

**ARAWAK WALTON
HOUSING ASSOCIATION LIMITED
(A Charitable Co-operative and Community Benefit Society)**

Financial Statements

For the Year Ended 31 March 2018

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Board of Management	Ms Evelyn Asante-Mensah (Chair) Mr David Brown (Deputy Chair) Mr Charles Jarvis Ms Anita Patel Ms Hilda Kaponda Dr. Kailash Chand (Appointed 13 Sept 2017) Ms Sally Penni (Appointed 13 Sept 2017) Professor Carol Baxter (Appointed 13 Sept 2017) Mr P Roberts (appointed 19 July 2017) Mr R Wakefield (Appointed 1 January 2018) Mr Mike Cartwright (resigned 14 June 2017) Ms Lorri Holding (resigned 13 Sept 2017) Ms Susan Taylor (resigned 17 May 2017)
Secretary	Ms. C. D'Souza, A.C.A.
Executive Officers	Ms. C. D'Souza, A.C.A. (Chief Executive) Mr. C Page, BA (Hons, MSc), MCIH, DipHSM (Operations Director) Mr. P Cooper FCMA CGMA, AMCT, ATT, CIHCM, AssocCIPD (Finance Director)
Bankers	Royal Bank of Scotland Plc. 934 Stockport Road Levenshulme Manchester M19 3AA
Solicitors	Croftons The Lexicon Mount Street Manchester M2 5FA
Auditors	Beever and Struthers Chartered Accountants St. George's House 215-219 Chester Road Manchester M15 4JE
Registered office	Margaret House 23 Manor Street Ardwick Manchester M12 6HE
Registration Number	L3713 - Regulator of Social Housing 25160R - Co-operative and Community Benefit Societies Act 2014

Arawak Walton Housing Association Limited

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For the Year Ended 31 March 2018

The Board presents its report and audited financial statements for the year ended 31 March 2018.

Principal activities

The Association's principal activities are the acquisition and management of social housing primarily for the Black and Minority Ethnic communities in the North West.

Legal status

The Association is registered under the Co-operative and Community Benefit Societies Act 2014 and is a Registered Provider with charitable status.

The Association is a Public Benefit Entity as defined by FRS102.

Review of the year

The financial year 2017/18 saw our stock of homes increasing by an additional 14 units (16 new acquisitions and 2 sales). The Association also manages 66 properties on behalf of the Boaz Trust. Turnover was slightly lower than the 2017 levels at £5.1million. The total comprehensive income for the year of £1,045,264, has taken total reserves to £11,307,674. These reserves have been re invested and helped to fund the acquisitions of new properties costing £1,778,642 replacing components such as bathrooms, kitchens, windows and boilers in our existing stock costing £583,668.

The Association now has approximately £21.5 million of loan facilities in place at 31st March 2018, of which £16.5 million has been utilised. There were 1,132 units in management by the end of March 2018, of which 1,056 were owned by the Association at 31st March 2018.

The Association was again successful in achieving the Customer Service Excellence Standard in 2018. This award replaces the Charter Mark award which has been held since 2000. It is a mark of excellent customer service and continuous improvement in service provision. It also denotes that services that are provided are effective and represent Value for Money (VfM).

Future developments

The Association intends to continue with its programme of modest growth. Growth will be through partnerships with other Housing Associations, local authorities and by acquisitions from the open market.

Changes in fixed assets

Details of the movements in fixed assets are set out in note 11 to the accounts.

Board of Management and Executive Officers

The Board of Management and Executive Officers of the Association are listed on page 1.

Each member of the Board of Management holds one fully paid share of £1 in the Association. The Executive Officers of the Association hold no interest in the Association's share capital and, although not having legal status of Directors, they act as Executives within the Authority delegated to them by the Board of Management.

Financial risk management objectives and policies

The Association uses conventional forms of working capital to finance its day to day activities and as such the figures appearing in the accounts reflect the absolute value of amounts recoverable and payable. The Board receives regular reports on these figures in order to manage the Association's requirements.

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Employees

The strength of the Association lies in the quality and commitment of its employees. The Association operates an appraisal system and provides training programmes focused on quality and customer service and seeks employees' views on how to improve systems and on matters of concern.

Details of employees are set out in note 9 of the accounts.

Auditors

A resolution to reappoint Beever and Struthers as auditors will be proposed at the Annual General Meeting.

Principal Risks and Uncertainties

Board has adopted a comprehensive planning, risk and control framework. It has identified the following as the principal risks and sources of uncertainty which may impact on the Association's plans, and has put in place measures to monitor and, where appropriate, to mitigate these:

Government Policy

- A change to government policy results in a new measure which reduces the income which can be generated by the Association, increases the Association's costs, threatens its ability to operate independently, or otherwise has a negative impact on the Association.

Operating Environment

- A change in the operating environment such as an increase in inflation or interest rates increases the costs of the Association's work or otherwise has a negative impact on the Association.

Governance

- A problem of governance results in the Association making poor decisions, either about the Association's future strategy, its finances or the management of risks.

Property Risks

- The Association delivers its work primarily through letting physical property assets. This work is threatened if there are problems in letting or maintaining these assets in a cost effective way.

Compliance Risks

- The Association operates in an environment which requires compliance with both internal and external rules, standards and legislation. The failure to comply with one or more of these could lead to reputational damage, financial loss or harm to people.

Statement of the Board's responsibilities in respect of the accounts

The Co-operative and Community Benefit Societies Act requires the Board to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus of the Association for that period. In preparing these accounts the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on a going concern basis unless it is inappropriate.

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The Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Association and to enable it to ensure that the accounts comply with the Co-operative and Community Benefit Societies Act and the Housing Acts. 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, by establishing and maintaining a satisfactory system of control over the Association's accounting records, cash holdings and all its receipts and remittances.

In so far as the Board of Management is aware:-

- there is no relevant audit information of which the Association's auditor is unaware, and;
- the Board has taken all steps that it ought to have taken to make itself aware of any relevant audit information and to establish that the auditor is aware of that information.

Statement of the Board of Management on internal controls

The Board is ultimately responsible for the Association's system of internal control and for reviewing its effectiveness. However such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

The Board has reviewed the effectiveness of the system of internal control. In particular, it has reviewed and updated the process for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks are managed.

The executive officers are responsible for the identification and evaluation of significant risks applicable to their areas of business together with the design and operation of suitable internal controls. These risks are assessed on a continual basis and may be associated with a variety of internal or external sources including control breakdowns, disruption in information systems, competition, natural catastrophe and regulatory requirements.

A control self-assessment and hierarchical reporting has been established which provides for a documented and auditable trail of accountability. These procedures are relevant across all operations and provide for successive assurances to be given at increasingly higher levels of management and finally to the Board. This process is facilitated by internal audit that also provide a degree of assurance as to the operation and validity of the system of internal control. Planned corrective actions are independently monitored for timely completion.

The executive officers report regularly on their review of risk and how they are managed to the Audit Committee and Board. Internal audit independently review the risk identification procedures and control process implemented by the executive officers and report to the Audit Committee at least three times a year. The Audit Committee reviews the assurance procedures, ensuring that an appropriate mix of techniques is used to obtain the level of assurance required by the Board. The Audit Committee presents its findings to the Board on a regular basis.

The Chief Executive also reports to the Board on behalf of the Executive officers on significant changes in the business and the external environment, which affect significant risks. The Finance Director provides the Board with a summary update on changes to key strategic risks and with regular financial information, which includes key performance and risk indicators. Where areas for improvement in the system are identified, the Board considered the recommendations made by the delegated Committee.

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Value for Money Self Assessment 2017/18

Executive Summary

Arawak Walton Housing Association (AWHA) has used the sector scorecard currently being piloted in the sector, plus the Regulator of Social Housing's (RSH) 2017 Global Accounts figures to help understand and compare its performance across a range of value for money metrics and identify priorities for the future. At the time of writing 2018 comparative data is not available.

The Acuity benchmarking report for Community Housing Associations North West has been used where applicable to provide comparisons, although it is important to note that this does not contain all the sector scorecard measures.

AWHA's headline cost per unit (cpu) of £3,162 in 2017/18 (£2,843 in 2016/17) compared favourably with the RSH's median of £3,320 in 2016/17. Whilst this out-turn was partly the result of cyclical factors, the association expects to manage within the headline cpu over the course of the coming five years.

We recognise that there is work to be done to explore more efficient delivery of our maintenance and major repairs functions, and to that end we have joined procurement groups to further benchmark the service that we offer.

Our operational performance has improved against our relet time and tenant arrears measures. Relet times have reduced to 19 days over the course of the last year, and tenants' arrears fell to just over 3%.

Our procurement process has resulted in £284k+VAT savings between the highest and lowest bids received. The Association will continue to ensure that we work with trusted partners who will deliver a good service for the right price.

Section 1. Value for Money Strategy

The Board has overall responsibility for the Association's value for money strategy and each year sets annual targets in line with the approval of the Business plan and any KPI's. The Board places operational responsibility for ensuring value for money on individual managers. The Finance Director has reporting responsibility for value for money issues in the Association.

The Association regards continuous improvement as a key element of its Value for Money approach. An annual programme of service reviews is designed to address current priorities as well as ensure most areas of the Association's activities are reviewed on a periodic basis. Service reviews ensure that the needs of the Association's customers are effectively and efficiently met and that value for money principles are enshrined in their design.

Section 2. Sector Scorecard Metrics

The new RSH VFM standard introduced from April 2018 requires that seven key scorecard metrics are measured with other non-financial KPI's selected by the Association. This allows for a rounded view of the activities of the organisation.

The table compares the sector averages available from the sector scorecard data plus comparable data derived from the Global Accounts 2016/17 since 2017/18 data is unavailable, with the actuals for the association for the 2017/18 and 2016/17 financial years taken from the statutory accounts, together with the projections for the five years commencing 2018/19 from the Association's business plan.

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SECTOR SCORECARD										
Number	Detail	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast
		12 months to	Sector scorecard Median	Sector scorecard Upper Quartile	Sector scorecard Lower Quartile	AWHA	AWHA	AWHA	AWHA	AWHA
		31/03/2018	2016/17	2016/17	2016/17	2016/17	2018/19	2019/20	2020/21	2021/22
1a	Operating Margin	30%	30%	36%	22%	37%	26%	23%	25%	26%
1b	Operating Margin (social Housing)	30%	32%	37%	24%	37%	27%	25%	26%	27%
2	Interest Cover (EBITDA/MRI)	3.07	2.28	3.10	1.66	3.50	2.20	1.86	1.88	1.92
3	New Supply	0	40	147	11	7	0	0	0	0
4	Gearing	48%	42%	31%	54%	50%	50%	50%	50%	49%
5	Reinvestment %	0.02	0.69	0.22	1.12	0.90	0.59	0.58	0.56	0.54
6	Return on Capital Employed	4.83%	4.0%	5.3%	3.0%	6.5%	3.9%	3.3%	3.7%	3.9%
7	Cost Per Unit	3,162	3,306	2,865	4,371	2,805	3,351	3,439	3,515	3,583

	Upper Quartile
	Median
	Lower Quartile

Section 3. Analysis of Metrics

The Association's intention is to use the Sector Scorecard alongside Housemark and Acuity benchmarking data and our internal Key Performance Indicators agreed by Board in order to drive change in the future. The use of the cost per unit measures will help identify areas of focus for investigation and subsequent cost review. We are cognisant of the impact of working in mainly high deprivation areas. Where the Association's scorecard metrics are significantly different from the sector average (or median if more appropriate) these will also be investigated.

The analysis in this section focuses on the seven key metrics in the Scorecard plus an analysis of any wider KPI's as chosen by the Board.

Operating Margin (overall)

Our 2017/18 Operating margin at 30% was the same as the RSH's sector median as shown in the 2017 Global accounts but down from 37% in the prior year. The Association received a rent restructuring grant (RRG) which ended in 2017 which contributed approximately 4% to operating surplus. The average operating margin in the latest business plan is around 29%, slightly below the sector average, although the margin is expected to increase after 2020 with the confirmation that social rents will revert back to CPI+1% until 2025. Prudent cost control will help maintain the margin, with the aspiration that costs will be maintained at pre rent cut levels except for any costs attributed to growth. The higher the Association's operating margin, the more cash is available to pay interest costs which allows us to acquire more properties.

Operating Margin (Social Housing)

The margin in 2017/2018 of 30% is slightly behind the 34% figure per the RSH's global accounts figure for 2016/2017. As mentioned above, the Association received Rent restructuring Grant in the prior year which contributed approximately 4% to the operating margin. 2017 was the final year for this grant. We will review the 2017/2018 figure when published to see how we compare.

Our key challenges for the future to ensure Value for Money will be:

1. minimising cost increases, especially in key areas of expenditure such as repairs and staff costs. The aim being to maintain costs at pre rent cut levels where possible. The Association has joined procurement groups during the year which could lead to better value for money for the Association.

New Supply (Social)

The projections included in the scorecard are the minimum number of new homes which will be acquired by the association. Although the Association is not currently developing new properties, there are opportunities to acquire properties from different sources which can result in some years seeing significant growth. In 2018, the Association acquired 16 properties against an initial target of 10, with 23 acquired in 2017. The Association has been particularly successful in acquiring properties from partner associations who were looking to divest these from their portfolio. With the successful receipt of grant on 5 of these properties, this has allowed these properties to remain in the social housing sector with rent charged at affordable rent levels. In 2018 the Board determined that the priority purpose for utilising spare financial resource was the acquisition of new properties for letting.

New Supply (Non-Social)

The Association's mission is to provide safe sustainable Homes in the areas we operate in. We are keen to avoid charging high rents that would put our tenants into the poverty trap. However, due to previous inability to access of social grant, this required the Association to charge sub-market rents on a handful of properties so that a positive return could be generated on these properties. The Association is not currently developing new properties as it is unable to generate an internal subsidy in order to fund the purchase of other tenure properties.

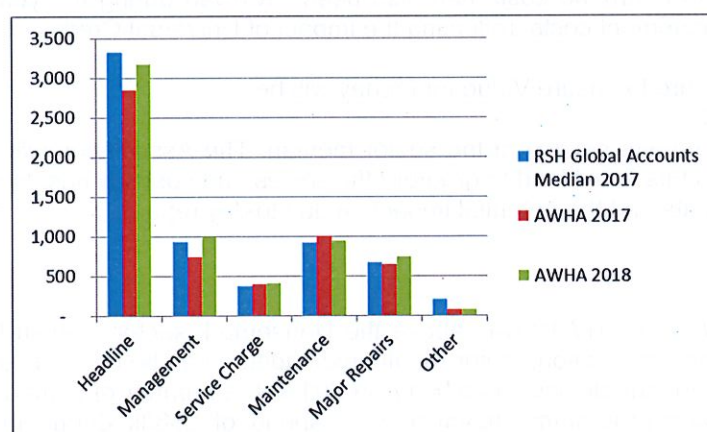
Return on Capital Employed (ROCE)

The Association has a Return on Capital Employed of 4.83% as measured by the sector scorecard. This is above the median 2017 sector scorecard figure of 4% and demonstrates a good return on investment for the Association's assets compared to its peers.

Our Manchester homes were largely acquired before those in Trafford and therefore have a lower Net Book Value, and whilst the average Manchester rent is lower than in Trafford, the low property value results in a higher ROCE. For our submarket rent properties, rents are typically almost 50% higher than general needs rents, but these properties were acquired more recently and therefore have significantly higher net book values, resulting in a modest contribution.

Cost Per Unit (CPU)

The chart below shows our cost per unit (cpu) figures for 2017-18 together with the RSH's headline CPU for the same year, compared against the figures for 2016-17.



Cost per unit, 2017 to 2018, with RSH Global Median 2017

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The Association's headline cost per unit at £3,162 was slightly less than the RSH's 2017 median figure of £3,320. Part of this reflected the impact of efficiencies in management costs but the Association has also invested in major component replacements during the year as part of the wider component replacement programme.

Management Costs

The Association's management cpu at £994 per unit in 2018 was higher than the 2017 sector scorecard median figure of £948. A review had been conducted of the activities of the Association with the result that more overhead activities were allocated to management costs based on the time spent on activities by staff. There is a corresponding reduction in repairs costs. It is important to note that any internal staffing costs incurred in relation to acquisition of additional properties are not currently capitalised, therefore arguably overstating true management costs.

Our key challenges for the future to ensure Value for Money will be:

1. to balance any increases in staff costs with reductions in other items of expenditure. The Board had previously agreed a 4 year pay freeze in line with the rent cut but due to growing inflation had agreed to award a 1% pay award in 2017/2018 and a further 2% in 2018/2019. The requirement to tender for services above a certain value will help to ensure that value for money is obtained for these services.

Services

The Association's service costs cpu of £411 were 24% higher than the sector median in 2016/17 due to contractors increasing costs for service provision. A number of changes have been introduced in 17/18 such as outsourcing the gardening service and officers will continue to review each service to ensure the best value is achieved.

Maintenance

The Association's maintenance costs at £944 per unit were comparable with the sector scorecard median in 2016/17 of £923. Due to the discrimination and ASB faced by our customers, Arawak Walton provides additional services such as burglar alarms for each property which contribute towards the additional costs. The Association maintains its position of selecting local contractors as part of its social purpose in terms of reinvesting in the local economy and value for money is always obtained for every contract. The Association has also joined procurement groups in the year so that it is able to compare these against existing contractors and obtain the best prices in the market. The apportionment of overhead costs had also been reviewed during the year with the result that more costs had transferred to management costs, reflecting the impact of Universal Credit.

Our key challenges for the future to ensure Value for Money will be:

1. to deliver the responsive repairs service at the sector median. The Association will work towards reducing the number of jobs in the year as this could lead to greater efficiencies and cost savings. However, we are cognisant of the diverse needs of our tenants and the potential impact on day to day repairs.

Major Repairs

The major repairs cpu of £736 in 2017/18 was above the Housemark sector median figure of £693 for 2016/17. Given the growth profile of the Association, major repairs expenditure can be cyclical as it was in the case of these two years: expenditure was abnormally low in 2016/17; in 2017/18 a number of components were replaced in line with the planned maintenance programme resulting in a spend of £583k during the year, up from £290k in 2016/2017. The Association has demonstrated efficiency savings as a result of the tender process with savings of £284k +VAT made when comparing the lowest and highest tenders in 2017/2018.

The Association also liaises closely with other smaller local housing associations in the North West over the course of the last few years to identify good procurement practice for major repairs and this has had a significant impact on the cost of some component replacements, including savings on the cost of a boiler installation falling by 15% between 2013 and 2017.

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Interest cover

The Association's interest cover ratio of 3.07 compares favourably to the 2017 scorecard median of 2.28. Going forward the ratio's are expected to fall slightly due to the loss of the RRG and of the projected increased spend on component replacements, although still well within the minimum ratio's required by our funders. The capital investment programme was recently smoothed over a number of years in the business plan to reduce the effects of one-off spikes in future years.

Gearing

Arawak Walton has a gearing figure of 48% as per the scorecard metrics. This is slightly above the median figure of 42%. However, the majority of the Association's gearing calculations are on a traditional 'Net Worth' calculation basis (not the methodology used in the scorecard calculations) so is not directly comparable.

On first time adoption of FRS102 in March 2016, any grants received by the Association via acquisition were required to be netted off against fixed asset costs with the result that cost of assets reduced by £26m. If these grants were added back in, the calculation would show a gearing calculation of 27% which would put the Association in the upper quartile. Note that most of the Association's loan facilities allow for the adding back of this grant figure in terms of covenants and access to further funding facilities.

Overheads

The overheads percentage of 21% is high when compared with the scorecard median of 12%. Arawak Walton has a very flat staffing structure and only employs a relatively small number of people in the Association so costs are not considered to be particularly excessive. In terms of local comparable Associations, these percentages ranged from 6.27% to 17.48% (2017 figures). These figures will be compared to the 2018 sector scorecard results once available.

£ Invested for every £ generated

The acquisition of 23 properties in 2017 (including 19 properties from Adactus Housing Association) plus 16 properties in 2018 helped to increase additions to 39 over the past two years, effectively doubling the target set out in the business plan, resulting in approximately 90% of the operating surplus being re-invested into new properties. The Association will continue to look for further opportunities to introduce new properties subject to internal investment criteria and funding constraints. The recent successful grant application from Homes England will potentially allow the Association to acquire more properties.

Customer satisfaction

The Association has continued to receive good feedback in the year regarding our services, with a 90% satisfaction rate. This is above the 2017 sector median of 87% and almost exceeds the upper quartile figure of 91%. We will continue to invite feedback from our customers about our services in order to improve the customers' experience.

Occupancy

Occupancy levels are high at 99.7%. This is a result of the relatively low turnover of our customer base plus also quick turnarounds from our contractors to complete the works on a property when it becomes vacant. 9 properties were acquired in late March from a partner Association and work will be carried out on these properties in order to make them available for letting by mid 2018. The Association currently has a waiting list for properties which is subscribed many times over.

Rent Collected

The amount of rent collected in the year has exceeded 100% for the second year in a row, resulting in rent due being collected plus an element of arrears. This is due to the continued proactive work by both the Association's housing staff who assist our residents with any money concerns and work with them to ensure that they are receiving their full entitlement to any necessary benefits due. 2018 has seen the gradual rollout of Universal Credit with 64 tenants in receipt of the benefit at the end of March 2018. Officers are closely monitoring the effect of this and it is pleasing to note that the arrears of tenants in receipt of Universal Credit has reduced arrears by approx. £5k since moving onto the scheme.

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Other Matters

The association has continued to provide support to community associations in the local area, contributing £10,000 in 2017/18.

During the course of the year we have continued to work closely with the Boaz Trust, a local charity with a national profile which provides support to refugees and asylum seekers, to provide tenancy management and repairs services at marginal cost to the Trust. AWAHA now manages 66 properties on behalf of Boaz, an increase of 9 from 2017.

Our component replacement programme and especially the replacement of boilers have positive benefits for our tenants. Their energy efficiency reduces household heating bills.

Section 4. How will we use Value for Money gains?

Value for money gains which generate a cash saving will be used to reduce the cost of borrowing to develop new homes and also contribute to the purchase of additional homes.

Section 5. Conclusion

The Association delivered significant value for money during the course of the year, including savings of £284k+VAT in relation to tendered works. Relet times were reduced to 19 days overall, with current rent arrears reduced to 3.07%, just slightly above the 3% target for the year, but a significant reduction on the 4.12% as at the end of March 2017. Gross arrears have reduced by over £40k during the year due to proactive work by housing officers, resulting in a rent collection figure of over 100% for the second year in a row. We have also increased the number of homes in ownership during the year by just over 1% during the year, including acquiring an additional 16 homes for letting to applicants on our waiting list, obtaining grant funding for 5 of these properties with the potential to bid for grants on an additional 4.

We have delivered on most of the actions we set out in previous Value for Money self assessments.

We have continued to use the sector scorecard analysis and the RSH's Global Accounts to measure performance against peers in order to further understand the costs of the Association and drive through efficiencies.

Arawak Walton Housing Association complies with the requirements of the new Value for Money standard.

Statement of Compliance

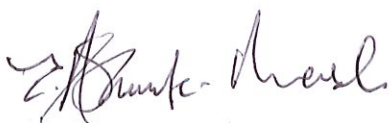
The board confirms that this Strategic Report has been prepared in accordance with the principles set out in Para 4.7 of the 2014 SORP for Registered Social Housing Providers.

The Board has undertaken a review of the requirements of the Governance and Financial Viability Standard (April 2015) published by the Regulator of Social Housing, together with the Association's performance against these requirements. Based on this review, Board certifies its compliance with the requirements of this Standard.

The Board adopted the National Housing Federation Code of Governance (2015) in December 2015. The Board complies with the requirements of the code.

By Order of the Board:

Signed:



Date: 18th July 2018

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Report of the Independent Auditors

Opinion

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

In our opinion, the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 March 2018 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Cooperative 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 conducted our audit in accordance with International Standards on auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the Board of Management's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board of Management have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Cooperative and Community Benefit Societies Act 2014

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

- the information given in the Board of Management's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Responsibilities of the Board of Management

As explained more fully in the Statement of Board's Responsibilities set out on page 3, the Board of Management are 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 of Management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's web-site at <http://www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor%E2%80%99s-responsibilities-for>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the association's members, as a body, in accordance with section 87(2) of the Cooperative 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.



Beever and Struthers, Statutory Auditor

St George's House
215/219 Chester Road
Manchester, M15 4JE

Date: 25.7.2018

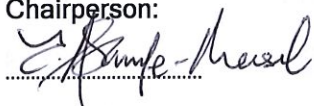
Arawak Walton Housing Association Limited
Financial Statements
For the Year Ended 31 March 2018

Statement of Comprehensive Income

	Notes	Year ended 31 Mar 2018	Year ended 31 Mar 2017
		Association £	Association £
Turnover	2	5,071,498	5,391,303
Operating expenditure	2	(3,556,924)	(3,381,163)
Gain on disposal of property, plant and equipment (fixed assets)		56,518	13,541
Operating surplus		1,571,092	2,023,681
Interest receivable		744	1,877
Interest and financing costs	5	(526,572)	(567,838)
Total comprehensive income for the year		1,045,264	1,457,720

The financial statements on pages 13 to 36 were approved and authorised for issue by the Board on 18th July 2018 and were signed on its behalf by:

Chairperson:



Board Member:



Secretary:



The results relate wholly to continuing activities and the notes on pages 17 to 36 form an integral part of these accounts.

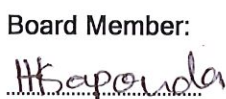
Arawak Walton Housing Association Limited
Financial Statements
For the Year Ended 31 March 2018

Statement of Financial Position

	Notes	Year Ended 31 Mar 2018 £	Year Ended 31 Mar 2017 £
Fixed assets			
Tangible fixed assets	11	<u>33,247,752</u>	<u>31,632,262</u>
		33,247,752	31,632,262
Current assets			
Trade and other debtors	12	192,245	210,208
Cash and cash equivalents	13	<u>921,211</u>	<u>722,751</u>
		1,113,456	932,959
Less: Creditors: amounts falling due within one year	14	1,888,589	1,627,877
Net current (liabilities)	14	<u>(775,133)</u>	<u>(694,918)</u>
Total assets less current liabilities		<u>32,472,619</u>	<u>30,937,344</u>
Creditors: amounts falling due after more than one year	15a	21,164,921	20,674,909
Reserves			
Non-equity share capital	19	24	25
Income and expenditure reserve		11,307,674	10,262,410
Total reserves		<u>32,472,619</u>	<u>30,937,344</u>

The financial statements on pages 13 to 36 were approved and authorised for issue by the Board on 18th July 2018 and were signed on its behalf by:

Board Member:


Board Member:


Secretary:


The notes on pages 17 to 36 form an integral part of these accounts.

**Statement of Financial Position
Financial Statements
For the Year Ended 31 March 2018**

Consolidated Statement of Changes in Reserves

	Income and expenditure reserve £
Balance as at 1 April 2016	8,804,690
Surplus from Statement of Comprehensive Income	1,457,720
Balance at 31 March 2017	10,262,410
Surplus from Statement of Comprehensive Income	1,045,264
Balance at 31 March 2018	11,307,674

The notes on pages 17 to 36 form an integral part of these accounts.

Statement of Cashflows

	Year ended 31 Mar 2018 £	Year ended 31 Mar 2017 £
Net cash generated from operating activities (see Note i)	2,250,830	2,321,741
Cash flow from investing activities		
Purchase of tangible fixed assets	(2,491,991)	(2,373,702)
Proceeds from sale of tangible fixed assets	154,477	85,030
Interest received	744	1,877
Cash flow from financing activities		
Interest paid	(515,521)	(530,217)
Interest element of finance lease rental payment	-	(32,545)
Issue of ordinary shares	(1)	3
New secured loans	1,700,000	1,848,000
Repayment of borrowings	(900,078)	(694,621)
Capital element of finance lease rental payments	-	(763,056)
Net change in cash and cash equivalents	198,460	(137,490)
Cash and cash equivalents at beginning of the year	722,751	860,241
Cash and cash equivalents at end of the year	921,211	722,751
Note i		
	Year ended 31 Mar 2018 £	Year ended 31 Mar 2017 £
Cash flow from operating activities		
Surplus for the year	1,571,092	2,023,681
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	778,542	695,407
Decrease in trade and other debtors	17,963	25,300
(Increase) / decrease in trade and other creditors	76,627	(271,829)
Pension costs less contributions payable	(71,165)	(43,222)
Less surplus on sale of assets	(56,518)	(13,541)
Adjustments for investing or financing activities:		
Government grants utilised in the year	(54,660)	(88,979)
Interest payable	(11,051)	(5,076)
Net cash generated from operating activities	2,250,830	2,321,741

The notes on pages 17 to 36 form an integral part of these accounts.

Arawak Walton Housing Association Limited
Financial Statements
For the Year Ended 31 March 2018

Notes to the Financial Statements

Legal Status

Arawak Walton Housing Association Limited is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing as a Private Registered Provider of Social Housing. The registered office is Margaret House, 23 Manor Street, Ardwick, Manchester M12 6HE.

1. Principal Accounting Policies

Basis of Accounting

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2014.

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 2015. The accounts are prepared on the historical cost basis of accounting and are presented in sterling £.

The financial statements have been prepared in compliance with FRS102 for the year ended 31 March 2018.

The Association is a Public Benefit Entity.

Going concern

The financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. The Association undertakes an annual review of its Business Plan and its ability to meet its financial covenants. No significant concerns have been noted and we consider it appropriate to continue to prepare the financial statements on a going concern basis.

Judgements and key sources of estimation uncertainty

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

- a. **Development expenditure.** The Association capitalises development expenditure in accordance with the accounting policy described on page 14. Initial capitalisation of costs is based on management's judgement that development scheme is confirmed, usually when Board approval has taken place including access to the appropriate funding. In determining whether a project is likely to cease, management monitors the development and considers if changes have occurred that result in impairment.
- b. **Categorisation of housing properties** The Association has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Association has considered if the asset is held for social benefit or to earn commercial rentals.
- c. **Impairment.** The Association has identified a cash generating unit for impairment assessment purposes at a property scheme level.

1. Principal Accounting Policies (continued)

Other key sources of estimation and assumptions:

- a. **Tangible fixed assets.** Tangible fixed assets are depreciated over their useful lives. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account.
- b. **Impairment of non-financial assets.** Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value or its value in use. A cash generating unit is normally a group of properties at scheme level whose cash income can be separately identified.

Following the assessment of impairment no impairment losses were identified in the reporting period.

Turnover and revenue recognition

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

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

Support income and costs including Supporting People income and costs

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

Service charges

Service charge income and costs are recognised on an accruals basis. The Association operates both fixed and variable service charges on a scheme by scheme basis in full consultation with residents. Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge.

Loan interest costs

Loan interest costs are calculated using the effective interest method of the difference between the loan amount at initial recognition and amount of maturity of the related loan.

Loan finance issue costs

These are amortised over the life of the related loan. Loans are stated in the Statement of Financial Position at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts amortised. Where loans are redeemed during the year, any redemption penalty and any connected loan finance issue costs are recognised in the Statement of Comprehensive Income account in the year in which the redemption took place.

Principal Accounting Policies (continued)

Taxation

The Association is granted charitable exemptions by HM Revenue and Customs, under reference XR48512, effective from the 19th August 1998.

Value Added Tax

The Association is not registered for VAT. All amounts disclosed in the accounts are inclusive of VAT.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, less accumulated depreciation. Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion of construction.

Freehold land is not depreciated.

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

The Association depreciates freehold housing properties by component on a straight-line basis over the estimated UELs of the component categories.

UELs for identified components are as follows:

Housing properties - new build	100 years	Housing properties - rehab	60 years
Kitchens	15 years	Bathrooms	25 years
Boilers	15 years	Rewire	30 years
Windows	35 years	Lifts	25 years

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

Depreciation is charged on other tangible fixed assets on a straight-line basis over the expected economic useful lives which are as follows:

Fixtures and fittings	15% on cost	Office Equipment	15% on cost
Computer equipment	25% on cost	Office improvements (minor)	33% on cost
Office Building	60 years		

Low cost home ownership properties

The costs of low cost home ownership properties are split between current and fixed assets on the basis of the first tranche portion. The first tranche portion is accounted for as a current asset and the sale proceeds shown in turnover. The remaining element of the shared ownership property is accounted for as a fixed asset and subsequent sales treated as sales of fixed assets.

Capitalisation of interest and administration costs

Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the property into their intended use.

Principal Accounting Policies (continued)

Property managed by agents

Where the Association carries the majority of the financial risk on property managed by agents, income arising from the property is included in the Statement of Comprehensive Income Account.

Where the agency carries the majority of the financial risk, income includes only that which relates solely to the Association.

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

Leasing and hire purchase

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

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

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

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

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Social Housing and other government grants

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

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

Recycling of Capital Grant

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

1. Principal Accounting Policies (continued)

Disposal Proceeds Fund (DPF)

Receipts from the sale of SHG funded properties less the net book value of the property and the costs of disposal are credited to the DPF (upto April 2017), this creditor is carried forward until it is used to fund the acquisition of new social housing.

Holiday pay accrual

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

Retirement benefits

The cost of providing retirement pensions and related benefits is charged to management expenses over the periods benefiting from the employees' services.

The disclosures in the accounts follow the requirements of Section 28 of FRS 102 in relation to multi-employer funded schemes in which the Association has a participating interest.

Contributions payable under an agreement with SHPS to fund past deficits are recognised as a liability in the Association's financial statements calculated by the repayments known, discounted to the net present value at the year ended using a market rate discount factor of 1.92% at 31 March 2016, 2.06% at 31 March 2017 and 1.33% at 31 March 2018. The unwinding of the discount is recognised as a finance cost in the Statements of Comprehensive Income in the period incurred.

Financial Instruments

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

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

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

- Financial assets such as cash, current asset investments and receivables are classified as loans and receivables and held at amortised cost using the effective interest method.
- Financial liabilities such as loans are held at amortised cost using the effective interest method,

Categorisation of debt

The Association's debt has been treated as "basic" in accordance with paragraphs 11.8 and 11.9 of FRS 102. At both 31.3.15 and 31.3.16 the Association had an undrawn loan facility which included provision for a fixed rate loan which had a two-way break clause (i.e. in addition to compensation being payable by a borrower to a lender if a loan is prepaid where the prevailing fixed rate is lower than the existing loan's fixed rate, compensation could be payable by the lender to the borrower in the event that a loan is prepaid and the prevailing fixed rate is higher than the existing loan's fixed rate). The Financial Reporting Council (FRC) issued a statement on 2 June 2016 in respect of such loans with no prescriptive direction as to whether they should be classified as "basic" or "non basic". On the grounds that the Association believes the recognition of each debt liability at cost provides a more transparent and understandable position of the Association's financial position and that each loan still satisfies the requirements of paragraphs 11.8 and 11.9 of FRS 102, the Association has retained its "basic" treatment of its debt following the FRC announcement.

Arawak Walton Housing Association
Financial statements
For the year ended 31 March 2018

2. Turnover, cost of sales, operating expenditure and operating surplus

	2018		
	Turnover £	Operating expenditure £	Operating surplus £
Social housing lettings (note 3)	4,972,311	3,475,946	1,496,365
Other social housing activities			
Supporting people	33,844	33,171	673
Other:			
Managed Associations	48,069	39,864	8,205
Activities other than social housing			
Other	17,274	7,943	9,331
Total	<u>5,071,498</u>	<u>3,556,924</u>	<u>1,514,574</u>
	2017		
	£	£	£
Social housing lettings (note 3)	5,290,403	3,310,060	1,980,343
Other social housing activities			
Supporting people	33,844	30,824	3,020
Other:			
Managed Associations	48,569	40,279	8,290
Activities other than social housing			
Other	18,487	-	18,487
Total	<u>5,391,303</u>	<u>3,381,163</u>	<u>2,010,140</u>

Operating expenditure includes £(6,000) (2017: £15,000) in respect of the revaluation of pension creditors, as disclosed in note 10.

Arawak Walton Housing Association
Financial statements
For the year ended 31 March 2018

3. Turnover and operating expenditure

	General Housing £	Housing for Older People £	Total 2018 £	Restated Total 2017 £
Income				
Rent receivable net of identifiable service charge	3,923,551	530,523	4,454,074	4,427,589
Service charge income	124,868	296,143	421,011	432,185
Amortised government grants	85,360	4,200	89,560	88,979
Other grants	4,226	3,440	7,666	341,650
Turnover from Social Housing Lettings	4,138,005	834,306	4,972,311	5,290,403
Operating expenditure				
Management	927,164	131,975	1,059,139	868,415
Service charge costs	126,447	311,331	437,778	424,512
Routine maintenance	727,545	97,613	825,158	760,277
Planned maintenance	155,249	25,658	180,907	189,379
Major repairs expenditure	172,723	27,674	200,397	383,690
Bad debts	2,997	8,881	11,878	1,807
Depreciation of Housing Properties	669,823	90,866	760,689	681,980
Operating expenditure on Social Housing Lettings	2,781,948	693,998	3,475,946	3,310,060
Operating Surplus on Social Housing Lettings	1,356,057	140,308	1,496,365	1,980,343
Void losses	9,436	9,916	19,352	14,919

The calculation of the overhead apportionment has been revised in the year therefore prior year has been restated on the same basis.

Arawak Walton Housing Association Limited
Financial Statements
For the Year Ended 31 March 2018

4. Accommodation owned, managed and in development

	2018		2017	
	No. of properties Owned	Managed	No. of properties Owned	Managed
Social Housing				
Under management at end of year:				
General needs housing				
Social Rent	869	9	868	9
Supported housing and housing for older people	147	-	147	-
Affordable Rent	12	-	3	-
Low-cost home ownership	16	-	16	-
Submarket Rent	12	-	8	-
	<u>1,056</u>	<u>9</u>	<u>1,042</u>	<u>9</u>
Non-Social Housing				
Under management at end of year:				
Staff Units	1	-	1	-
Rental Housing	-	66	-	59
	<u>1</u>	<u>66</u>	<u>1</u>	<u>59</u>

Arawak Walton Housing Association Limited
Financial Statements
For the Year Ended 31 March 2018

5. Interest and financing costs

	Association	
	2018	2017
	£	£
Finance leases	-	32,545
Deferred benefit pension charge	6,000	10,000
On loans repayable within five years	25,326	18,761
On loans wholly or partly repayable in more than five years	483,171	497,123
Costs associated with financing	12,075	9,409
	<u>526,572</u>	<u>567,838</u>

6. Surplus for the year

	2018	2017
	£	£
The surplus is stated after charging/(crediting):-		
Auditors remuneration (excluding VAT):		
Audit of the financial statements	6,065	6,666
In respect to other services	1,140	3,013
Operating lease rentals:		
- Office equipment	13,716	13,045
Depreciation of housing properties	760,689	681,980
Depreciation of other fixed assets	17,853	13,427
Surplus on asset sale	56,518	13,541

7. Taxation

The Association has charitable status and hence is exempt from paying Corporation Tax.

Arawak Walton Housing Association Limited
Financial Statements
For the Year Ended 31 March 2018

8. Directors' remuneration

	2018 £	2017 £
The aggregate emoluments paid to or receivable by non-executive Directors and former non-executive directors	<u>4,036</u>	<u>3,996</u>
The aggregate emoluments paid to or receivable by executive Directors and former executive directors	<u>228,816</u>	<u>226,977</u>
The aggregate compensation paid to or receivable by Directors (key management personnel)	<u> </u>	<u>-</u>
The emoluments paid to the highest paid Director excluding pension contributions	<u>93,834</u>	<u>92,940</u>
The aggregate amount of Directors or past Directors pensions, excluding amounts payable under a properly funded pension scheme	<u> </u>	<u>-</u>
The aggregate amount of any consideration payable to or receivable by third parties for making available the services of a Director	<u> </u>	<u>-</u>
The aggregate amount of any consideration payable to Directors for loss of office	<u>-</u>	<u>-</u>

The Chief Executive is an ordinary member of the pension scheme. The pension scheme is a final salary scheme funded by annual contributions by the employer and employee. No enhanced or special terms apply. There are no additional pension arrangements. A contribution by the Association of £6,876 (2017: £6,808) was paid in addition to the personal contributions of the Chief Executive.

Directors (key management personnel) are defined as members of the Board, the Chief Executive and any other person who is a member of the Senior Management Team or its equivalent.

With the exception of the chair of the Board, non executive directors do not receive remuneration from the Association. Remuneration paid to non executive directors is as follows:

	2018 £	2017 £
Evelyn Asante-Mensah, Chair of the Board	<u>4,036</u>	<u>3,996</u>

Arawak Walton Housing Association Limited
Financial Statements
For the Year Ended 31 March 2018

9. Employee information

	Association 2018 No.	2017 No.
The average number of persons employed during the year expressed in full time equivalents (35 hours per week) was:		
Office staff	26	25
Wardens, gardeners and cleaners	4	4
	<u>30</u>	<u>29</u>

	2018 £	2017 £
Staff costs		
Wages and salaries	881,722	854,872
Social Security costs	85,057	43,271
Other pension costs	65,908	84,231
Temporary Staff	60,648	45,406
	<u>1,093,335</u>	<u>1,027,780</u>

	2018 No.	2017 No.
Aggregate number of full time equivalent staff whose remuneration exceeded £60,000 in the period:		
£60,000 - £70,000	2	2
£70,000 - £80,000	-	-
£80,000 - £90,000	-	-
£90,000 - £100,000	-	1
£100,000- £110,000	1	-

Arawak Walton Housing Association Limited
Financial Statements
For the Year Ended 31 March 2018

10. Pension obligations

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

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

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

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

Deficit contributions

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

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

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

Arawak Walton Housing Association Limited
Financial Statements
For the Year Ended 31 March 2018

PRESENT VALUES OF PROVISION

	31 March 2018 (£000s)	31 March 2017 (£000s)	31 March 2016 (£000s)
Present value of provision	449	520	563

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	Period Ending 31 March 2018 (£000s)	Period Ending 31 March 2017 (£000s)
Provision at start of period	520	563
Unwinding of the discount factor (interest expense)	6	10
Deficit contribution paid	(71)	(68)
Remeasurements - impact of any change in assumptions	(6)	15
Remeasurements - amendments to the contribution schedule	-	-
Provision at end of period	449	520

INCOME AND EXPENDITURE IMPACT

	Period Ending 31 March 2018 (£000s)	Period Ending 31 March 2017 (£000s)
Interest expense	6	10
Remeasurements - impact of any change in assumptions	(6)	15
Remeasurements - amendments to the contribution schedule	-	-
Contributions paid in respect of future service*	71	69
Costs recognised in income and expenditure account	4	4

ASSUMPTIONS

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

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

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11. Tangible fixed assets

	Housing Properties	Other fixed assets					Total Fixed Assets
	Social Housing Properties for Letting Completed £	Office Improvements £	Fixtures & Fittings £	Office Equipment £	Computer Equipment £	Office Buildings £	Total fixed assets £
Cost							
At start of the year	37,118,033	129,092	49,624	34,825	66,140	482,655	37,880,369
Additions to properties acquired	1,778,642	-	26,504	-	7,130	96,046	1,908,322
Works to existing properties	583,668	-	-	-	-	-	583,668
Disposals	(294,934)	-	-	-	-	-	(294,934)
At end of the year	<u>39,185,409</u>	<u>129,092</u>	<u>76,128</u>	<u>34,825</u>	<u>73,270</u>	<u>578,701</u>	<u>40,077,425</u>
Depreciation and impairment							
At start of the year	5,907,010	128,349	45,544	33,830	64,131	69,243	6,248,107
Charge for the year	760,689	743	4,653	221	2,591	9,645	778,542
Disposals	(196,976)	-	-	-	-	-	(196,976)
At end of the year	<u>6,470,723</u>	<u>129,092</u>	<u>50,197</u>	<u>34,051</u>	<u>66,722</u>	<u>78,888</u>	<u>6,829,673</u>
Net book value at 31 March 2018	<u>32,714,686</u>	<u>-</u>	<u>25,931</u>	<u>774</u>	<u>6,548</u>	<u>499,813</u>	<u>33,247,752</u>
Net book value at 31 March 2017	<u>31,211,023</u>	<u>743</u>	<u>4,080</u>	<u>995</u>	<u>2,009</u>	<u>413,412</u>	<u>31,632,262</u>
Housing Properties comprise:							
Freeholds						2018	2017
Long leaseholds						£	£
						18,190,545	16,855,902
						14,524,141	14,355,121
Cost of properties includes £25,394 (2017:£0) for direct administrative costs capitalised during the year							
Works to existing properties in the year:							
Improvement works capitalised							
Components capitalised							
Amounts charged to expenditure							
						583,668	290,903
						381,304	518,330

Nb The cost figure above is net of grant acquired at transfer amounting to £25.9m (see note 22)

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12. Trade and other debtors

	2018 £	Restated 2017 £
Rent arrears	208,743	252,986
Less: provision for bad debts	(92,373)	(121,603)
Other debtors	6,173	10,624
Prepayment and accrued income	69,702	68,201
	<u>192,245</u>	<u>210,208</u>
Debtors are all due within one year		

The prior year comparative has been restated to gross up rent arrears to include former tenant arrears. There has been no net impact.

13. Cash and cash equivalents

	2018 £	2017 £
Cash at bank	921,211	722,751
	<u>921,211</u>	<u>722,751</u>

14. Creditors: amounts falling due within one year

	2018 £	2017 £
Loans and overdrafts (Note 15b)	990,994	773,191
Trade creditors	107,558	32,185
Rents and service charges paid in advance	142,785	110,369
Other taxation and social security payable	22,194	8,038
Accruals and deferred income	422,369	492,816
SHPS pension agreement plan (Note 10)	69,220	64,249
Deferred Capital Grant (Note 16)	89,560	88,979
Other Grant	7,666	3,440
Disposal proceeds fund (Note 17)	-	34,746
Other creditors	36,243	19,864
	<u>1,888,589</u>	<u>1,627,877</u>

Net current liabilities would be funded by available undrawn loan facilities.

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15(a). Creditors: amounts falling due after more than one year

	2018 £	2017 £
Loans (Note 15b)	15,319,813	14,737,694
Deferred Capital Grant (Note 16)	5,364,425	5,419,666
Other grant	27,519	30,959
SHPS pension agreement plan (Note 10)	379,614	455,751
Disposal proceeds fund (Note 17)	30,835	30,839
Recycled Capital Grant Fund (Note 18)	42,715	-
	<u>21,164,921</u>	<u>20,674,909</u>

15(b). Debt analysis

	2018 £	2017 £
Loans repayable by instalments:		
Within one year	990,994	773,191
In one year or more but less than two years	1,109,589	942,120
In two years or more and less than five years	3,341,098	3,248,420
In five years or more	11,094,147	10,717,618
Less: loan issue costs	(225,021)	(170,464)
Total loans	<u>16,310,807</u>	<u>15,510,885</u>

The loans are repayable monthly/quarterly and half yearly at varying rates of fixed and variable interest rates. The loans are repayable over terms of 15,25,30 and 35 years.

All loans are secured by specific charges on the Association's Housing Properties.

The interest rate profile of the Association at 31 March 2018 was:

	Total £	Variable Rate £	Fixed rate £	Weighted Average rate %	Weighted average term Years
Instalment loans	16,535,828	5,765,485	10,770,343	3.2	16

The amount charged, by charge holder is as follows:

	2018 £	2017 £
Nationwide Building Society	3,138,148	3,540,807
Newcastle Building Society	3,409,927	3,699,376
Royal Bank of Scotland	3,745,712	3,745,712
Triodos Bank	2,807,268	2,897,226
Lloyds Bank	3,429,168	1,791,881
Orchardbrook	5,605	6,347
Total Loans	<u>16,535,828</u>	<u>15,681,349</u>

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16. Deferred capital grant

	2018 £	2017 £
At start of the year	5,508,645	5,670,337
Grant Disposal from RTA	-	(72,713)
Released to income in the year	(89,560)	(88,979)
Grant Received in year	34,900	-
At the end of the year	<u>5,453,985</u>	<u>5,508,645</u>
	£	£
Amount due to be released < 1 year	89,560	88,979
Amount due to be released > 1 year	<u>5,364,425</u>	<u>5,419,666</u>
	<u>5,453,985</u>	<u>5,508,645</u>

17. Disposal proceeds fund

	2018 £	2017 £
At start of year:		
Funds recycled	65,585	34,659
Net PRTB receipts	-	30,729
Certain proceeds of profit making PRPs	-	-
Interest accrued	150	197
Transfers from other PPRPs	-	-
Use/allocation of funds:		
New build	-	-
Major repairs and works to existing stock	(34,900)	-
Transfers to other PPRPs	-	-
Other	-	-
Repayment of funds to the RSH/GLA	-	-
At end of year	<u>30,835</u>	<u>65,585</u>
Amounts three years old or older where repayment may be required	-	-

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18. Recycled capital grant fund

	2018 £	2017 £
At the start of the year	-	-
Inputs: Grants recycled	40,615	-
Interest accrued	100	-
Transfers from other PRPs	-	-
Recycling: New build	-	-
Major repairs	-	-
Transfers to other PRPs	-	-
Repayment of grant to the RSH/GLA	-	-
At the end of the year	<u>40,715</u>	<u>-</u>
Amount three years or older where repayment may be required		

19. Non-equity share capital

	2018 £	2017 £
Allotted Issued and Fully Paid		
At the start of the year	25	22
Issued during the year	1	3
Surrendered during the year	(2)	-
At the end of the year	<u>24</u>	<u>25</u>

The par value of each share is £1. The shares do not have a right to any dividend or distribution in a winding-up, and are not redeemable. Each share has full voting rights. All shares are fully paid.

20. Capital commitments

	2018 £	2017 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	21,900	274,400
Capital expenditure that has been authorised by the Board but has not yet been contracted for	<u>187,584</u>	<u>-</u>
	<u>209,484</u>	<u>274,400</u>
The Association expects these commitments to be financed with:		
Social Housing Grant	-	-
Cash	209,484	274,400
Committed loan facilities	-	-
	<u>209,484</u>	<u>274,400</u>

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21. Operating leases

The Association holds office equipment under non-cancellable operating leases. At the end of the year the PRP had commitments of future minimum lease payments as follows:-

	2018 £	2017 £
Within one year	5,599	11,254
In one year or more but less than two years	1,993	5,599
In two years or more and less than five years	403	2,384
In five years or more	-	-

22. Grant and financial assistance

	2018 £	2017 £
Net amortised Capital Grant	1,278,730	1,189,170
Obligation to recycle grant on disposal of stock transfers	25,913,765	25,896,394
Deferred Capital Grant (note 16)	5,453,985	5,508,645
Total Obligation to recycle on event of housing property disposal.	32,646,480	32,594,209

The Association receives grant from Homes England which is used to fund the acquisition and development of housing properties and their components. The Association is responsible for recycling the grant in the event of the housing properties being disposed of. At 31st March 2017 this amounted to £32,646,480 (2017 - £32,594,209).

23. Related parties

The following are related parties:

The Board has tenant members who hold tenancy agreements on normal terms and cannot use their position to their advantage. Rent charged to the Tenant Board member was £890 (2017: £4,247). There are no arrears on their tenancies at the reporting period end £Nil (2017: £Nil).

Related party balances are not secured

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24. Financial Instruments

	2018 £	2017 £
Financial assets that are debt instruments measured at amortised cost:		
Cash at bank and in hand	921,211	722,751
Trade Debtors	116,370	131,383
Other debtors	6,173	10,624
Financial liabilities at amortised cost:		
Loans	16,310,807	15,510,885
Trade Creditors	107,558	32,185
Rents and Service charges in advance	142,785	110,369
Accruals and deferred income	422,369	492,816
Deferred capital Grant	5,453,985	5,508,645
Disposal Proceeds fund	30,835	65,585
Other grant	35,175	34,399
Other creditors	36,243	19,864
Other taxation and social security payable	22,194	8,038