

**ISLINGTON & SHOREDITCH HOUSING
ASSOCIATION LIMITED**

**CONSOLIDATED REPORT AND
FINANCIAL STATEMENTS**

For the year ended

31 MARCH 2018

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

**Co-operative and Community
Benefit Societies Act 2014
Number** 11614R

**Homes and Communities
Agency registration number** LO457

Registered Office 102 Blackstock Road
LONDON N4 2DR

Board Stephen Stringer (Chair)
Julian Elve
Merlene Emerson
Ruth Gee
Philip Newby
Alice Powell
Roz Spencer
Benjamin Tansey
Andrew Wade

Chief Executive and Secretary Clare Thomson

Executive Directors

Colin Archer, Director of Development and New Business
Eusebio Barata, Interim Operation Director (Contract ended on 30 September 2017)
Tim Hall, Customer Operations Director (Appointed 18 September 2017)
Judith Leigh, Head of People and Organisational Development
Gary Pliskin, Finance Director
Yung Yung Lee, Deputy Finance Director

Bankers Barclays Bank Plc
Islington and Camden Group
PO Box 3474
LONDON NW1 7NQ

Auditor Grant Thornton UK LLP
Registered Auditor
Victoria House
199 Avebury Boulevard
Milton Keynes
MK9 1AU

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Statement from the Chair

Last year we predicted unprecedented change for our sector as a result of the worsening housing crisis and the impact of the tragic fire at Grenfell Tower. The focus of ISHA's Board has continued to prioritise our assurances around health and safety, maintaining a development programme to provide more housing for people in housing need, and improving our customer service.

I am pleased to report that Islington and Shoreditch Housing Association Limited's (ISHA) financial performance remains robust and our underlying business continues to be resilient despite the uncertainties in the economic environment. We continue to improve our value for money and our service delivery.

Customer communication and service excellence are at the core of achieving ISHA's 2020 vision for ISHA. Over the past year:

- We have improved the way we work and fixed a major problem with customer call handling over the year.
- We are broadening the way we communicate with the launch of ISHA's social media policy, and we look forward to increasing our social media channels over the next year.
- We have reviewed our customer involvement strategy, and customers have completed their scrutiny of complaint handling.
- Our staff are the key to delivering our improvements, and we want to be recognised as a Great Place to Work. We started the accreditation process for this in 2017.

Building new homes and improving our existing homes remains a core objective of ISHA. Making the most of our resources to deliver more is a key part of our new homes strategy. The Board has continued to make sure we have the right structure and mechanisms to be able to build more homes. The Board has committed to improve its largest existing estate, St Mary's Path, and we have held a number of conversations to identify the best option for ensuring the estate is fit for purpose in the 21st Century.

The Regulator of Social Housing confirmed ISHA's top grading for Financial Viability (V1) at the end of January 2018. ISHA retained a compliant grade for Governance, but was downgraded to G2. This means the Regulator of Social Housing has identified there are areas that need strengthening. We are in the process of completing a full review of our assurance framework, and are working toward a re-grade by the end of the year.

The Board has assessed that it is compliant with its code of governance and the regulatory economic and consumer standards.

ISHA'S Chief Executive has announced her retirement and will be leaving on 7 January 2019. The Board is actively seeking her successor.



Stephen Stringer
Chair

**ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED
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Operating and financial review

Principal activities

To provide a local community-based service that manages, maintains and develops quality affordable housing for people in need in Camden, Hackney, Haringey, Islington, Tower Hamlets and Waltham Forest.

Islington & Shoreditch Housing Association Limited ('ISHA') is a charitable housing association incorporated as a Co-operative and Community Benefit Society and registered with the Regulator of Social Housing ('RSH'). The Association operates in the London Boroughs of Camden, Hackney, Islington and Waltham Forest and at 31 March 2018 had 2,267 (2017: 2,265) homes.

Lien Viet Housing Association Limited ('Lien Viet') joined ISHA as a subsidiary in October 2008. Lien Viet is a small community-based housing association with 157 (2017: 157) homes working in Hackney, Haringey, Islington and Tower Hamlets. Lien Viet's residents are predominantly Vietnamese and South East Asian. The landlord and corporate services for Lien Viet are delivered by ISHA. This has freed up the Lien Viet Board to concentrate on its mission of providing a culturally sensitive service to Vietnamese, Cambodian, Laotian, Chinese and wider South East Asian residents.

ISHA's Regulator updated its viability judgement in January 2018 and re-confirmed V1 financial viability grading will remain unchanged at the highest viability classification. The Governance grading was confirmed as compliant but downgraded to G2. The Board is implementing improvements to its assurance framework and plan to be in a position to have its Governance re-graded by the end of the year.

The Association's development programme is designed to address housing needs in our area of operation. To achieve this, we work in partnership with our local authorities, Homes England and the Greater London Authority (GLA). As well as a programme of rented accommodation, we develop shared ownership housing for people who cannot afford to purchase on the open market outright. In 2017/18 the Group achieved a surplus of £7.3m (2017: £7.1m) which will help us build more homes for low cost rent. To support our ambition of building at least 400 more homes from 2015 to 2020 we have revised our development strategy to broaden opportunities to fund this ambition.

The North River Alliance ('NRA'), is a development consortium of housing associations operating in North and East London led by ISHA. The NRA is a trusted development partner of the GLA. There are currently ten members of the NRA.

Islington and Shoreditch Housing Association Limited;	Lien Viet Housing Association Limited;
Bangla Housing Association Limited;	Christian Action (Enfield) Housing Association Limited
Barnsbury Housing Association Limited;	Gateway Housing Association Limited;
North London Muslim Housing Association Limited	Providence Row Housing Association Limited;
Spitalfields Housing Association Limited;	Tower Hamlets Community Housing Limited

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Business and financial review

The Board is pleased to report a surplus for the year to 31 March 2018 of £7.3m (2017: £7.1m) for the Group and £7.1m (2017: £6.9m) for the Association.

Customer communication and service excellence have remained the top priorities for ISHA this year. The Board's ambition to transform ISHA from a well-respected local housing association to a top performing service provider remains the driver of our Strategic Plan, which has five strands:

- To be a great landlord
- Valuing our customers and meeting their housing needs
- Good Quality and Affordable Homes
- Speaking up for housing
- Total assurance framework underpinned by risk and business planning

ISHA has sufficient funds to continue to build new homes and will generate the necessary income to maintain and improve services to our customers, and meet loan repayments.

Lien Viet's Board wants to better focus on meeting the needs of its customers and wider Vietnamese London communities, and ISHA's Board approved a plan for achieving this over the next period in March 2018.

FINANCIAL METRICS

The key financial metrics for the Group are summarised in a table on page 6. Explanations of substantial variances of actual results against target or peer group average are as follows:

The new supply delivered metric at 0.09% falls short of the target of 3% reflecting the fact that no substantial new development schemes completed in the financial year. However, this is always going to be a volatile metric year on year, but by the end of our current development programme, on average by 2022 we should be on target.

The EBITDA-MRI result at 202% is below our peer group average of 243%. The Association has invested nearly £30m over the last two financial years in the development of new units. Many of the units that this cash has been invested in have not been completed or handed over during the current financial year. This means the Association is paying the interest on the loans for the investment, but is not yet receiving the rental income. This results in an actual EBITDA-MRI below our peer group average.

Value for Money

A new Value for Money Standard was put in place by the Regulator of Social Housing from 1 April 2018. The Board has reviewed these changes in detail, and as a result changed how Value for Money is reported to our stakeholders. Whilst the basic principles remain as before, the revised approach seeks to strengthen board accountability and enhance consistency, comparability and transparency as well as significantly overhaul regulatory tools.

ISHA's Board remains committed to maximise organisational objectives by maintaining a comprehensive and strategic approach to delivering and demonstrating value for money. The self-assessment statement has been replaced, and instead ISHA's Board is publishing a set of industry agreed metrics that report ISHA's business health and operational efficiency and compares this against others in the sector:

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Metric	ISHA Group Actual Result 17/18	Peer Group 16/17 average result*	ISHA current annual target **
1 Reinvestment	5.68%	5.38%	>= 5%
2 New Supply Delivered	0.09%	1.46%	>= 3%****
3 Gearing	28.79%	30.72%	<= 40%
4 EBITDA-MRI***	202.42%	242.91%	>= 150%
5 Headline Social Housing Cost per unit	£ 4,840	£ 4,706	<= £5,000
6 Operating margin	30.71%	28.32%	>= 30%
7 Return on capital employed	3.24%	2.95%	>= 3%

* Calculated using the HouseMark 16/17 HCA Global Accounts comparison tool. The peer group selected was 7 London Housing Associations with under 2,600 units. Results for 17/18 are not yet available.

** The annual targets are likely to be refined as future Developer's off site subsidy which the Association is going to receive is secured, when the St Mary's Path Estate improvement plan has been agreed and when the Board has 17/18 comparative peer group information.

*** EBITDA-MRI: Earnings before interest, Tax, Depreciation, Amortisation, Major Repairs (EBITDA MRI) Interest cover % is a key indicator of liquidity and investment capacity.

**** New Supply Delivered target is the average over the business plan period. The actual reports on achievement within that year.

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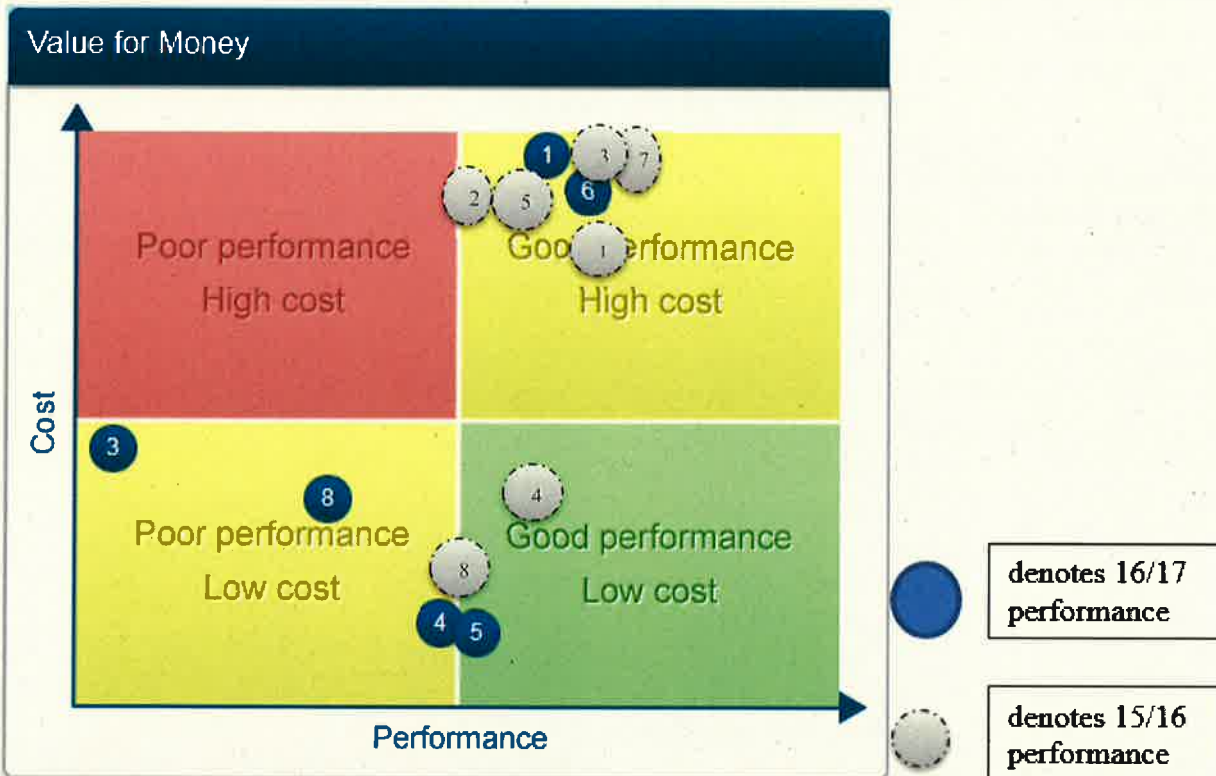
The Group's performance against its own internal key VFM targets is as follows:-

Key internal VFM target	Actual Result March 2018	17/18 target
Excellent modernised customer Service		
Customer satisfaction with ISHA as a landlord	73%	>= 85%
Customer satisfaction with repairs	New Measure	New Measure
Customer satisfaction with cleaning	67%	>= 75%
Customer satisfaction with gardening	67%	>= 75%
Resolution of caller's issue at first point of contact	90%	>= 85%
Efficient services to customers		
Current general needs arrears as a percentage of the rent roll	5%	<= 4.3%
Commercial arrears	5%	<= 5%
First time fix of repairs	75%	>= 85%
Motivated and developed staff to provide an effective and efficient service		
Average staff sickness days	7 days	<= 7 days
Excellent and efficient customer service culture		
ISHA complaints quality matrix	87%	>= 85%
Good quality new homes that address the housing demand in London		
Number of new homes handed over	2	2
Investment in new build	£14.3m	Not applicable
Percentage of residents satisfied with their new homes	78%	85%
Cost		
Overhead spend within budget	£645k saving	Not applicable
Capital spend within budget	£164k saving	Not applicable

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HOW OUR PERFORMANCE COMPARES TO OUR PEERS

The Association belongs to the HouseMark Southern Traditional Housing Association Benchmarking Club. The club consists of 46 traditional housing associations based in Southern England, with stock size ranging from 684 units to 49,044 units. The Association's financial and performance data for 2016/17 has been submitted and validated for comparison against the other members of the club. The results of the comparison of the Association against its peers comparing our performance and cost are summarised in the following value for money dashboard.



- 1. Responsive repairs and void works
- 2. Rent arrears and collection
- 3. Anti-social behaviour
- 4. Major works and cyclical maintenance
- 5. Lettings
- 6. Tenancy management
- 7. Resident involvement
- 8. Estate services

Note – the Association did not provide sufficient data to the benchmarking club to receive results for 2. Rent arrears and collection and 7. Resident involvement.

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A summary of the Group's Value for Money improvement plan, outcomes for 2017/18 and the improvement targets for 2018/19 are below:

Value for Money Improvement Plan	2017/18 Outcomes	2018/19 Improvement targets
Standards of how homes are maintained published in <u>one easy to read document</u> .*	All literature reviewed and published to match operating framework.	Not applicable
Accurate financial information available for customers to review their own account.	We launched the pilot of our Customer Portal at Have Your Say Day in August 2017. Customer Portal postponed due to issues with usability of the platform.	Identify appropriate product and timescale for delivering self-service solution by March 2020.
Customers are supported and advised by ISHA and Lien Viet to better manage their household costs.	Information on money support on website. Money support continues to be a large part of individual outreach and support casework e.g. amongst ISHA customers, of 44 cases closed in 2017-18, 23 involved money support, with significant success in increasing customers' personal income and reducing arrears. Lien Viet outreach and support officers ran an energy saving initiative during the year, providing information to customers through workshops and leaflets on how to reduce energy costs and select the best tariffs.	Improve financial reporting on individuals for early intervention for customers.
Customers recognise how their comments have influenced service improvements.	You Said We Did is published in each newsletter as well as in the Annual Report. Customer survey feedback has been used to improve services and has been communicated to customers via the website and newsletters.	A new survey programme has been procured to improve customer insight for 2018-9 Annual survey will be conducted by February 2019, from which themes and trends will inform the 2019/20 VFM improvement plan.
Realistic and accurate investment forecasting of components of existing stock.	Asset plans included in investment strategy and published for every block.	Improve how customers asset plan information is reported.
Increased mobility and tenure change within ISHA and Lien Viet's stock.	Six Service Roadshows were held in 2017-18, two for each main borough. A representative from Homeswapper attended on several occasions to provide advice to customers. A representative from Islington Council also attended one event to provide borough-specific advice on moving home.	Additional and alternative methods of engagements to be implemented in 2018/19 to increase number of customers actively engaged in moving to meet their housing need.

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<p>Radically modernise customer service so customers can access the services in the media they choose and at the time (24 hours) they want to conduct their business with us.</p>	<p>Customer Portal postponed due to issues with usability of the platform, based on customer feedback.</p>	<p>New Data warehouse to be implemented 2018/19 to give customers real-time updates on the status of their repairs jobs at first point of contact. This will feed into the development of the self-service solution March 2020.</p>
<p>Customers are key contributors to the scrutiny of key service workflows.</p>	<p>Cleaning and Gardening contract set up with customer scrutiny panel, customers involved in estate inspections and can change service on a local basis to meet their requirements. The introduction of a dedicated Neighbourhood Services Team, led by a Neighbourhood Services Manager enables ISHA to concentrate its resources on the management and monitoring of estate service contracts, ensuring the best value for money for our customers whilst improving standards. Customer Involvement strategy launched in March 2017 offers different customer scrutiny options including survey program, mystery shoppers as well as joint inspections. New repairs contract Core Group customer members recruited and being inducted</p>	<p>Scrutiny Panel to complete Complaint Handling review by May 2018. December 2018 agree service review plan for 2018/2019</p>
<p>Demonstrate value for money in our services to customers against a quality and cost criteria, and publish our year on year improvements.</p>	<p>Consultation on service charges were held in January 2018. We are members of ARMA (Association of Managing Agents) so that we can make sure we implement best practices.</p>	<p>Annual report to customers to report on progress against strategic plan and improvement targets for the coming year by September 2018. ISHA's Board approved new VFM standard at June 2018 Board</p>
<p>Homes built to ISHA's <u>environmental sustainability standard</u>.**</p>	<p>Due to phasing of the development programme only 2 units are due to complete this year. A further 106 are currently on site and we plan to commit 81 further homes during the year. The balance of 157 dwellings to be committed in 2018/19 onwards.</p>	<p>Next Development Strategy Review by Board in 2020</p>

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Customer engagement in building new homes	Three design brief changes from customer feedback (drainage specification, CCTV and induction to renewables) and we have changed our approach to defects management. Customer contributed to Design Forum for St John's at Hackney.	Prioritise customer feedback to contribute to the design of our new homes.
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*https://www.isha.co.uk/downloads/Publications/Leaflets/Booklets%202016%20About_your_home_web.pdf/index.html#p=4

** https://www.isha.co.uk/about_isha/green_issues.html

ISHA will also report its Value for Money gains and improvement plans in its Annual Report to Customers, which will be available on ISHA's Website from October 2018.

Maintaining financial viability

ISHA's financial strategy underpins the strategic objectives. Our first priority is to make sure that the business remains financially viable and protects service delivery to customers.

We review annually the mitigating assumptions to make sure we are financially viable. These have been particularly challenging in recent years because of the 1% year on year reduction in rent which results in loss of income. We estimate by 2020 this will be over £2m per annum.

Mitigating assumptions have been incorporated into the 30-year plan. Overall, the model demonstrates that these mitigations are still sufficient to keep the Group financially viable.

ISHA has met and is forecast to meet all its loan covenants and has sufficient headroom with its existing facilities to fund its development programme to 2020.

We have further strengthened our assessment of long term viability to make sure our assets are protected by:

- Maintaining a record of assets and liabilities, and all contractual agreements, and a method for making sure it is kept up to date;
- Stress tested the business plan across a range of scenarios that would break the plan. From these tests we have identified further key mitigations to protect the business from breach of viability.

The 2017/18 financial statements are compliant with the accounting standards introduced by the Statement of Recommended Practice; Accounting by registered social housing providers update 2014.

Equality and diversity and employees

ISHA is committed to ensuring that at the point of service, the needs of the individual have been considered and actively examines its practices to ensure that services do not have a differential impact on a group or groups of people within the communities it serves. At the year end, ISHA had 62 (2017: 63) full time equivalent staff. Across the boroughs we operate in, 49% of people in housing need are from black and ethnic minority communities. This is reflected at ISHA where 55% of our staff is from black and ethnic minority communities.

Health and Safety

ISHA recognises its responsibilities on all matters relating to Health and Safety, and has been implementing an improvement plan since the end of 2016. The Board commissioned an independent review of ISHA's Health and Safety Assurance Framework, and approved an improvement action plan in March 2018 to provide clear evidence of the Board's decisions that it is adequately assured on all areas of Health and Safety. It is planned to complete this action plan by the end of 2018.

The Board regularly reviews and monitors its policies and provides staff training and education. ISHA ensures good practice and compliance with fire regulations and maintained its compliance with fire safety standards in 2017/18. Following the Grenfell fire tragedy ISHA has identified buildings where remedial works may be required, and has put in place additional interim measure to keep its customers living in those building safe.

Governance

The Board is responsible for the overall strategic direction of ISHA, which includes the approving, monitoring and compliance of key policies and to ensure that the objectives of the Group are achieved. The Board meets at least six times a year. Its structure provides for sub-committees, namely the Finance and Resource Sub-committee, the Private Finance Sub-committee, the Development Sub-committee, the Housing Services Sub-committee and the Governance Sub-Committee. The specialist areas of the Group's operations are considered under these sub-committees and reported to the Board. Customer involvement in Governance is encouraged with customers sitting on all levels of governance and over the next year we plan to improve customer scrutiny and reporting of that scrutiny to Board. The day-to-day operational control of the Association is delegated to the Senior Management Team. ISHA is committed to attaining the highest standards of corporate governance and will keep its Board structure and procedures under review.

To assist in achieving a high standard, the Board has delegated responsibility for audit supervision to the Finance and Resource Sub-committee and employs independent auditors for both internal and external audit. The Finance and Resource Sub-committee consists of voluntary members who by virtue of their position are themselves independent from the paid officers of the Association.

The Board has commissioned an external evaluation of the effectiveness of the Board, as part of its triennial assurance, and it is planned that the Board will review the results of this review in September 2018.

All Board members are required to subscribe to the agreed aims of the Association. The Board responsibilities in respect of the financial statements are set out below.

Internal control

The Board is responsible for ISHA's system of internal control and reviewing its effectiveness. The Board recognises that no system of internal control can provide absolute assurance or eliminate all risks. However, the system of internal control is designed to manage risk and to provide reasonable assurance regarding the safeguarding of assets, control of risk, maintenance of proper accounting records and the reliability of financial information.

The Board approved an improved Assurance Control Framework to provide a better overview for the Board. The Board now has a dedicated Control and Assurance Framework area on the Board member website so that the Board can cross reference its decisions and strategies with the expectations and requirements set out by the Regulator.

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ISHA's Board has strengthened its annual cycle of formal review as follows:

- Assurance Control Framework approved by July Board meeting and supports the annual internal controls report.
- The November Finance and Resources Sub Committee will receive the second quarter assurance report for review, prior to recommending for approval to the Board in December
- The end of year assurance report will be reviewed by the Governance Committee, as part of their detailed review of the regulatory standards, and improvement actions for the following year will be reported in a similar way to the other self-assessment compliance reports.

The Board and its Finance and Resource Sub-committee carry out monitoring activities to ensure that appropriate control procedures are in place and changes required to these are identified and actioned. To this end, they are assisted by internal audit arrangements carried out by a professional firm. There are formal procedures for reporting weaknesses in internal controls or fraud and as part of these controls, internal audit and senior officers of the Association have access to the Board and Finance and Resource Sub-committee. No material weaknesses in internal control have been identified which require disclosure in the financial statements.

There is a clearly defined organisational structure based upon the system of delegation set out in standing orders, financial regulations, policies and procedures, which were updated and approved 22 March 2018 as part of the regular review of our systems. They will next be reviewed by December 2018.

ISHA is committed to regular, timely and accurate financial management reporting. Such reporting includes quarterly budgetary control arrangements, including reporting on variances and regular reports on the revised performance management framework. All of the Senior Management Team take internal control seriously. Staff are encouraged to discuss ways in which procedures can be improved with their managers in an open way. Directors are required to report to the Chief Executive on the effectiveness of the controls. The Chief Executive reports to the Board on the appropriateness and effectiveness of the systems of internal control.

The Board receives confirmation that controls continue to operate from three main sources. These are:

- Internal audit reports prepared according to an agreed plan over a three-year cycle;
- External auditors' management letters;
- Compliance reports issued by the Regulator.

There were no major instances of the failure of controls to operate and this was reported to the Board.

The Board is aware that neither the external auditor nor the Regulator of Social Housing have any specific responsibility to identify shortcomings in ISHA's systems of internal control. The responsibility rests solely with the Board.

The Board obtains additional assurance through other sources including the internal audit process as the principal reassurance on control matters.

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Statement of compliance

ISHA's Shareholders approved the rescinding of the existing Rules and adoption of the amended Rules in September 2014, to take account of legislative changes and adoption of an updated version of the National Housing Federation's Model Rules. The Board has adopted the NHF 2015 Code of Governance. A self-assessment of compliance against the adopted code was fully reviewed by the Board in June 2018. The Board is satisfied that the annual report can state that ISHA and its subsidiary Lien Viet Housing Association Limited complies with the NHF 2015 Code of Governance. In addition, the Board confirm that they have complied with the RSH's Governance and Financial Viability Standard.

Risk management

The risk management framework was last reviewed and improved by the Board in June 2018. The process for identifying, evaluating and managing the significant risks faced by ISHA has been operational throughout the year and the risks are aligned to ISHA's four strategic objective areas. The risk management strategy of ISHA requires continuous assessment of ISHA's risk profile and an annual risk evaluation report submitted to the Board. The Board is updated with any changes in risk during the year.

As part of the evaluation and monitoring of risks, the Senior Management Team and the Board have reviewed the risks facing ISHA in the current economic climate. The main risks facing ISHA are monitored closely and reported on a regular basis with reports to key Board members outside the normal reporting cycles.

The Board's risk management framework includes aligning key performance indicators to every strategic risk area, to use as a reality check against progress and likelihood of the risk occurring. The Board confirmed its risk appetite as **cautious** in June 2018, and has reviewed its articulation of what a risk appetite means operationally, strategically, reputationally and financially.

ISHA has responded to and has taken appropriate action to mitigate the impact of risks arising from:

- Health and Safety implications arising from the Grenfell tragedy
- the continued impact of Government imposition of four year rent reduction;
- the need to improve the efficiency and auditability of our services to ISHA and Lien Viet customers
- the continuing uncertainties of the impact from BREXIT

Financial viability remains the highest monitored risk at Executive, Board and Regulator level.

Post balance sheet events

The UK Prime Minister announced on 16 May that the government will fully fund the removal and replacement of dangerous cladding on buildings owned by housing associations. This funding applies to ACM cladding systems which has failed large-scale tests on residential social housing buildings over 18m of height owned by local authorities and housing associations. ISHA has made a £1.1 million provision for repairs as remedial works is required for other components such as insulation to make the buildings affected comply with fire safety standards.

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Auditors

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

The report of the Board was approved on 26 July 2018 and signed on its behalf by:



Stephen Stringer
Chair of the Board

26 July 2018

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STATEMENT OF THE RESPONSIBILITIES OF THE BOARD FOR THE REPORT AND THE FINANCIAL STATEMENTS

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

Co-operative and Community Benefit Society legislation requires the board to prepare financial statements for each financial year. Under that law the board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. Under the Co-operative and Community Benefit Society legislation the board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the association and group for that period. In preparing these financial statements, the board are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers Update 2014, 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 group and association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing (April 2015). It is also responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Disclosure of information to auditors

In so far as each member of the Board is aware:

- there is no relevant audit information of which the Association's auditors are unaware; and
- the Board have taken steps that they ought to have taken as board members in order to makes themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Independent auditor's report to the members of Islington & Shoreditch Housing Association Limited

Opinion

We have audited the financial statements of Islington & Shoreditch Housing Association Limited (the 'parent association') and its subsidiaries (the 'group') for the year ended 31 March 2018 which comprise the group and association statements of comprehensive income, the group and association statements of changes in reserves, group and association statements of financial position, consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 ; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Basis for opinion

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with regulations made under that Act. We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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.

Who we are reporting to

This report is made solely to the association's members, as a body, in accordance with regulations made under Sections 87 and 98(7) of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

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

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

Independent auditor's report to the members of Islington & Shoreditch Housing Association Limited

Other information

The board is responsible for the other information. The other information comprises the information included in the Statement from the Chair and the Operating and financial review set out on pages 3 to 15 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the board for the financial statements

As explained more fully in the Statement of Board's Responsibilities set out on page 16, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board is responsible for assessing the group's and parent association ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intend to liquidate the group or parent 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.

Independent auditor's report to the members of Islington & Shoreditch Housing Association Limited

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Milton Keynes

30 July 2018

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

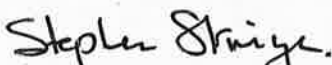
**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDING
31 MARCH 2018**

	Notes	GROUP		ASSOCIATION	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
Turnover	2	21,959	20,859	21,104	20,009
Operating costs	2	(15,216)	(14,510)	(14,540)	(13,851)
Operating surplus	2	6,743	6,349	6,564	6,158
Surplus on sale of properties and land	20	2,715	2,502	2,719	2,490
Interest receivable		30	87	28	87
Interest and financing costs	7	(3,751)	(3,778)	(3,753)	(3,777)
Movement in fair value of investment properties	9	1,607	1,926	1,562	1,911
Surplus for the year		7,344	7,086	7,120	6,869
Total comprehensive income for the year		7,344	7,086	7,120	6,869

All amounts relate to continuing operations.

The accompanying notes on page 25 to 55 form part of the financial statements.

These financial statements were authorised and approved by the Board on 26 July 2018 and were signed on their behalf by:


Stephen Stringer
(Chairman)


Benjamin Tansey
(Chair of Finance and Resources Sub-Committee)


Clare Thomson
(Secretary)

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN RESERVES

	Income and Expenditure Reserves	
	GROUP	ASSOCIATION
	£'000	£'000
Balance as at 31 March 2016	62,964	55,938
Total comprehensive income for the year	7,086	6,869
Balance as at 31 March 2017	70,050	62,807
Total comprehensive income for the year	7,344	7,120
Balance as at 31 March 2018	77,394	69,927

The accompanying notes on page 25 to 55 form part of the financial statements.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH

		GROUP		ASSOCIATION	
		2018	2017	2018	2017
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible fixed assets	8	269,223	260,416	256,241	247,281
Investment Properties	9	20,231	18,554	19,876	18,244
Intangible Assets	10	203	235	203	235
		289,657	279,205	276,320	265,760
CURRENT ASSETS					
Properties held for sale	11	2,679	1,177	2,679	1,177
Trade and other debtors	12	2,787	1,797	2,844	1,874
Cash and cash equivalent		11,211	11,469	10,547	10,923
		16,677	14,443	16,070	13,974
CREDITORS: amounts falling due within one year	13	(14,535)	(10,738)	(15,177)	(11,308)
NET CURRENT ASSETS		2,142	3,705	893	2,666
TOTAL ASSETS LESS CURRENT LIABILITIES		291,799	282,910	277,213	268,426
CREDITORS: amounts falling due after more than one year	14	211,890	210,469	204,771	203,228
PROVISIONS FOR LIABILITIES					
Pension provision	24	1,415	1,631	1,415	1,631
Other provisions	24	1,100	760	1,100	760
TOTAL NET ASSETS		77,394	70,050	69,927	62,807

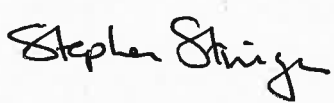
ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH

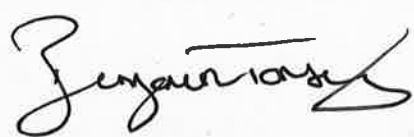
	GROUP		ASSOCIATION	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
RESERVES				
Share capital –				
Non Equity	18	-	-	-
Income and expenditure reserve	<u>77,394</u>	<u>70,050</u>	<u>69,927</u>	<u>62,807</u>
Total Reserves	<u>77,394</u>	<u>70,050</u>	<u>69,927</u>	<u>62,807</u>

The accompanying notes on page 25 to 55 form part of these financial statements.

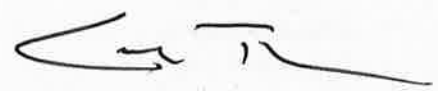
These financial statements were authorised and approved by the Board on 26 July 2018 and were signed on their behalf by:



Stephen Stringer
(Chairman)



Benjamin Tansey
(Chair of Finance and Resources Sub-Committee)



Clare Thomson
(Secretary)

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2018 £'000	2017 £'000
Net cash generated from operating activities	(a)	9,903	8,943
Cash flow from investing activities			
Purchase of tangible fixed assets		(15,067)	(19,250)
Purchase of intangible fixed assets		(3)	(112)
Proceeds from sale of tangible fixed assets		5,249	6,128
Grants received		1,548	450
Interest received		30	87
		1,660	(3,754)
Cash flow from financing activities			
Interest paid		(3,741)	(4,115)
Loan drawdown		5,000	3,000
Capital element of finance lease rental payments		(1)	(3)
Repayment of borrowings		(3,176)	(5,585)
		(2,958)	(6,713)
Net change in cash and cash equivalents		(258)	(10,457)
Cash and cash equivalent at the beginning of the year		11,469	21,926
		11,211	11,469

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH

a. Cash flows from operating activities

	2018 £'000	2017 £'000
Surplus for the year	7,344	7,086
Adjustments for non-cash items:		
Depreciation and amortisation of fixed assets	3,692	3,532
Amortisation of grant income	(1,374)	(1,385)
(Increase)/decrease in trade and other debtors	(989)	1,493
Increase/(decrease) in trade and other creditors	3,333	(946)
Increase in properties held for sale	(1,502)	(100)
Net gain on sale of fixed assets	(2,715)	(2,502)
Movement in value of investment property	(1,607)	(1,926)
Adjustments for investing and financing activities:		
Interest payable	3,751	3,778
Interest receivable	(30)	(87)
	9,903	8,943
Net cash from operating activities	9,903	8,943

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

1a Legal status

The Association is incorporated in England with limited liability as a charitable Housing Association under the Co-operative and Community Benefit Societies Act 2014.

Lien Viet Housing Association Limited is a subsidiary of Islington & Shoreditch Housing Association Limited (ISHA). Lien Viet Housing Association Limited is registered under the Cooperative and Community Benefit Society Act 2014 and is a registered provider of social housing.

1b Accounting Policies

Basis of accounting

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

ISHA is a public benefit entity whose financial statements have been prepared in accordance to FRS 102.

The financial statements are presented in Sterling (£).

Disclosure exemptions

The Association has adopted the following disclosure exemptions as permitted under FRS102 Section 1.11-12:

- The requirement to present a statement of cash flows and the related notes,
- items of income, expenses, gains or losses relating to financial instruments, and
- exposure and management of financial risks.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

Going concern

The Group has adequate financial facilities in place to resource its day to day operations and committed development programmes. The Group's long term business plan shows that it is able to meet long term debt requirements whilst complying with all lender covenants.

The Association continues to adopt the going concern basis in the preparation of the financial statements as the board has reasonable expectation that the Association will continue in operational existence for the foreseeable future. Foreseeable future being at least twelve months after the date that the report and financial statement are signed.

Significant judgement and estimates

The preparation of the financial statements requires management to make significant judgements and estimates when applying accounting policies. The items in the financial statements where these judgements have been made are as follows:

Impairment

Management continuously review the performance of its assets to identify any schemes that display indicators of impairment. Management pay attention to schemes that have increasing void losses, have been affected by policy changes or where the decision has been made to dispose of a property.

Where there is evidence of impairment, the fixed asset is written down to the recoverable amount and any impairment losses are charged to operating surpluses.

The recoverable amount is estimated in the following way:

- a) Determine the level at which the recoverable amount is to be assessed (i.e. the asset level or the cash generating unit (CGU) level)
- b) Estimate the recoverable amount of the cash generating unit and
- c) Calculate the carrying amount of the cash generating unit and
- d) Compare the carry amount to the recoverable amount to determine if an impairment loss has occurred.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

Estimation uncertainty

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to Decent Homes Standards which may require more frequent replacement of key components. Accumulated depreciation at 31 March 2018 was £38.5m (note 8).

Capitalisation of property development costs

Distinguishing the point at which a project is more likely than not to continue, allowing capitalisation of associated development costs requires judgement. After capitalisation management monitors the asset and considers whether changes indicate that impairment is required.

For existing properties, expenditure is capitalised where it will result in enhancement of economic benefit. The amount capitalised in the year was £0.8m (note 8) relating to various schemes.

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how the market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices.

Fair value measurements were applied to investment properties. The total value of investment properties was £20.2m at the year end (note 9).

Basis of consolidation

The Group financial statements consolidate the financial statements of the Parent, ISHA, and its subsidiary, Lien Viet Housing Association Limited. The Association also has a dormant subsidiary, Urban Style Limited which had no transactions or balances in the year to consolidate into the Group.

The parent has the power to govern the financial and operating policies of the subsidiary so as to obtain benefits from its activities and is therefore controlled by the Group.

The transactions incurred directly by agencies managing the Group's properties are not consolidated in the financial statements.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

Turnover and revenue recognition

Turnover comprises rental and service charge income receivable in the year, income from shared ownership first tranche sales, sales of properties built for sale and other services included at the invoiced value excluding VAT where recoverable of services supplied in the year and revenue grants receivable in the year.

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

Value Added Tax

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

Interest Payable

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

- a) interest on borrowings to finance the development programme after deduction of related grants received in advance; or
- b) a fair amount of interest on borrowings of the Association as a whole after deduction of SHG received in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to income and expenditure.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

Financial instruments

Financial instruments which meet the criteria of basic financial instruments as defined in Section 11 of FRS 102 are accounted for under an amortised historic cost model.

Non-basic financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in surplus or deficit. At each year end, the instruments are revalued to fair value, with the movements posted to the income and expenditure (unless hedge accounting is applied).

The Group and Association have not adopted hedge accounting for the financial instruments.

Debtors

Short term debtors are measured at transaction price, less any impairment.

Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Where deferral of payment terms have been agreed at below market rate, and where material, the balance is shown at the present value, discounted at a market rate.

Creditors

Short term trade creditors are measured at transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised costs using the effective interest method.

Employee benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

Pension

The Group participates along with a number of other associations in defined benefit final salary and career average revalued earnings contributory pension schemes administered independently by the Pensions Trust. It is not possible to identify the underlying assets and liabilities belonging to individual participating employers. The charge to the income and expenditure represents the employer contribution payable to the scheme for the accounting period.

Contributions payable from the Association to the Pension Trust under the terms of the funding agreement for past deficits is recognised as a liability within other provisions in the Association's financial statements.

Housing properties

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally available for rent and are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

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

Investment properties

Investment properties consist of commercial properties and other properties not held for social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently at fair value as at the year end, with changes in fair value recognised in income and expenditure.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

Intangible Assets

Intangible Assets consists of costs relating to the development of an integrated Housing and Finance system which was implemented during 2016/17.

Government grants

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

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

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

Government grants received for housing properties are subordinated to the repayment of loans by agreement with the RSH. Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors.

Where developments have been financed wholly or partly by Social Housing Grant (SHG), a deduction is made to provide cover for development overhead.

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

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to income and expenditure.

Other grants

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

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

Depreciation of housing properties

The Group separately identifies the major components which comprise its housing properties, and charges depreciation, so as to write-down the cost of each component to its estimated residual value, on a straight line basis, over its estimated useful life.

The Group depreciates the major components of its housing properties on a straight line basis from the year of purchase or in the first year following that of completion of new properties on the following basis:

Roof structure	70 years
Windows, external doors	30 years
Gas boilers, fires	15 years
Kitchens	20 years
Bathrooms	30 years
Central heating	30 years
Communal parts	30 years
Plumbing and infrastructure	30 years
Electrics	40 years
Lifts	20 years

Freehold land is not depreciated.

Impairment

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

Depreciation of other tangible fixed assets

Other fixed assets are included at cost to the Group less depreciation, which is provided on a straight-line basis over the periods shown below:

Office furniture, equipment and motor vehicles	4 years
Scheme equipment	10-15 years
Freehold office	50 years

Gains or losses arising on the disposal of other tangible fixed assets are determined as the difference between the disposal process and the carrying amount of the assets and are recognised as part of the surplus/deficit for the year.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

Depreciation of intangible fixed assets

Intangible fixed assets are capitalised at the cost to the Group. Amortisation is calculated on a straight-line basis over the course of 7 years, which is the expected useful life of the asset. Cost includes all expenditure related to preparing the asset for its intended use.

Capitalisation of development costs

Development administration costs based on the time spent on a scheme are capitalised up to the date of practical completion of that scheme. Only direct costs are included.

Major repairs

Where a repair involves replacement of property components, the expenditure is treated as capital expenditure and depreciated as outlined above. Any other replacement, renewal or repair to the fabric of an existing building that enhances the net income generated from the property or substantially increases its useful life is capitalised. All other repairs are treated as revenue items.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Group. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring the surplus or deficit. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to income and expenditure on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the Group recognises annual rent expense equal to amounts owed to the lessor.

The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

Properties for sale

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

Provisions for liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in income and expenditure in the period it arises.

The Group recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

Taxation

ISHA and Lien Viet Housing Association Limited are both charitable Housing Associations and are not taxable on any surpluses derived from charitable activities.

Current tax is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

**2 Particulars of turnover, cost of sales, operating costs and operating surplus
GROUP – continuing activities**

		2018			
	Note	Turnover £'000	Cost of sales £'000	Operating expenditure £'000	Operating surplus £'000
Social housing lettings	3	17,264	-	12,913	4,351
Other social housing activities					
First tranche shared ownership sales		1,869	810	-	1,059
Development activities		-	-	6	(6)
Fees for development services		76	-	76	-
Management fees		1,088	-	622	466
Other		319	-	39	280
Activities other than Social Housing					
Commercial properties		999	-	613	386
Private renting		344	-	137	207
TOTAL		21,959	810	14,406	6,743

		2017			
		Turnover £'000	Cost of sales £'000	Operating expenditure £'000	Operating surplus £'000
Social housing lettings	3	16,797	-	12,066	4,731
Other social housing activities					
First tranche shared ownership sales		1,602	949	-	653
Development activities		-	-	59	(59)
Fees for development services		70	-	70	-
Management fees		1,143	-	651	492
Other		52	-	74	(22)
Activities other than Social Housing					
Commercial properties		843	-	495	348
Private renting		352	-	146	206
TOTAL		20,859	949	13,561	6,349

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

**2 Particulars of turnover, cost of sales, operating costs and operating surplus
Association – continuing activities**

	Note	Turnover £'000	2018		Operating surplus £'000
			Cost of sales £'000	Operating expenditure £'000	
Social housing lettings	3	16,112	-	12,242	3,870
Other social housing activities					
First tranche shared ownership sales		1,869	810	-	1,059
Development activities		-	-	6	(6)
Fees for development services		76	-	76	-
Management fees		1,088	-	618	470
Other		636	-	37	599
Activities other than Social Housing					
Commercial properties		979	-	614	365
Private renting		344	-	137	207
		21,104	810	13,730	6,564

	Note	Turnover £'000	2017		Operating surplus £'000
			Cost of sales £'000	Operating expenditure £'000	
Social housing lettings	3	15,652	-	11,421	4,231
Other social housing activities					
First tranche shared ownership sales		1,602	949	-	653
Development activities		-	-	59	(59)
Fees for development services		70	-	70	-
Management fees		1,143	-	640	503
Other		368	-	72	296
Activities other than Social Housing					
Commercial properties		822	-	494	328
Private renting		352	-	146	206
		20,009	949	12,902	6,158

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 Particulars of income and expenditure from social housing lettings

	GROUP				
	Housing £'000	Supported Housing £'000	Shared Ownership £'000	2018 £'000	2017 £'000
Income					
Rents receivable net of identifiable service charges	11,550	447	1,894	13,891	13,551
Service charge income	1,371	262	366	1,999	1,861
Amortised government grant	1,370	4	-	1,374	1,385
Turnover from social housing lettings	14,291	713	2,260	17,264	16,797
Operating costs					
Service charge costs	1,875	241	351	2,467	2,254
Management	1,555	255	296	2,106	1,978
Routine maintenance	2,839	141	-	2,980	3,912
Planned maintenance	622	24	-	646	627
Major repairs expenditure	1,088	-	-	1,088	20
Bad debts	78	62	-	140	(64)
Depreciation of housing properties	3,119	111	256	3,486	3,339
Operating expenditure on social housing lettings	11,176	834	903	12,913	12,066
Operating surplus on social housing letting	3,115	(121)	1,357	4,351	4,731
Void losses	(66)	(109)	-	(175)	(104)

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 Particulars of income and expenditure from social housing lettings

	ASSOCIATION				
	Housing £'000	Supported Housing £'000	Shared Ownership £'000	2018 £'000	2017 £'000
Income					
Rents receivable net of identifiable service charges	10,689	368	1,889	12,946	12,600
Service charge income	1,258	221	365	1,844	1,719
Amortised government grant	1,322	-	-	1,322	1,333
Turnover from social housing lettings	13,269	589	2,254	16,112	15,652
Operating costs					
Service charge costs	2,005	210	350	2,565	2,369
Management	1,162	206	296	1,664	1,553
Routine maintenance	2,767	103	-	2,870	3,801
Planned maintenance	582	22	-	604	578
Major repairs expenditure	1,088	-	-	1,088	20
Bad debts	78	62	-	140	(64)
Depreciation of housing properties	2,953	103	255	3,311	3,164
Operating expenditure on social housing lettings	10,635	706	901	12,242	11,421
Operating surplus on social housing letting	2,634	(117)	1,353	3,870	4,231
Void losses	(66)	(106)	-	(172)	(101)

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 Key management personnel

The emoluments in respect of the Senior Executives were as follows:

	Basic Salary £'000	Pension Contributions £'000	2018 Total £'000	2017 Total £'000
Chief Executive				
Clare Thomson	96	8	104	101
Director of Development and New Business				
Colin Archer	83	6	89	88
Interim Operations Director				
Eusebio Barata	41	-	41	81
Customer Operations Director				
Tim Hall	42	4	46	-
Finance Director				
Gary Pliskin	83	7	90	89
Deputy Finance Director				
Yung Yung Lee	64	5	69	-
Head of People and Organisational Development				
Judith Leigh	58	5	63	61
	<u>467</u>	<u>35</u>	<u>502</u>	<u>420</u>

The aggregate emoluments (excluding pension contributions) payable to the key management personnel (Senior Executive) is £516,000 (2017: £436,000). The Deputy Finance Director became part of the Senior Executive team in April 2017.

All permanent Senior Executives are members of the Social Housing Pension Scheme. They are ordinary members of the pension scheme with no enhanced or special terms. The Group did not make any further contributions to individual arrangements for its Senior Executives.

The full time equivalent number of staff (including directors) who received remuneration in excess of £60,000 are as follows:

	2018 No.	2017 No.
£60,001 to £70,000	2	2
£70,001 to £80,000	-	-
£80,001 to £90,000	2	3
£90,001 to £100,000	-	-
£100,001 to £110,000	1	1

Board members

None of the board members received emoluments (2017: nil).

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 Employee information

The average monthly number of persons employed by the Group and Association during the year expressed in full time equivalents was as follows:

	GROUP		ASSOCIATION	
	2018 No	2017 No	2018 No	2017 No
Housing, development and administration staff	57	58	55	56
Estate officers	5	5	4	4
	<u>62</u>	<u>63</u>	<u>59</u>	<u>60</u>

Employee costs:

	GROUP		ASSOCIATION	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Wages	2,373	2,589	2,288	2,506
Social security costs	233	258	227	250
Pension costs	139	166	135	161
	<u>2,745</u>	<u>3,013</u>	<u>2,650</u>	<u>2,917</u>

6 Operating surplus

The operating surplus for the year is arrived after charging:

	GROUP		ASSOCIATION	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Depreciation:				
Housing properties	3,486	3,339	3,311	3,164
Other tangible fixed assets	170	175	169	173
Amortisation of intangible assets	36	18	36	18
Surplus on sale of properties and land	2,715	2,502	2,719	2,490
Auditors' remuneration (excluding VAT):				
- Audit of the financial statements of the association	40	46	40	46
- Audit of subsidiary financial statements	5	6	5	6
Non-audit services – VAT advisory and Corporation tax compliance service	26	21	26	21
	<u>26</u>	<u>21</u>	<u>26</u>	<u>21</u>

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 Interest and financing costs

	GROUP		ASSOCIATION	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Defined benefit pension charge	21	34	21	34
Housing loans	4,073	4,046	4,075	4,045
Less: Capitalised interest	(343)	(302)	(343)	(302)
	<u>3,751</u>	<u>3,778</u>	<u>3,753</u>	<u>3,777</u>

Capitalised interest is based on a calculation of the average cost of borrowing incurred by the Group and Association during the financial year. This amounts to 3.66% (2017: 3.66%).

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 GROUP - Tangible fixed assets

	Social Housing Properties Held For Letting	Shared Ownership Properties Completed	Properties under construction	Subtotal Housing properties	Freehold Office	Other Fixed Assets	Subtotal Other fixed Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost								
At 1 April 2017	236,886	43,371	12,182	292,439	795	2,248	3,043	295,482
Additions	768	(27)	13,588	14,329	-	325	325	14,654
Interest capitalised	-	-	343	343	-	-	-	343
Disposals	(316)	(2,366)	-	(2,682)	-	(70)	(70)	(2,752)
Schemes completed	-	533	(533)	-	-	-	-	-
At 31 March 2018	237,338	41,511	25,580	304,429	795	2,503	3,298	307,727
Depreciation								
At 1 April 2017	32,065	953	-	33,018	210	1,838	2,048	35,066
Released on disposals	(81)	(70)	-	(151)	-	(67)	(67)	(218)
Charge for the year	3,230	256	-	3,486	16	154	170	3,656
At 31 March 2018	35,214	1,139	-	36,353	226	1,925	2,151	38,504
Net book value At 31 March 2018	202,124	40,372	25,580	268,076	569	578	1,147	269,223
At 31 March 2017	204,821	42,418	12,182	256,421	585	410	995	260,416

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 ASSOCIATION - Tangible fixed assets

	Social Housing Properties Held For Letting	Shared Ownership Properties Completed	Properties under construction	Subtotal Housing properties	Freehold Office	Other Fixed Assets	Subtotal Other fixed Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost								
At 1 April 2017	221,568	43,306	12,182	277,056	795	2,194	2,989	280,045
Additions	744	(27)	13,588	14,305	-	322	322	14,627
Interest capitalised	-	-	343	343	-	-	-	343
Disposals	(303)	(2,366)	-	(2,669)	-	(70)	(70)	(2,739)
Schemes completed	-	533	(533)	-	-	-	-	-
At 31 March 2018	222,009	41,446	25,580	289,035	795	2,446	3,241	292,276
Depreciation								
At 1 April 2017	29,823	946	-	30,769	210	1,785	1,995	32,764
Released on disposals	(72)	(70)	-	(142)	-	(67)	(67)	(209)
Charge for the year	3,056	255	-	3,311	16	153	169	3,480
At 31 March 2018	32,807	1,131	-	33,938	226	1,871	2,097	36,035
Net book value								
At 31 March 2018	189,202	40,315	25,580	255,097	569	575	1,144	256,241
At 31 March 2017	191,745	42,360	12,182	246,287	585	409	994	247,281

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 Tangible fixed assets (continued)

Expenditure in works to existing properties

	GROUP		ASSOCIATION	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Components capitalised	766	998	742	974
Amounts charged to income and expenditure	4,634	4,440	4,562	4,399
	<u>5,400</u>	<u>5,438</u>	<u>5,304</u>	<u>5,373</u>

Social housing assistance

	GROUP		ASSOCIATION	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Total accumulated social housing grant received or receivable as at 31 March:				
Recognised in the Statement of Comprehensive Income	1,375	1,385	1,322	1,333
Held as deferred income	126,526	126,338	119,856	119,615
Subsumed within reserves	17,316	15,931	16,183	14,850
	<u>145,217</u>	<u>143,654</u>	<u>137,361</u>	<u>135,798</u>

9 Investment properties: non-social housing properties held for letting

	GROUP	ASSOCIATION
	£'000	£'000
At 1 April 2017	18,554	18,244
Increase in value	1,607	1,562
Costs Capitalised	<u>70</u>	<u>70</u>
At 31 March 2018	<u>20,231</u>	<u>19,876</u>

The investment properties consist of commercial and market rent properties. These were valued by Res-Prop Chartered Surveyors, external professional Valuers who are registered with the Royal Institute of Chartered Surveyors (RICS). The valuation of the properties was undertaken in accordance with the RICS Valuation – Professional Standards, January 2014 on the basis of fair value. For the commercial properties a rent capitalisation methodology was adopted (rent and yield approach) coupled with an assessment of what an owner occupier might pay to arrive at the fair value, with reference to respective rental and capital value market data/sentiment. The residential valuations were valued on an individual unit sale of a long leasehold interest with no onerous terms or ground rent. The valuation approach was based on the vacant possession value discounted to reflect the limitations to the market that the unit may be let. The valuation was also tested on the gross yield basis using the passing rents provided.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 Intangible assets

	GROUP	ASSOCIATION
	2018	2018
	£'000	£'000
Cost		
At 1 April 2017	253	253
Additions	4	4
	<hr/>	<hr/>
At 31 March 2018	<u>257</u>	<u>257</u>
Amortisation		
At 1 April 2017	18	18
Charge for the year	36	36
	<hr/>	<hr/>
At 31 March 2017	<u>54</u>	<u>54</u>
Net book value		
At 31 March 2018	<u>203</u>	<u>203</u>
At 31 March 2017	<u>235</u>	<u>235</u>

Intangible Assets consists of costs relating to the development of a Housing and Finance system which was implemented during 2016/17.

11 Properties for sale

	GROUP		ASSOCIATION	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Shared-ownership properties:				
Under construction	2,207	466	2,207	466
Completed properties	229	468	229	468
Social Housing Properties	243	243	243	243
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>2,679</u>	<u>1,177</u>	<u>2,679</u>	<u>1,177</u>

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

12 Debtors	GROUP		ASSOCIATION	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Rent and service charges receivable	908	657	841	602
Less: provision for bad and doubtful debts	(539)	(438)	(516)	(415)
	<u>369</u>	<u>219</u>	<u>325</u>	<u>187</u>
Social housing grant receivable	690	283	690	283
Other debtors	374	456	369	456
Owed by the subsidiary	-	-	118	142
Prepayments and accrued income	1,354	839	1,342	806
	<u>2,787</u>	<u>1,797</u>	<u>2,844</u>	<u>1,874</u>

Included in the Group's and Association's prepayments and accrued income is an amount of £696,000 (2017: £365,000) due after more than one year.

13 Creditors: amounts falling due within one year

	GROUP		ASSOCIATION	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Debt (Note 15)	3,084	2,420	3,020	2,359
Trade creditors	1,811	856	1,784	856
Rent and service charges received in advance	259	286	233	243
Amount due to subsidiary company	-	-	1,031	841
Recycled capital grant fund (Note 17)	902	982	902	982
Deferred grant income (Note 16)	1,375	1,380	1,322	1,328
Other taxation and social security	77	66	77	66
Obligations under finance lease	-	1	-	1
Other creditors	1,714	1,475	1,714	1,475
Accruals and Deferred Income	5,313	3,272	5,094	3,157
	<u>14,535</u>	<u>10,738</u>	<u>15,177</u>	<u>11,308</u>

Amount due to subsidiary company includes an intercompany loan of £1,000,000 (2017: £800,000) which is payable on demand and is subject to a fixed rate interest.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 Creditors: amounts falling due after more than one year

	GROUP		ASSOCIATION	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Debt (Note 15)	85,300	84,139	84,798	83,568
Loan stock	2	2	2	2
Recycled capital grant fund	1,383	1,370	1,383	1,370
Deferred grant income	125,205	124,958	118,588	118,288
	<u>211,890</u>	<u>210,469</u>	<u>204,771</u>	<u>203,228</u>

15 Debt analysis

Based on the lender's earliest repayment date, borrowings are repayable as follows:

	GROUP		ASSOCIATION	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Within one year or on demand*	3,085	2,421	4,020	3,159
One year or more but less than two years	3,345	3,834	3,277	3,769
Two years or more but less than five years	10,345	6,863	10,147	6,676
Five years or more	71,609	73,441	71,374	73,122
	<u>88,384</u>	<u>86,559</u>	<u>88,818</u>	<u>86,726</u>

* The Association's balance includes an intercompany loan of £1,000,000 (2017: £800,000) which is classified under "Amount due to subsidiary company in note 13.

Security

Housing loans are from private lenders and in the main secured by specific charges on the Association's housing properties.

Terms of repayment and interest rate

The portfolio has a mixture of fixed and variable rate loans at interest rates ranging from 0.93% to 11.15%. Included in housing loans is £nil (2016: £ nil) drawn from a revolving facility at a variable rate of interest. This facility is for £40m and is available until 2022. All other loans are long term borrowings.

Obligations under finance leases

	GROUP		ASSOCIATION	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Due within one year	-	1	-	1
Closing balance	<u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>

The obligations under finance lease are repayable by equal instalments in less than five years.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

16 Deferred grant income	GROUP		ASSOCIATION	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
At 1 April	126,338	126,733	119,616	119,959
Movement in the year	1,616	990	1,616	990
Released to income in the year	(1,374)	(1,385)	(1,322)	(1,333)
	<u>126,580</u>	<u>126,338</u>	<u>119,910</u>	<u>119,616</u>

	GROUP		ASSOCIATION	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Amounts to be released in one year	1,375	1,380	1,322	1,328
Amounts to be released in more than one year	125,205	124,958	118,588	118,288
	<u>126,580</u>	<u>126,338</u>	<u>119,910</u>	<u>119,616</u>

17 Recycled Capital Grant Fund	GROUP		ASSOCIATION	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
At 1 April	2,352	2,890	2,352	2,890
Grants recycled	877	495	877	495
Interest Accrued	12	-	12	-
Utilised during the year	(952)	(1,033)	(952)	(1,033)
Repayment of grant	(4)	-	(4)	-
	<u>2,285</u>	<u>2,352</u>	<u>2,285</u>	<u>2,352</u>

Amount of grant due for Repayment	<u>26</u>	<u>4</u>	<u>26</u>	<u>4</u>
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Withdrawals from the recycled capital grant fund have been used for the purchase and development of new housing schemes.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

18 Share capital

	2018 £	2017 £
Shares of £1 fully paid and issued	20	39
Shares issued during year	5	1
Shares cancelled	(2)	(20)
	<hr/>	<hr/>
Balance at 31 March	23	20

Shares have limited rights and carry no entitlement to dividend. They are not repayable and do not carry rights to participate in a winding up. They carry an entitlement to vote at the Association's General meeting.

19 Capital commitments

	GROUP		ASSOCIATION	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Expenditure contracted for but not provided in the accounts	24,707	35,035	24,707	35,035
Expenditure authorised by directors, but not contracted	60,644	53,857	60,644	53,857

Of the above contracted but not provided for, £5.3 million (2017: £4.9 million) is to be financed by SHG, £16.5 million (2017: £17.9 million) from shared ownership sales and the remaining £2.9 million (2017: £12.2 million) is to be financed from existing cash resources and borrowings.

The expenditure of £60.6 million which has been authorised by the Board will be funded by grant of £0.3 million (2017: £1.0 million), £19.0 million (2017: £14.5 million) from shared ownership sales, and the remaining £41.3 million (2017: £38.4 million) from other income and loan finance.

The above capital expenditure is expected to be incurred over the next five years.

20 Surplus on sale of fixed assets – housing properties

	GROUP		ASSOCIATION	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Sales proceeds	5,118	5,113	5,118	5,093
Carrying value of fixed assets	(2,403)	(2,611)	(2,399)	(2,603)
	<hr/>	<hr/>	<hr/>	<hr/>
	2,715	2,502	2,719	2,490

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

21 Accommodation in management and development

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

	GROUP		ASSOCIATION	
	2018 No.	2017 No.	2018 No.	2017 No.
Social Housing				
General housing:				
- social rent	1,590	1,590	1,488	1,488
- affordable rent	184	184	184	184
Supported housing	114	113	95	94
Intermediate rent	1	1	1	1
Shared ownership	342	356	341	355
Total owned	<u>2,231</u>	<u>2,244</u>	<u>2,109</u>	<u>2,122</u>
Accommodation managed for others	35	35	-	-
Total managed	<u>2,266</u>	<u>2,279</u>	<u>2,109</u>	<u>2,122</u>
Non-social housing				
Private renting	18	18	18	18
Total owned and managed	<u>2,284</u>	<u>2,297</u>	<u>2,127</u>	<u>2,140</u>
Accommodation in development at the year end	<u>125</u>	<u>108</u>	<u>125</u>	<u>108</u>

The group owns 41 units (2017: 41 units) which are managed on its behalf, under management agreements by other bodies.

The group manages accommodation for London and Quadrant, a registered social landlord operating across London and the South East.

22 Related party disclosure

ISHA has five Resident Board Members. The rent and terms of their tenancies are on normal commercial terms. Details of the charges for their tenancy and the rent arrears at the 31 March 2018 were as follow:

	Rent and Service Charge £	Arrears 31 March 2018 £
Julian Elve	6,580	-
Alice Powell	7,433	-
Victor Kaufman	7,025	-
Michael Wardle	4,539	25
Simon Cox	5,295	-

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

23 Pension scheme

The Association participates in the Social Housing Pension Scheme (SHPS), a multi-employer defined benefit scheme. It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. Therefore, it accounts for the scheme as a defined contribution scheme.

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

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

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

The ISHA Group's scheme is in deficit and the Group has agreed to a deficit funding arrangement. This obligation is recognised as a liability in the Statement of Financial Position. 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.

Reconciliation of opening and closing provisions

Year Ending	2018	2017
	£'000	£'000
Provision at start of period	1,631	1,759
Unwinding of the discount factor (interest expense)	21	34
Deficit contribution paid	(217)	(209)
Re-measurements - impact of any change in assumptions	(20)	47
Re-measurements - amendments to the contribution schedule	-	-
Provision at end of year	1,415	1,631

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Income and expenditure impact

Year Ending	2018	2017
	£'000	£'000
Interest expense	21	34
Re-measurements – impact of any change in assumptions	(20)	47
Re-measurements – amendments to the contribution schedule	-	-
Costs recognised in income and expenditure account	1	81

Assumptions

	31 March 2018 % per annum	31 March 2017 % per annum	31 March 2016 % per annum
Rate of discount	<u>1.72</u>	<u>1.33</u>	<u>2.06</u>

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

The following schedule details the deficit contributions agreed between the Association and the scheme at each year end period:

Year ending	31 March 2018	31 March 2017	31 March 2016
	£'000	£'000	£'000
Year 1	225	217	209
Year 2	234	225	217
Year 3	205	234	225
Year 4	174	205	234
Year 5	180	174	205
Year 6	156	180	174
Year 7	130	156	180
Year 8	133	130	156
Year 9	69	133	130
Year 10	-	69	133
Year 11	-	-	69
Year 12	-	-	-
Year 13	-	-	-

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

It is these contributions that have been used to derive the Association's statement of financial position.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

24 Provisions for liabilities – other provisions

Group and Association	SHPS obligation £'000	Repairs £'000	Total £'000
At 1 April 2017	1,631	760	2,391
Additions	-	1,100	1,100
Released	(216)	(760)	(976)
At 31 March 2018	1,415	1,100	2,515

Repairs provisions as at the start of the year relates to a repairs contract dispute which was settled during the year. The addition during the year to the repairs provision relate to remedial works for three buildings following fire safety inspections as required by the Government following the Grenfell fire.

25 Financial assets and liabilities

Categories of financial assets and financial liabilities

	GROUP		ASSOCIATION	
	2018 £'000	Restated 2017* £'000	2018 £'000	2017 £'000
Financial assets that are debt instruments measured at amortised cost				
Other debtors	2,787	1,797	2,845	1,874
Financial liabilities measured at amortised cost				
Loans (Note15)	88,385	86,599	88,819	86,726
Trade and other creditors	139,554	136,240	133,643	130,201
Total	227,939	222,839	222,462	216,927

Financial liabilities include all creditors and loan amounts payable.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Financial assets

Other than short-term debtors, financial assets held are cash deposits placed on term deposits and cash at bank. They are sterling denominated and the interest rate profile at 31 March was:

	GROUP		ASSOCIATION	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Floating rate on money market deposits	10,304	11,240	9,640	10,694
Financial assets on which no interest is paid	907	229	907	229
Total	11,211	11,469	10,547	10,923

Financial liabilities excluding trade creditors – interest rate risk profile

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

	GROUP		ASSOCIATION	
	2018 £'000	Restated* 2017 £'000	2018 £'000	2017 £'000
Fixed rate	71,414	68,847	72,110	69,083
Floating rate	16,971	17,752	16,709	17,643
	88,385	86,599	88,819	86,726

The floating rate financial liabilities comprise bank loans that bear interest based on LIBOR and RPI. The fixed rate financial liabilities have a weighted average interest rate of 4.6% (2017: 4.7%) and the weighted average period for which it is fixed is 19 years (2017: 19* years).

The debt maturity profile is shown in note 15.

* The prior year group fixed rate loan balance has been restated as it included the intercompany loan balance. The prior year weighted average period of fixed rate loans has been restated due to change in calculation methodology.

Borrowing facilities

The group has undrawn committed borrowing facilities. The facilities available at 31 March in respect of which all conditions precedent has been met were as follows:

	2018 £'000	2017 £'000
Expiring in more than two years	41,000	31,000

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

26 Leasing Commitments

The total future minimum lease payments of leases are as set out below. Leases relate to photocopiers. The Group's future minimum operating lease payments are as follows:

	2018 £'000	2017 £'000
Within one year	5	-
Between two and five years	16	-
Total	<u>21</u>	<u>-</u>

27 Group structure

As required by statute, the financial statements consolidate the results of Lien Viet Housing Association Limited which is a wholly-owned subsidiary of the Association at the end of the year. The Association also has a dormant subsidiary, Urban Style Limited, which had no transactions or balances in the year to consolidate into the Group.

28 Prior year adjustments

The prior year Group fixed rate loan balance within the Financial asset and liabilities note has been restated as it included the intercompany loan balance. The prior year weighted average period of fixed rate loans has been restated due to change in calculation methodology.

Financial liabilities measured at amortised cost	GROUP	
	As original state 2017 £'000	Restated 2017 £'000
Loans	87,358	86,599

For 2017, the fixed rate financial liabilities have a weighted average period for which it is fixed is 19 years, previously stated as 9 years.

29 Post balance sheet events

The UK Prime Minister announced on 16 May that the government will fully fund the removal and replacement of dangerous cladding on buildings owned by housing associations. This funding applies to ACM cladding systems which has failed large-scale tests on residential social housing buildings over 18m of height owned by local authorities and housing associations. ISHA has made a £1.1 million provision for repairs as remedial works is required for other components such as insulation to make the buildings affected comply with fire safety standards.