for the year (2018: £Nil).

Turnover and revenue recognition
Turnover represents rental income receivable, amortised capital grant, revenue grants from local authorities and Homes England, income from the sale of shared ownership initial tranches and other income, and are recognised in relation to the period when the goods or services have been supplied.

Rental income is recognised when the property is available for let, net of voids. Income from property sales is recognised on legal completion. Supporting People Income is recognised under the contractual arrangements.

Operating expenditure
Operating expenditure includes the actual costs of repairs and maintenance incurred during the period and the cost of sales relating to shared ownership initial tranche sales. Management costs are allocated to revenue accounts on the basis of staff time allocated, except for specific items of expenditure, which are allocated directly.

Support income and costs including Supporting People income and costs
Supporting People (SP) contract income received from Administering Authorities is accounted for as SP income in the Turnover as per note 2. The related support costs are matched against this income in the same note. Support charges included in the rent are included in the Statement of Comprehensive Income from social housing lettings note 3 and matched against the relevant costs.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Supported housing managed by agencies

Social Housing Grant (SHG) for capital expenditure on supported housing projects is claimed and incorporated within the Statement of Financial Position in line with ownership. The treatment of revenue income and expenditure in respect of supported housing projects depends solely on the agreements with the managing agents and on whether the Association entity carries the financial risk.

Where the Association entity holds the support contract with the Supporting People Administering Authority and carries the financial risk, all of the project's income and expenditure is included in the Income and Expenditure Account.

Where the agency holds the support contract with the Supporting People Administering Authority and carries the financial risk, the income and expenditure included is only that income and expenditure which related solely to the Association entity. Other income and expenditure of projects in this category is excluded from the Income and Expenditure Account.

Service Charges

Service charge income and costs are recognised on an accruals basis. The Association operates variable service charges on a scheme by scheme basis in consultation with residents. Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned or recovered they are held as creditors or debtors in the Statement of Financial Position.

Where periodic expenditure is required a provision may be built up over the years, in consultation with the residents; until these costs are incurred this liability is held in the Statement of Financial Position within long term creditors.

Loans

All housing loans have been raised from the private sector including banks and building societies. All loan interest is accounted for on a basis which reflects the effective periodic rate of interest on the loan. Loans outstanding on the Statement of Financial Position are shown net of any premiums with the full loan outstanding being reinstated over its life by means of adjustments from the Statement of Comprehensive Income.

Costs of raising finance are set against gross loans received and the loan is then refinanced over its life by means of adjustments from the Statement of Comprehensive Income. Costs of raising finance are deemed to be finance costs of the same nature as interest.

Taxation

The Association is a charitable Co-operative and Community Benefit Societies and, providing income is derived from its primary purpose, there is no liability for Corporation Tax.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Value Added Tax

The Association charges VAT on some of its income and is able to recover part of the VAT it incurs on expenditure. All amounts disclosed in the accounts are inclusive of VAT to the extent that it is suffered by the Association and not recoverable.

Tangible fixed assets and depreciation

Housing property

Housing properties are shown at cost, less accumulated depreciation. The capitalised cost of developed or purchased housing properties includes the cost of acquiring land and buildings, related development staff salaries and corresponding direct overheads, interest costs on the net capital employed until the date of practical completion, major repairs capitalised and directly attributable professional fees. Following the implementation of the Statement of Recommended Practice (SORP) 2010, the cost of housing properties is allocated between land and buildings in line with National Housing Federation valuation matrix.

The Association capitalises major repairs and improvement expenditure on existing housing properties in line with the requirements of the SORP. The cost of capitalised improvements is written off over the expected useful life of the components. Component lives are aligned to the assumed life within the stock condition survey database. Otherwise, such costs are taken as a charge to the Statement of Comprehensive Income in the year in which they are incurred.

The useful economic lives of the properties are:

Housing Properties	- 100 years from date of build
Major Repairs/Improvements	- over the expected life of the component

Where a housing property comprises two or more major components with substantially different useful economic lives (UELs), each component is accounted for separately and depreciated over its individual UEL. Housing properties in the course of construction and freehold land are stated at cost and are not depreciated. When a component is replaced, the existing component is fully depreciated and written off, and is replaced by the capitalisation of the replacement component as incurred.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Tangible fixed assets and depreciation (Continued)

Housing property (Continued)
The Association depreciates freehold housing properties by component on a straight line basis over the UELs of the component categories. The table below shows the asset lives for the separately identified components within the building element of each property.

Component type	Component Life (years)
Structure	100
Insulated Render	Remaining life of structure
Roof	70
Soffits & Fascias	30
Windows	30
Doors	30
Bathroom	30
Heating System	30
Electrics	30
Lifts	30
Solar PV Panels	25
Kitchen	20
Boiler	15

The Association depreciates housing properties held on long leases in the same manner as freehold properties, except where the unexpired lease term is shorter than the longest component life envisaged, in which case the unexpired term of the lease is adopted as the useful economic life of the relevant component category.

Other tangible fixed assets
Tangible fixed assets other than housing properties are stated at cost less accumulated depreciation. Depreciation is charged over the expected useful economic life of the asset, at the following annual rates:

Freehold Offices	- 50 years
Leasehold Office	- over the life of the lease
Computer Equipment	- 3 to 5 years
Fixtures & Fittings	- 4 years
Office Refurbishments	- 12 years

Property sales
Property sales arise from tenants exercising their Right to Buy or Right to Acquire.

For Right to Acquire sales, the surplus represents the difference between the sales proceeds and carrying value after deduction of grant that is to be recycled via the Recycled Capital Grant Fund. The surplus from the sale of Right to Buy and Right to Acquire properties is disclosed in the Statement of Comprehensive Income as a separate figure and is excluded from turnover. As it is considered to be an integral part of the Group's operating strategy, the surplus is disclosed within operating surplus.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Shared Ownership (Low Cost Home Ownership) properties

All properties are split between fixed and current assets in line with the expectation relating to the first tranche sale percentage. The expected first tranche proportion is classified as a current asset and is held at the lower of cost and net realisable value until the point of the first tranche sale. The current asset is then transferred to cost of sales and matched against sales proceeds within the operating surplus in the Statement of Comprehensive Income. Any operating surplus is restricted to the overall surplus which takes account of the Existing Use Value - Social Housing (EUV-SH) of the remaining fixed asset element. The remaining element of the asset is classified as a fixed asset and included in fixed assets in the Statement of Financial Position at cost less any provision for depreciation or impairment.

Property managed by agents

Where the Association carries the majority of the financial risk on property managed by agents, all of the income and expenditure arising from the property is included in the Statement of Comprehensive Income. Where the agency carries the majority of the financial risk, the Statement of Comprehensive Income includes only that income and expenditure which relates solely to the Association.

In both cases, the housing assets and associated liabilities are included in the Association's Statement of Financial Position.

Leasing and hire purchase

Where assets are financed by hire purchase contracts and leasing agreements that give rights approximating to ownership (finance leases), they are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as obligations to the lessor in creditors. They are depreciated over the shorter of the lease term and their economic useful lives.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit and loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

Other leases are treated as operating leases and payments are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

Reverse premiums and similar incentives received on leases to enter into operating lease agreements are released to Statement of Comprehensive Income over the term of the lease.

Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Stock and properties held for sale

Shared ownership initial tranche and properties identified for sale are included in current assets as they are intended to be sold, at the lower of cost or estimated selling price less costs to complete and sell.

At each reporting date, stock and properties held for sale are assessed for impairment. If there is evidence of impairment, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in Statement of Comprehensive Income.

Short-term debtors and creditors

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

Non-government grants

Grants received from non-government sources are recognised under the performance model. If there are no specific performance requirements the grants are recognised when received or receivable. Where grant is received with specific performance requirements it is recognised as a liability until the conditions are met and then it is recognised as Turnover.

Social Housing and other government grants

Where developments have been financed wholly or partly by social housing and other grants, the amount of the grant received has been included as deferred income and recognised in Turnover over the estimated useful life of the associated asset structure (not land), under the accruals model. Social Housing Grant (SHG) received for items of cost written off in the Statement of Comprehensive Income is included as part of Turnover.

When SHG in respect of housing properties in the course of construction exceeds the total cost to date of those housing properties, the excess is shown as a current liability.

SHG must be recycled by the Association under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by Homes England and Greater London Authority. However, SHG may have to be repaid if certain conditions are not met. If grant is not required to be recycled or repaid, any unamortised grant is recognised as Turnover. In certain circumstances, SHG may be repayable, and, in that event, is a subordinated unsecured repayable debt.

Non-monetary government grant

On disposal of assets for which non-monetary government grants are held as liabilities in the Statement of Financial Position, the unamortised amount in creditors is derecognised and recognised as income in the Statement of Comprehensive Income.

Recycling of Capital Grant

Where Social Housing Grant is recycled, as described above, the SHG is credited to a fund which appears as a creditor until used to fund the acquisition of new properties, known as the Recycled Capital Grant Fund (RCGF). Where recycled grant is known to be repayable it is shown as a creditor within one year.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Disposal Proceeds Fund (DPF)
Prior to 1 April 2017, receipts from the sale of SHG funded properties less the net book value of the property and the costs of disposal were credited to the DPF; this creditor was carried forward until it was used to fund the acquisition of new social housing. From 1 April 2017, no further receipts from property sales have been added to the DPF. All grant relating to disposals of housing properties has been recycled via the RCGF.

Holiday pay accrual
A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the reporting date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the reporting date.

Financial Instruments
Financial assets and financial liabilities are measured at transaction price initially, plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

At the end of each reporting period, financial instruments are measured as follows, without any deduction for transaction costs the entity may incur on sale or other disposal:

Debt instruments that meet the conditions in paragraph 11.8(b) of FRS 102 are measured at amortised cost using the effective interest method, except where the arrangement constitutes a financing transaction. In this case the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt.

Commitments to receive or make a loan to another entity which meet the conditions in para 11.8(c) of FRS 102 are measured at cost less impairment.

Financial instruments held by the Association are classified as follows:
- Financial assets such as cash, current asset investments and receivables are classified as loans and receivables and held at amortised cost using the effective interest method;
- Financial liabilities such as loans are held at amortised cost using the effective interest method;
- Loans to or from subsidiaries including those that are due on demand are held at amortised cost using the effective interest method;
- Commitments to receive or make a loan to another entity which meet the conditions above are held at cost less impairment.

Impairment of Financial Assets
Financial assets are assessed at each reporting date to determine whether there is any objective evidence that a financial asset or Association of financial assets is impaired. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

The following financial instruments are assessed individually for impairment:
a) All equity instruments regardless of significance; and
b) Other financial assets that are individually significant.

Other financial instruments are assessed for impairment either individually or Association on the basis of similar credit risk characteristics.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Impairment of Financial Assets (Continued)

An impairment loss is measured as follows on the following instruments measured at cost or amortised cost:

a) For an instrument measured at amortised cost, the impairment loss is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

b) For an instrument measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that the entity would receive for the asset if it were to be sold at the reporting date.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed either directly or by adjusting an allowance account. The reversal cannot result in a carrying amount (net of any allowance account) which exceeds what the carrying amount would have been had the impairment not previously been recognised. The amount of the reversal is recognised in profit or loss immediately.

2. TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS/(DEFICIT) BY CLASS OF BUSINESS

	2019			2018		
	Turnover	Operating Costs/Cost of Sales	Operating Surplus/ (Deficit)	Turnover	Operating Costs/Cost of Sales	Operating Surplus/ (Deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Social Housing Lettings (Note 3)	**14,180**	**(10,263)**	**3,917**	**14,331**	**(9,660)**	**4,671**
Other social housing activities:						
First tranche shared ownership sales	-	-	-	-	-	-
Development administration	-	-	-	-	-	-
Community regeneration	-	-	-	-	(127)	(127)
Other Activities	149	(10)	139	-	-	-
Activities other than Social Housing Activities:						
Leasehold accommodation	215	(161)	54	203	(203)	-
Commercial	6	-	6	149	2	151
	14,550	**(10,434)**	**4,116**	**14,683**	**(9,988)**	**4,695**

3. INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	General Needs	Supported Housing & Housing for Older People	Low Cost Home Ownership	2019 Total	2018 Total
	£'000	£'000	£'000	£'000	£'000
Rents receivable net of identifiable service charge income and net of voids	9,907	3	178	10,088	10,196
Service charge income	1,044	11	29	1,084	1,091
Net rental income	**10,951**	**14**	**207**	**11,172**	**11,287**
Amortised Government Grants	742	1	14	757	758
Other income	2,251	-	-	2,251	2,286
Turnover from Social Housing Lettings	**13,944**	**15**	**221**	**14,180**	**14,331**
Operating Expenditure:					
Management	(2,072)	(3)	(39)	(2,114)	(2,078)
Service charge costs	(1,817)	(2)	(35)	(1,854)	(1,129)
Routine maintenance	(2,703)	(4)	-	(2,707)	(2,924)
Planned maintenance	(339)	-	-	(339)	(834)
Major repairs expenditure	(723)	(1)	-	(724)	(212)
Bad debts	(156)	-	-	(156)	(95)
Depreciation on housing properties	(2,322)	(3)	(44)	(2,369)	(2,388)
Operating Expenditure on Social Housing Lettings	**(10,132)**	**(13)**	**(118)**	**(10,263)**	**(9,660)**
Operating surplus on Social Housing Lettings	**3,812**	**2**	**103**	**3,917**	**4,671**
Void losses (being rental income lost as a result of property not being let, although it is available for letting)	(48)	-	(3)	(51)	(45)

4. SURPLUS ON DISPOSAL OF FIXED ASSETS

	2019 £'000	2018 £'000
Sale of Housing Properties		
Proceeds from disposal	324	400
Cost of sale	(112)	(125)
Transfer to Recycled Capital Grant Fund	(79)	(93)
Administration costs of disposal	(6)	(4)
Surplus on Sale of Housing Properties	**127**	**178**
Sale of Shared Ownership Subsequent Tranches		
Proceeds from disposal	329	30
Cost of sale	(122)	(20)
Administration costs of disposal	(1)	-
Transfer to Recycled Capital Grant Fund	(82)	-
Surplus on Sale of Shared Ownership Subsequent Tranches	**124**	**10**
Surplus on Disposal of Fixed Assets	**251**	**188**

5. EMPLOYEE INFORMATION

	2019 £'000	2018 £'000
Full Time Equivalents (excluding Directors)	**73**	**78**

	2019 £'000	2018 £'000
Staff Costs for the Above		
Wages and Salaries	2,032	2,331
Social Security Costs	178	204
Other Pension Costs	429	302
	2,639	**2,837**

The number of full time equivalents has been calculated on a 37 hour per week basis.

In addition to the staff costs shown above, costs totalling £42k (2018: £67k) in respect of key management personnel of the Association were paid for by the ultimate parent company, WM Housing Group Limited.

	2019 No.	2018 No.
Full Time Equivalents split by remuneration bands of,		
£60,000 - £69,999	1	1
£70,000 - £79,999	-	1
£90,000 - £99,999	1	1

6. OPERATING SURPLUS

	2019 £'000	2018 £'000
Operating Surplus is stated after charging		
Depreciation:		
On Fixed Assets other than Housing Properties	41	40
On Housing Properties	2,369	2,388
Auditor's Remuneration (excluding VAT):		
Audit of the company's financial statements	7	8
Operating Lease Payments:		
Motor Vehicles	52	44
Bad Debts:		
On rents	141	86
On service charges	15	9

7. DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS

The Directors of the Association are defined as the Board of Management and Executive Officers as set out on page 1.

Aggregate emoluments paid to or received by Directors who are not executive staff members including salaries, honoraria or other benefits: -

	2019 £'000	2018 £'000
Philip Allkins	2	2
Tricia Gbinigie	2	2
Jane Sargeant	-	1
Colin Williams	2	2
Kalwinder Sandhu	-	2
Michael Sullivan	-	2
Danielle Oum	-	10
Richard Nowell	-	1
Marie Moore	-	2
Total	6	24
Aggregate emoluments (including pension contributions) paid to or received by Directors who are executive staff members including salaries, honoraria and other benefits	-	-
Aggregate emoluments of the highest paid Director excluding pension contributions included in aggregate emoluments of Directors who are executive staff members	-	-

Compensation payable to Directors or past Directors during the period in respect of loss of office of Director amounted to £Nil (2018: £Nil). All executive directors fulfil Group roles and are employed directly by WM Housing Group Limited, with appropriate disclosures made in the Group financial statements.

8. PENSION COSTS

Membership of the Social Housing Pension Scheme (SHPS) Defined Contribution Scheme is offered to all employees of the Association. Membership of the SHPS Defined Benefit Scheme was closed to new members with effect from 1 December 2017. Optima Community Association Limited maintained their admitted body status of the West Midlands Pension Fund following transfer from Birmingham City Council in 1999. The scheme is a final salary scheme, with the West Midlands Pension Fund becoming a CARE scheme from 1 April 2015.

For the purposes of the financial statements, the West Midlands Pensions Fund is classified as a defined benefit scheme. The Social Housing Pension Scheme (SHPS) is a multi-employer scheme. For financial years ending on or before 28 February 2019, it has not been possible for the company to obtain sufficient information to enable it to account for the SHPS Defined Benefit Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme. For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme. The accounting treatment of the Scheme is therefore not consistent between the two financial years, but is in line with the guidance issued in FRED 71: Draft amendments to FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland - Multi-employer defined benefit plan.

The assets of the funds are invested and managed independently of the finances of WM Housing Group. Employee contribution rates are fixed, and the employer's contribution rate is assessed in accordance with the advice of an independent and professionally qualified actuary.

(a) THE PENSIONS TRUST - SOCIAL HOUSING PENSION SCHEME

Optima Community Association Limited participates in the Social Housing Pension Scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK.

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

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

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

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

8. PENSION COSTS (Continued)

(a) THE PENSIONS TRUST - SOCIAL HOUSING PENSION SCHEME (Continued)

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

The Optima Community Association Limited SHPS scheme does not have a past service deficit, and there was therefore no requirement for the Association to recognise a liability for a deficit obligation in the year ended 31 March 2018.

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

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

In accordance with the guidance issued in *FRED 71: Draft amendments to FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland - Multi-employer defined benefit plan*, the scheme liabilities have been recognised as a pension provision as at 1 April 2018. The impact of the change in accounting policy for the Association amounts to £494k and is accounted for within Other Comprehensive Income.

(b) DEFINED BENEFIT PENSION SCHEMES

	2019 £'000	2018 £'000
Fair value of plan assets	15,055	12,612
Present value of defined benefit obligation	(19,580)	(17,179)
Deficit in Plan	(4,525)	(4,567)
Deferred tax	-	-
Net defined benefit liability to be recognised	**(4,525)**	**(4,567)**

8. PENSION COSTS (Continued)

(b) DEFINED BENEFIT PENSION SCHEMES (Continued)

THE PENSIONS TRUST - SOCIAL HOUSING PENSION SCHEME

As described above in note 8 (a), for the year ended 31 March 2019 it has been possible to obtain sufficient information to enable the company to account for the Social Housing Pension Scheme (SHPS) as a defined benefit scheme.

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

The major assumptions used by the actuary are shown below.

Present values of defined benefit obligation, fair value of assets and defined benefit liability

	2019 £'000	2018 £'000
Fair value of plan assets	1,599	-
Present value of defined benefit obligation	(2,251)	-
Deficit in Plan	(652)	-
Deferred tax	-	-
Net defined benefit liability to be recognised	**(652)**	-

Reconciliation of opening and closing balances of the defined benefit obligation

	2019 £'000	2018 £'000
Defined benefit obligation at start of the year	1,750	-
Expenses	3	-
Current service cost	326	-
Interest expense	50	-
Change in financial assumptions	161	-
Change in demographic assumptions	5	-
Experience (gain) on defined benefit obligation	(42)	-
Benefits paid	(26)	-
Contributions by scheme participants	24	-
Defined benefit obligation at end of the year	**2,251**	-

8. PENSION COSTS (Continued)

(b) DEFINED BENEFIT PENSION SCHEMES (Continued)

THE PENSIONS TRUST - SOCIAL HOUSING PENSION SCHEME (Continued)

Reconciliation of opening and closing balances of the fair value of plan assets

	2019 £'000	2018 £'000
Fair value of plan assets at start of the year	1,256	-
Interest income	33	-
Return on assets less interest	36	-
Contributions made by the employer	276	-
Contributions by fund participants	24	-
Benefits paid	(26)	-
Fair value of plan assets at end of the year	**1,599**	**-**

Defined benefit costs recognised in the Statement of Comprehensive Income

	2019 £'000	2018 £'000
Recognised within the Surplus for the Year: -		
Service cost	326	-
Expenses	3	-
Net interest cost	14	-
Defined benefit costs recognised within the surplus for the year	**343**	**-**
Recognised within Other Comprehensive Income: -		
Return on plan assets (excluding amounts included in net interest cost) - gain	33	-
Change in demographic assumptions	(5)	-
Change in financial assumptions	(161)	-
Experience gain on defined benefit obligation	42	-
Actuarial loss in respect of pension schemes	**(91)**	**-**
Initial recognition of multi-employer defined benefit scheme	(494)	-
Total amount recognised within Other Comprehensive Income	**(585)**	**-**

(b) DEFINED BENEFIT PENSION SCHEMES (Continued)

THE PENSIONS TRUST - SOCIAL HOUSING PENSION SCHEME (Continued)

Assets

	2019 £'000	2018 £'000
Global Equity	269	-
Absolute Return	139	-
Distressed Opportunities	29	-
Credit Relative Value	29	-
Alternative Risk Premia	92	-
Fund of Hedge Funds	7	-
Emerging Markets Debt	55	-
Risk Sharing	48	-
Insurance-Linked Securities	46	-
Property	36	-
Infrastructure	84	-
Private Debt	21	-
Corporate Bond Fund	75	-
Long Lease Property	24	-
Secured Income	57	-
Liability Driven Investment	585	-
Net Current Assets	3	-
Total assets	**1,599**	-

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

Assumptions

	2019 % per annum	2018 % per annum
Discount Rate	2.40%	-
Inflation (RPI)	3.19%	-
Inflation (CPI)	2.19%	-
Salary Growth	3.19%	-
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	

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

	Life expectancy at age 65 Years	 Years
Male retiring today	21.8	-
Female retiring today	23.5	-
Male retiring in 20 years	23.2	-
Female retiring in 20 years	24.7	-

8. PENSION COSTS (Continued)

(b) DEFINED BENEFIT PENSION SCHEMES (Continued)

WEST MIDLANDS PENSION FUND

Optima Community Association Limited is able to estimate its share of the underlying assets and liabilities of the West Midlands Pension Fund. The pension contributions for the Association during the year to 31 March 2019 amounted to £0.5m (2018: £0.3m). A full actuarial valuation was carried out as at 31 March 2016 and has been updated to 31 March 2019 by a qualified actuary, independent of the scheme's sponsoring employers. In accordance with the impact estimates set out in the Potential impact of McCloud/Sargeant ruling on pension accounts disclosures paper prepared by the Government Actuary's Department (GAD), the scheme liabilities have been calculated on a 'worst-case' basis (i.e. what potential remedy would incur the highest increase in costs/liabilities).The major assumptions used by the actuary are shown below.

Present values of defined benefit obligation, fair value of assets and defined benefit liability

	2019 £'000	2018 £'000
Fair value of plan assets	13,456	12,612
Present value of defined benefit obligation	(17,329)	(17,179)
Deficit in Plan	(3,873)	(4,567)
Deferred tax	-	-
Net defined benefit liability to be recognised	**(3,873)**	**(4,567)**

Reconciliation of opening and closing balances of the defined benefit obligation

	2019 £'000	2018 £'000
Defined benefit obligation at start of the year	17,179	17,518
Current service cost	213	220
Interest expense	433	470
Change in financial assumptions	752	(789)
Change in demographic assumptions	(947)	-
Benefits paid	(516)	(286)
Past service cost	174	-
Contributions by scheme participants	41	46
Defined benefit obligation at end of the year	**17,329**	**17,179**

Reconciliation of opening and closing balances of the fair value of plan assets

	2019 £'000	2018 £'000
Fair value of plan assets at start of the year	12,612	12,590
Interest income	320	340
Return on assets less interest	684	(331)
Administration expenses	(6)	(6)
Contributions made by the employer	321	259
Contributions by fund participants	41	46
Benefits paid	(516)	(286)
Fair value of plan assets at end of the year	**13,456**	**12,612**

8. PENSION COSTS (Continued)

WEST MIDLANDS PENSION FUND (Continued)

Defined benefit costs recognised in the Statement of Comprehensive Income

	2019 £'000	2018 £'000
Recognised within the Surplus for the Year: -		
Service cost	387	220
Net interest cost	113	130
Administration expenses	6	6
Defined benefit costs recognised within the surplus for the year	**506**	**356**
Recognised within Other Comprehensive Income: -		
Return on plan assets (excluding amounts included in net interest cost) - gain/(loss)	684	(331)
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities - gain/(loss)	195	789
Total amount recognised within Other Comprehensive Income	**879**	**458**

Assets

	2019 £'000	2018 £'000
UK Equities	7,787	8,061
Other Bonds	514	482
Property	1,204	971
UK Government Bonds	1,013	922
Cash	701	310
Other	2,237	1,866
Total assets	**13,456**	**12,612**

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

Assumptions

	2019 % per annum	2018 % per annum
Discount Rate	2.40%	2.55%

8. PENSION COSTS (Continued)

WEST MIDLANDS PENSION FUND (Continued)

Assumptions (Continued)

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

	Life expectancy at age 65 Years	
Male retiring today	20.9	21.9
Female retiring today	23.2	24.3
Male retiring in 20 years	22.6	24.0
Female retiring in 20 years	25.0	26.5

The best estimate of contributions to be paid by the employer to the plan for the year commencing 1 April 2019 is £260k (2018: £252k).

9. INTEREST RECEIVABLE

	2019 £'000	2018 £'000
Interest receivable on unlisted investments	102	31

10. INTEREST AND FINANCING COSTS

	2019 £'000	2018 £'000
Defined Benefit pension charge	127	130
Bank Loans		
Breakage costs	-	9,855
Repayable by instalments wholly or partly in more than 5 years	2,373	2,660
Amortisation of loan premiums and arrangement costs	-	-
Capitalisation of development interest	(13)	-
	2,487	12,645

11. TAXATION

The Association is a charitable Co-operative and Community Benefit Society and, providing income is derived from its primary purpose, there is no liability for Corporation Tax.

12. HOUSING PROPERTIES

	Housing Properties				Other Fixed Assets				
	Social Housing Properties for Letting Completed	Social Housing Properties for Letting Under Construction	Low Cost Home Ownership Properties Completed	Total Housing Properties	Land & Buildings	Office Fixtures & Fittings	Equipment	Computer Equipment	Total Fixed Assets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
COST									
At 1 April 2018	135,077	11	5,678	140,766	2,396	4	62	67	143,295
Additions - existing properties	666	-	-	666	-	-	-	-	666
Additions - New Development	-	2,245	-	2,245	16	-	20	-	2,281
Schemes completed - New Development	1,090	(1,090)	-	-	-	-	-	-	-
Disposals - Replaced Assets	(156)	-	-	(156)	-	-	-	-	(156)
Disposals - Sales	(252)	-	(206)	(458)	-	-	-	-	(458)
Abortive Costs	-	(4)	-	(4)	-	-	-	-	(4)
At 31 March 2019	136,425	1,162	5,472	143,059	2,412	4	82	67	145,624
DEPRECIATION AND IMPAIRMENT									
At 1 April 2018	34,749	-	497	35,246	288	4	24	67	35,629
Charge for the period	2,339	-	30	2,369	25	-	16	-	2,410
Disposals - Replaced Assets	(156)	-	-	(156)	-	-	-	-	(156)
Disposals - Sales	(41)	-	(9)	(50)	-	-	-	-	(50)
At 31 March 2019	36,891	-	518	37,409	313	4	40	67	37,833
NET BOOK VALUE									
At 31 March 2019	99,534	1,162	4,954	105,650	2,099	-	42	-	107,791
At 31 March 2018	100,328	11	5,181	105,520	2,108	-	38	-	107,666

There are 1,532 Optima Community Association Limited properties charged against debt borrowed by WM Housing Group Limited through a Security Trust at the reporting date. Asset cover is measured by reference to the properties' Existing Use Value - Social Housing (EUV-SH) and/or Market Value - Subject to Tenancy (MV-STT) as a percentage of the debt outstanding. At the reporting date there was sufficient asset cover in respect of debt allocated to Optima Community Association Limited.

12. HOUSING PROPERTIES (Continued)

	2019 £'000	2018 £'000
Net Book Value of Housing Properties and other fixed Assets comprises: -		
Freehold land and buildings	105,665	105,520
Long leasehold land and buildings	1,996	2,014
Short leasehold land and buildings	88	94
	107,749	**107,628**
Total expenditure on works to existing properties:		
Replacement components capitalised	666	220
Amounts charged to Statement of Comprehensive Income	724	212
	1,390	**432**

13. FIXED ASSET INVESTMENT IN SUBSIDARY UNDERTAKING

Attwood Green Estate Services Limited (AGES) is a subsidiary organisation of Optima Community Association Limited. AGES began trading in the year ended 31 March 2005. In the year to 31 March 2019 it had a turnover of £83,401 (2018: £92,475). Optima Community Association owed £Nil to AGES as at 31 March 2019 (2018: £32,603). AGES owed £11,881 to Optima Community Association as at 31 March 2019 (2018: £Nil).

The transactions of Attwood Green Estate Services Limited are not consolidated with the results of either Optima Community Association Limited or WM Housing Group Limited as they are deemed to be immaterial.

	2019 £	2018 £
COST OF INVESTMENT	100	100

Details of the Optima Community Association subsidiary at 31 March 2019:

Name	Percentage of share held
Attwood Green Estate Services Limited	100%

14. TRADE AND OTHER DEBTORS

	2019 £'000	2018 £'000
Amounts receivable within one year		
Rental debtors	679	772
Less: Provision for bad debts	(529)	(509)
	150	**263**
Amounts due from Group Undertakings	888	691
Other debtors	255	144
	1,293	**1,098**

Former tenant rent arrears of £326k (2018: £377k) are fully provided for and are therefore not included within the rental debtors or provision balances above.

15. CASH AND CASH EQUIVALENTS

	2019 £'000	2018 £'000
Money market investments	15,335	13,748
Cash at bank	2,801	3,045
	18,136	**16,793**

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Rents received in advance	477	423
Accruals and deferred income	1,193	887
Amounts due to parent	282	99
Amounts due to fellow Group undertakings	39	710
Interest due to Group Treasury Vehicle(s)	1,041	1,044
Deferred capital grant (see note 19)	750	750
Disposal Proceed Fund (see note 20)	331	241
Recycled Capital Grant Fund (see note 21)	287	76
Amounts Due to Subsidiary Undertakings	-	33
Tax and social security	123	126
Other creditors	103	-
	4,626	**4,389**

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019 £'000	2018 £'000
Housing Loan (see note 18)	69,871	69,849
Disposal Proceeds Fund (see note 20)	-	207
Recycled Capital Grant Fund (see note 21)	255	379
Deferred capital grant (see note 19)	42,389	42,888
	112,515	**113,323**

18. DEBT ANALYSIS

Loans banks and building societies and are secured by specific charges on the Association's housing properties. The loans accrue interest at varying rates of interest and are repayable in instalments as shown below:

	2019 £'000	2018 £'000
Bond issue:		
31 years, 3.25% coupon, repayable 20 October 2048	69,871	69,849
	69,871	69,849
Loan issue costs	-	-
	69,871	**69,849**
Less: amount shown in Creditors: amounts falling due within one year (see note 16)	-	-
Housing Loans falling due after more than one year (see note 17)	**69,871**	**69,849**
Loan Facility		
Fixed rate loans	69,871	69,849
Variable loans	-	-
Total Loans	**69,871**	**69,849**

Optima has access to £58m of undrawn borrowing facilities within WM Treasury Vehicle Ltd.

The overall weighted average interest cost of the debt portfolio is 3.25% (2018: 3.5%).

18. DEBT ANALYSIS (Continued)

The interest rate profile at 31 March 2019 was:

	Total £'000	Variable Rate £'000	Fixed Rate £'000	Weighted Average Rate %	Weighted Average Term Years
Instalment loans	-	-	-	-	-
Non-instalment loans	69,871	-	69,871	3.25%	30.1
	69,871	**-**	**69,871**	**3.25%**	**30.1**

The interest rate profile at 31 March 2018 was:

	Total £'000	Variable Rate £'000	Fixed Rate £'000	Weighted Average Rate %	Weighted Average Term Years
Instalment loans	-	-	-	-	-
Non-instalment loans	69,849	-	69,849	3.5	30.6
	69,849	**-**	**69,849**	**3.5**	**30.6**

Optima Community Association has the following borrowing facilities:	**2019**	**2018**
	£'000	**£'000**
Undrawn committed facilities	-	-
Undrawn facilities	-	-
	-	-

Optima has access to £58m of undrawn borrowing facilities within WM Treasury Vehicle Ltd.

19. DEFERRED CAPITAL GRANT

	2019 £'000	**2018 £'000**
At the start of the year	43,638	44,497
Grant received in the year	315	-
Transfer from RCGF	117	-
Disposals	(174)	(101)
Released to income in the year	(757)	(758)
At the end of the year	**43,139**	**43,638**
Amount due to be released < 1 year (see note 16)	750	750
Amount due to be released > 1 year (see note 17)	42,389	42,888
	43,139	**43,638**

20. DISPOSAL PROCEEDS FUND (DPF)

	2019 £'000	2018 £'000
Opening balance	**448**	**448**
Inputs to DPF:		
Funds recycled	-	-
Net PRTB receipts	-	-
Certain proceeds of profit making PRPs	-	-
Interest accrued	-	-
Transfers from other PRPs	-	-
Use/allocation of funds:		
New build	(117)	-
Major repairs and works to existing stock	-	-
Transfers to other PRPs	-	-
Other	-	-
Repayment of funds to Homes England/GLA	-	-
Closing balance	**331**	**448**
Amounts 3 years or older where repayment may be required	-	-
Amount due < 1 year (see note 16)	331	241
Amount due > 1 year (see note 17)	-	207
	331	448

All DPF balances pertain to activities within areas covered by Homes England.

21. RECYCLED CAPITAL GRANT FUND (RCGF)

	2019 £'000	2018 £'000
Opening balance	**455**	**495**
Inputs to RCGF:		
Grants recycled	162	93
Interest accrued	1	-
Transfer from other PRPs	-	-
Use/allocation of funds:		
New build	-	-
Major repairs and works to existing stock	-	-
Transfer to other PRPs	(76)	(133)
Other	-	-
Repayment of funds to Homes England/GLA	-	-
Closing balance	**542**	**455**
Amounts 3 years or older where repayment may be required	-	-
Amount due < 1 year (see note 16)	287	76
Amount due > 1 year (see note 17)	255	379
	542	**455**

All RCGF balances pertain to activities within areas covered by Homes England.

22. SHARE CAPITAL

	2019 £	2018 £
Allotted, issued and fully paid shares of £1 each:		
At 31 March	**20**	**22**

The shares provide members with the right to vote at the general meeting, but do not provide any rights to dividends or distribution on winding up.

23. COMMITMENTS

(a) Capital Commitments

	2019 £'000	2018 £'000
Capital Expenditure, which has been contracted for but has not been provided for in the financial statements	1,604	357
Capital Expenditure, which has been authorised under authority from the Board but has yet to be contracted for	1,426	21
The Group expects these commitments to be contracted within the next year and financed with:		
Cash surplus generated from operations	1,426	378

The contracted amounts above relate to expenditure on new development schemes in the Association's areas of operation which are funded by a combination of rental income, and borrowings. There is an element of contracted and non contracted expenditure in relation to the 2019/20 major works programme, which is funded by a combination of rental income and borrowings.

(b) Operating Lease Commitments

At the end of the year, the Association had commitments of future minimum lease payments under non-cancellable operating leases as follows: -

	2019 £'000	2018 £'000
Not later than one year	47	47
Later than one year and not later than five years	66	113
Later than five years	-	-

There are no operating leases for land and buildings.

24. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 March 2019 (2018: £Nil).

25. GRANT AND FINANCIAL ASSISTANCE

	2019 £'000	2018 £'000
The total accumulated government grant and financial assistance received or receivable at 31 March:		
Grant and financial assistance received or receivable	61,617	61,359
Recognised as income in the Statement of Comprehensive Income	(18,478)	(17,721)
Held as deferred capital grant	43,139	43,638

26. ANALYSIS OF CHANGES IN NET DEBT

	At Beginning of the Year £'000	Cash Flows £'000	At End of the Year £'000
Cash and Cash Equivalents	16,793	1,343	18,136
Housing Loans Due After One Year	(69,849)	(22)	(69,871)
	(53,056)	1,321	(51,735)

27. ACCOMMODATION OWNED, MANAGED AND IN DEVELOPMENT

	2019		2018	
	Owned Homes	Managed Homes	Owned Homes	Managed Homes
Social Housing				
Under development at the end of the year:				
- General needs housing affordable rent	18	-	8	-
- General needs housing social housing rent	20	-	-	-
Under management at the end of the year:				
- General needs housing social rent	1,858	1,715	1,861	1,719
- General needs housing affordable rent	17	419	8	406
- Intermediate market rent housing	14	117	14	117
- Supported Housing	2	9	-	9
- Housing for Older People	70	-	70	-
- Low cost home ownership	55	353	58	349
	2,054	2,613	2,019	2,600
Non-social Housing				
- Retained freeholds and estate charges	212	363	209	370
	2,266	2,976	2,228	2,970

28. RELATED PARTIES

The immediate and ultimate parent of Optima Community Association Limited is WM Housing Group Limited, a Co-operative and Community Benefit Society, registered in England and Wales. The Association has taken advantage of the exemption available under Section 33 FRS 102 not to disclose transactions with wholly owned subsidiary undertakings.

The following are related parties:

- The Boards of some members of the Association have tenant members who hold tenancy agreements on normal terms and cannot use their position to their advantage. The total of rent charged to the Tenant Board members in the year was £13k (2018: £14k). There are arrears of £100 on their tenancies at the reporting period end (2018: £Nil).
- Transactions with key management personnel and their close family, (including compensation paid).
- Related party balances are not secured.
- Transactions with registered and non-registered elements of the business.
- The Association provides management services, other services and loans to its subsidiaries.

Relationships between registered and non-registered elements of the business

The table below shows where relationships exist between WM Housing Group members.

	WMHG	WF	WMH	OCA	FHA	WMD	WMT	WMT2	WMTV	WBS	AGES
WMHG		✓	✓	✓	✓	✓					
WF	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓
WMH	✓	✓		✓		✓		✓	✓		
OCA	✓	✓	✓					✓	✓		✓
FHA	✓	✓						✓	✓		
WMD	✓	✓	✓								
WMT		✓									
WMT2		✓	✓	✓	✓						
WMTV		✓	✓	✓	✓						
WBS		✓									
AGES		✓		✓							

28. RELATED PARTIES (Continued)

Relationships between registered and non-registered elements of the business (Continued)

Entities in the table are abbreviated as follows and [R] denotes where the entity is a Registered Provider:

WM Housing Group Limited [R]	WMHG	WM Treasury plc	WMT
Whitefriars Housing Group Limited [R]	WF	WM Treasury 2 plc	WMT2
West Mercia Homes Limited [R]	WMH	WM Treasury Vehicle Limited	WMTV
Optima Community Association Limited [R]	OCA	Whitefriars Business Services Limited	WBS
Family Housing Association (Birmingham) Limited [R]	FHA	Attwood Green Estate Services Limited	AGES
West Mercia Development Limited	WMD		

Transactions with registered elements of the business

The Association receives services from Group parent and fellow subsidiaries and provides management and other services to other registered Group entities.

	WMHG	WF	WMH	FHA
	£'000	£'000	£'000	£'000
2019	3,557	16,815	10,796	11,686
2018 (Restated)	3,472	11,087	11,560	12,909

Transactions with non-registered elements of the business

The Association provides services to non-registered members of WM Housing Group as follows: -

	WMD	WMT	WMT2	WMTV	WBS	AGES
	£'000	£'000	£'000	£'000	£'000	£'000
2019	39	-	2,329	21	-	270
2018 (Restated)	-	-	1,040	4	-	249

Attwood Green Estate Services Limited (AGES) was established in May 2003 in response to the desire of Optima's board for the major redevelopment in Attwood Green, Birmingham to remain a high quality attractive place to live, not just now but in the future. Currently all services are provided via Optima Community Association Limited, bringing the benefits of economies of scale and expertise in estate management in close proximity to the sites that are the responsibility of AGES.

The 2018 figures have been restated to reflect a new methodology used to report this information.

28. RELATED PARTIES (Continued)

Transactions with non-registered elements of the business (Continued)

Non-regulated entity	Recharge	Cost in year £'000	Balance at year end £'000
Attwood Green Estate Services Limited	Provision of services	66	12

29. FINANCIAL INSTRUMENTS

The Association's financial instruments may be analysed as follows:

	Note	2019 £'000	2018 £'000
Financial assets			
(a) Financial assets measured at fair value through profit and loss		-	-
(b) Financial assets that are debt instruments measured at amortised cost			
- Cash and cash equivalents	15	18,136	16,793
- Rental debtors	14	150	263
- Other debtors	14	255	144
		18,541	17,200
(c) Financial assets that are equity instruments measured at cost less impairment		-	-
Financial liabilities			
(a) Financial liabilities measured at amortised cost			
- Housing loans	18	(69,871)	(69,849)
- Accruals	16	(1,193)	(887)
- Deferred capital grant	19	(43,139)	(43,638)
- Disposal Proceeds Fund	20	(331)	(448)
- Recycled Capital Grant Fund	21	(542)	(455)
- Other creditors	16	(103)	-
		(115,179)	(115,277)
(b) Derivative financial instruments designated as hedges of variable interest rate risk		-	-
(c) Financial liabilities measured at fair value through profit or loss		-	-
(d) Loan commitments measured at cost less impairment		-	-