REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2019

DEVELOPING HOMES AND CREATING OPPORTUNITIES
FOR PEOPLE WITHIN WEST NORFOLK

Freebridge
COMMUNITY HOUSING

CONTENTS

BOARD OF MANAGEMENT REPORT YEAR ENDED MARCH 2019

Freebridge Community Housing Limited (the Association) is a Registered Provider of Social Housing.

Annual Financial Performance

The Association is reporting Total Comprehensive Income for the year of £4.01m for 2018/19 (£5.93m pre actuarial gain on pension), a decrease of 41% over 2017/18 total comprehensive income of £11.0m (£10.1m pre actuarial loss on pension). The Board considers the result to be in line with its financial expectations for the year and the long-term financial projections included within the Financial Plan.

Further information on the Association's performance is provided in the Strategic Report.

Market Value of Land & Buildings

All of the Association's completed housing properties were valued on the 31st March 2019 based on an Existing Use Value for Social Housing (EUV-SH). The valuation of £219.5m is an increase of £1.8m (0.8%) against the previous valuation of £217.7m at 31st March 2018. The valuation is not used within the financial statements as the Association reports its properties at depreciated historic cost (£113.7m).

Board Members

The following list details the Board of Management members during the year to 31st March 2019:

Andrew Walder
Independent Member – Chairman

Simon Smith
Independent Member – Vice Chairman

Joanna Barrett
Co-opted Member (appointed 4 February 2019)

Steve Clark
Independent Member

Marie Connell
Independent Member

Anthony Hall
Chief Executive

Marcus Hopkins
Council Member

Shelley Lamprell Josephs
Tenant Member

Brian Long
Council Member

Ian Pinches
Independent Member

Pauleen Pratt
Independent Member

Jasmine Rigg
Tenant Member

Richard Spilsbury
Co-opted Member

Statement of the Board of Management Responsibilities

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

The Co-operative and Community Benefit Societies Act 2014 and registered provider legislation in the United Kingdom require the Board to prepare the financial statements for each financial year. Under that law the Board have elected to prepare financial statements in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and in accordance with the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers as updated by Housing SORP:2018 update Statement of Recommended Practice for Registered Social Housing Providers. The financial statements comply with the Accounting Direction for Private Registered Providers of Social Housing 2019.

Under these requirements, 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 of the Association and the surplus of the Association for that period.

In preparing these financial statements the Board is required to:

- Select suitable accounting policies and apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- Apply the requirements of FRS 102 and Housing SORP 2014 as updated by Housing SORP: 2018 update subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business

The Board are responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014. The Board is also responsible for safeguarding the assets of the Association and for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Board of Management is responsible for ensuring that the Strategic Report is prepared in accordance with the requirements of the Housing SORP 2014.

The Board of Management has taken all steps necessary to make itself aware of any relevant audit information and to establish that the auditor is aware of that information. There is no relevant audit information of which the Association's auditor is unaware.

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

Board of Management Report on the System of Internal Control

The Board acknowledges that it has overall responsibility for establishing and maintaining the system of internal control and for reviewing its effectiveness in providing the necessary assurances. As a result of this and in accordance with the Regulator of Social Housing overall Regulatory Framework, including the Governance and Financial Viability Standard (April 2015) the Board receive an annual report from Management Team outlining the work undertaken and offering an opinion on the adequacy and effectiveness of the system of internal controls.

Scope of Assurance

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and provide reasonable assurance that the key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of assets and interests.

Risk Management Process

Management has assessed the key risks faced by the business and has identified the controls and further actions needed to satisfactorily manage these risks. Further work has been undertaken during 2018/19 to ensure that the

Risk Management Strategy and Framework continues to meet the requirements of the business as a Registered Provider.

In addition, the Board also recognise the uncertainties surrounding the exit of Britain from the European Union. Management have looked at the potential impact on: our access to Finance; potential inflationary pressures and availability of labour; materials inflation; access to data relevant and required to support our operations; and the potential impact on demand for social and affordable housing. We incorporated the potential economic impact these issues may have into the stress testing review conducted in support of our future Business Plan.

With due recognition of the uncertainty around the timing and path of exit, we are satisfied that Freebridge are prepared to manage the possible implications and impacts.

The process for identification and management of risks is ongoing and has been in place throughout the year under review. The overall responsibility for risk management within the Association remains with the Board.

Process for Reviewing the Effectiveness of the Internal Control System

The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance aspects including treasury strategy and new investment projects. The Board also regularly reviews key performance indicators to assess progress towards key business objectives, targets and outcomes.

The Board and Management Team have implemented policies and procedures essential for ensuring a robust internal control system. A comprehensive assessment has been undertaken to identify the key risks faced by the business and corresponding control strategies and actions have been established to ensure these risks are adequately managed. The Board has played a key role in the control structure by considering a number of issues relating to the effective running of the business and service delivery to its customers.

Internal auditors are appointed to strengthen the quality and depth of assurance around internal control systems and the Audit Plan covers financial and non-financial aspects of the business in all of the significant areas of activity. The internal auditors and Audit Committee provide assurance to the Board on the Association's system of internal control.

Control Environment

There are a number of measures in place to instil and encourage a suitable culture of effective internal control. These include:

- Board recruitment and appraisal (including external review)
- Standing Orders and Financial Regulations which include appropriate delegations of authority, signatories and mandates
- Key policies and strategies to support the running of an effective business and service delivery to its customers
- Adoption of the National Housing Federation Codes – 'Code of Conduct' 2012 and 'Code of Governance – promoting Board Excellence for Housing Associations' (2015) to provide a Governance framework
- Experienced and suitably qualified staff is responsible for important business functions. Annual appraisal procedures are in place to maintain standards
- Forecasts and budgets are prepared which allow the Board and Management to monitor key business risks and financial objectives as well as progress towards financial plan

One of Freebridge's newly built Shared Ownership properties build in Hunstanton.

and business plan targets. Management Accounts are prepared which provide relevant, reliable and up to date financial and other information. Significant variances from budgets are investigated and reported as appropriate

- Significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures through Board (or others as appropriate) including risk assessments
- Audit Committee reviews reports from Management and Auditors to provide reasonable assurance that control procedures are in place and are being followed. Formal procedures have been established for instituting appropriate action to correct weakness.
- Assurance Statements are provided by members of Management Team for their area of responsibility in relation to the control environment

The review of the effectiveness of the system of internal controls undertaken has not revealed any major or pervasive weaknesses that could result in material loss.

Fraud

The Anti-Fraud, Bribery and Corruption Policy outlines an approach on responding to suspected fraud, bribery and corruption. Additionally a register is maintained of all losses from proved fraudulent activity and these are reported to the Regulator.

Regulatory Performance

The Board was pleased to receive confirmation from the Regulator in March 2019 that it has retained its highest possible rating with a V1 for Financial Viability, whilst retaining G1 for its Governance. The Board recognise this valuable assurance must be maintained and so retains a clear focus on improving performance across the business.

Board's Conclusion

The Board has reviewed the effectiveness of the system of internal control and it is satisfied that there is sufficient evidence to confirm that adequate systems of internal control existed and operated throughout the year and up to the date of signing the financial statements, and that those systems were aligned to an on-going process for the management of significant risks facing the business. No weaknesses were identified which would have resulted in material misstatement or loss, which would have required disclosure in the financial statements. The requirements of the Regulator of Social Housing Regulatory Framework and the National Housing Federation's Code of Governance 2015 have been fulfilled. As at 31st March 2019, the Association is compliant and has been compliant throughout the year with the Regulator of Social Housing Governance and Financial Viability Standard, subject to completion of identified work programmes to ensure full and consistent compliance with all data protection principles and identified Health and Safety requirements. In respect of the National Housing Federation's Code of Governance (2015), as at 31st March 2019, the Freebridge Board comprised 13 individuals, including co-optees, as opposed to the maximum 12 permitted by the Code. The Board took a specific decision to operate with a Board of 13 until the Annual General Meeting in September 2019. At that time an experienced Board Member retires from the Board and the Board wished to ensure their successor had an active role in the Board to ensure continuity. The principles of good governance are maintained by allowing this arrangement for a short period and Freebridge expects to comply with the Code after its Annual General Meeting in September 2019.

Payment of Creditors

The Association agrees terms and conditions for its business transactions with suppliers at the time of supply. Payment is then made on these terms, subject to the terms and conditions being met by the suppliers.

The proportion of invoices paid within 30 days totals 79% for 2018/19 (84% 2017/18).

Equality and Diversity

The Association promotes equality of opportunity and values the differences within its customers and staff. The Diversity Policy complies with all relevant aspects of best practice, legislation and regulation.

Strategic Report

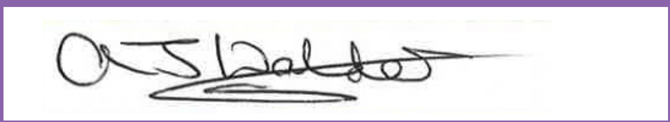
The separate Strategic Report provides commentary on Principal Activities; Business Model, Strategies and Objectives; Investments for the Future; Treasury Policy; Performance, Position, VfM and Future Prospects; Key risks of the Association.

Auditor

The financial statements for the year ended 31st March 2019 have been audited by Mazars LLP.

A resolution to re-appoint Mazars LLP as auditor to the Association will be put to the Members at the forthcoming Annual General Meeting.

By order of the Board



Andrew Walder

Board Chairman

Freebridge's Management Team (l-r): Birgit Lenton (Director of Corporate Services and Culture), Dave Marshall (Director of Finance and Resources), Alex Dixon (Director of Property), Tony Hall (Chief Executive) and Sophie Bates (Director of Housing)

STRATEGIC REPORT YEAR ENDED 31 MARCH 2019

Principal Activities

The Association's primary activities are to support a better West Norfolk by providing homes for people in need and by creating opportunities that help sustain the local communities in which its homes are located.

The Association is registered with the Regulator of Social Housing and owns and manages 6,811 homes (6,813 in 2017/18) including 17 sheltered schemes.

Business Model, Strategies & Objectives

The objectives of the Association are set out in its mission statement: 'Developing homes and creating opportunities for people within West Norfolk'. This supports the long term vision of "a better West Norfolk". In order to ensure delivery of both the mission and vision the Association has developed three strategic goals; to deliver more and diverse homes to meet the needs of a wider group of people, deliver a high performing housing service and empower people to be the best they can be. Each of these goals has been broken down into a series of sub-tasks or milestones which are monitored together with financial and non-financial performance by the Board.

Strategic Goal

To provide More and Diverse Homes:

- The Business and Financial Plan outlines and finances our aim of building our development capacity to support increased delivery of new homes. We have a registered dormant subsidiary, Bridgegate Homes Ltd, which will support efficient and profitable building activity at the appropriate time and in the appropriate tenures. Our primary focus will always be affordable social housing, including shared ownership and rent to buy and wherever feasible we will first seek to obtain grant to achieve this objective.

Strategic Goal

Provide A High Performing Housing Service:

- Our primary focus will always be the service we provide to customers and tenants who live in the homes we provide. We continuously try to improve and our plans include a range of improvement and efficiency projects. Using the outputs from reviews carried out during the year we have identified key streams for future focus, which include the way we organise and deliver property maintenance and improvement, the way we use technology and systems and the way we learn from our customers.

Strategic Goal

Empowering People to be the Best They Can Be:

- This strategic objective has both an internal focus on all who work for Freebridge and an external focus on our customers and other stakeholders. Internally we are increasing our investment in the development of our colleagues. Externally we continue to work with our partners and communities and we are proud of the Discovery Centre and Providence Street Community Centre, which are vibrant community hubs.

The Board approved a five year Business Plan to create the framework to deliver these objectives in the medium term and this is in turn supported by an annual Delivery Plan.

The values of our organisation: Working Together; Empowerment; Integrity; Customer Focus and Enthusiasm inform all we do and help us bring in new colleagues who share our vision and approach. Our strategies, objectives and our future will be guided and delivered through our values.

Investment for the Future

During the year the Association's development programme provided 26 affordable rented homes (26 units 2017/18) and 8 new shared ownership properties (4 units 2017/18). Improvement of our housing stock remains a priority and during the year the Association invested £13.4m (£10.2m 2017/18) on routine, planned and major/capital works in its social housing stock. The Association expended £0.4m on the Hillington Square refurbishment project while future options are considered and a tender process undertaken. This reflects the Association's commitment to invest in its homes to ensure the long-term value of its housing assets are protected.

Treasury Policy

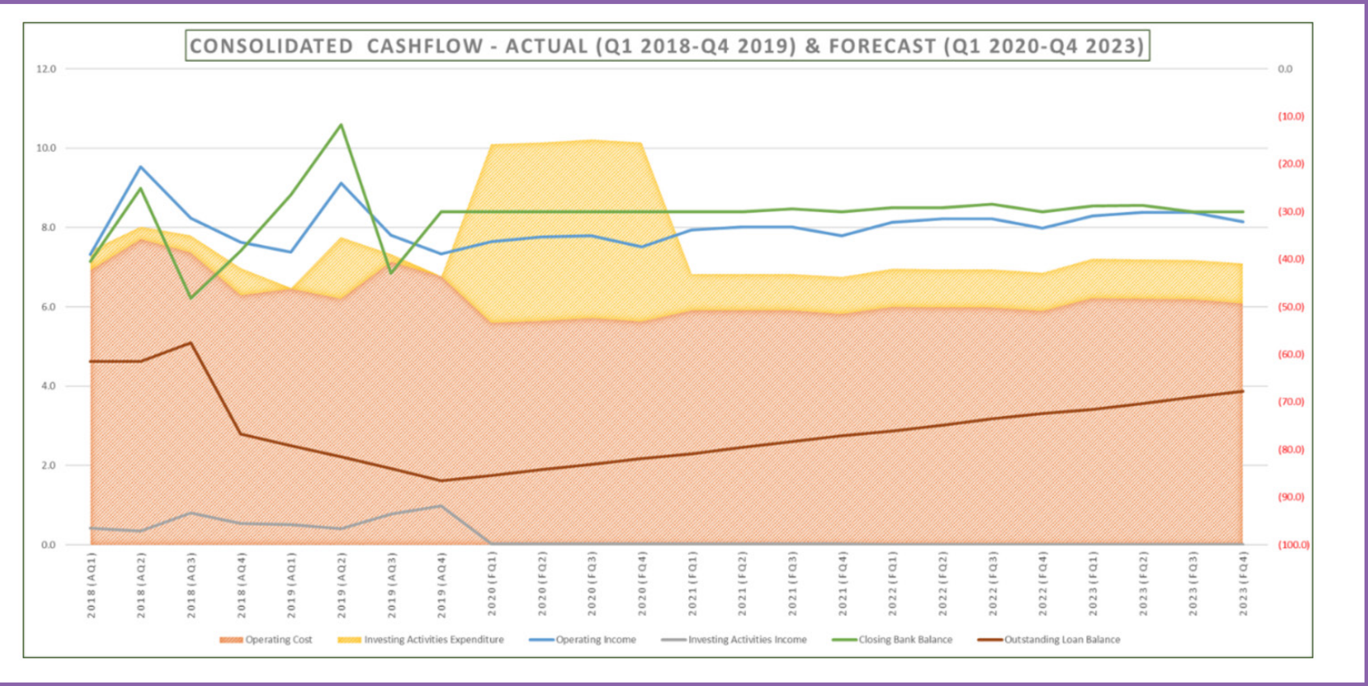
The Association has adopted a Treasury Policy that sets out the parameters and controls for treasury activities.

The Association has a £111m loan facility of which £86.2m is available to use. The funds are not expected to be fully drawn until peak debt year of 2020 from which point the Association will need to start repaying its debt. A total of £52.5m of the available facility has been drawn to 31 March 2019, consisting of £50m fixed rate loans and £2.5m of variable rate debt. The Association voluntarily repaid £5m of its revolving facility during 2018/19 to reduce its debt and interest rate exposure. The Financial Plan 2019 would, on funder approval, amend these numbers to a £111m loan facility of which £77m is available to use with an expected peak debt year of 2022.

Cashflow movement is recorded, monitored and reported on a weekly basis for a thirteen week period and reported to Board quarterly via Treasury Management and Strategy Update papers. The Association continues to maintain a healthy cash balance of £8.311m as at 31st March 2019 and expects to continue to do so throughout 2019/20.

New homes on Poachers Way, Terrington St Clement.

The following graph provides the cashflow forecast 2018 to 2023 and is provided to Board on a quarterly basis. Actuals reflect the Association's current cash position for the quarter with the remaining periods based upon the Financial Plan, which reflects the most current assumptions and tightest covenant limits.



Performance, Position, VfM and Future Prospects:

During the year we have continued to develop and strengthen our operating environment and business foundation in support of our future growth and housing development aspirations. We are proud of our community activities and hold the Providence Street Community Centre, the Discovery Centre and our Hillington Square Community Café as tangible examples of our determination to positively impact on our communities.

Our core mission of creating Homes and Opportunities in West Norfolk always informs and directs the balance of financial and non-financial performance we seek to achieve.

We are pleased to reflect on a solid operating margin of 26% and an operating profit of £8.1m which includes the impact of net asset sales of £0.8m. Increasing pension provision (£1.9m) and the cost of financing of (£2.2m) result in a Total Comprehensive Income for 2018-19 of £4m (£11m 2017-18).

During the financial year we generated £12.6m cash from operations. We invested £6.6m in the purchase and refurbishment of homes, offset by cash received from the sale of assets of £1.8m. Our net financing activity consumed £7.0m of cash with £5m repaid from outstanding loans and £2m of interest cost payments. Net Debt (debt less cash balances) at year end is £44.2m (2017-18 £50m).

Performance against our corporate Key Performance Indicator targets is reflected in the table below.

Key Performance Indicators	Target	2018-19		3 Year Plan	
		Actual	Rating	Plan	Rating
Consolidated Customer Satisfaction	**88%**	85%		90%	
Consolidated Employee Satisfaction	**80%**	69%		85%	
Number of Homes	**6734**	6813		6763	
Satisfaction with their Neighbourhood	**85%**	81%		90%	
Housing Properties Security Value	**207,371**	207,371		215,749	

Annual Hillington Square Summer Fete which takes place outside The Community Cafe on Hillington Square in King's Lynn.

Customer satisfaction stands at 85% for the year. This is disappointing and below the target of 88%. We believe actions focussed around improving our maintenance service delivery will support higher levels of customer satisfaction in the near future. Board and Management Team remain focussed on making further progress toward the target of 90%.

Employee satisfaction at 69% for the year is under this year's target of 80%. Improvement in the measure of employee satisfaction has continued to prove difficult. Board and Management Team understand the difficulty of delivering improved satisfaction levels during a period of continual change and remain committed to achieving this.

We delivered 34 new homes in the financial year and fully commissioned the refurbished phase 4 of the Hillington Square programme providing a further 44 refurbished homes.

Satisfaction with neighbourhood 81% for the year against a target of 85%. This measure was steady across the year and our estates team have been refocused and targeted on driving further improvement.

The security value of our assets has remained constant through the year and offers significant capacity to support future plans and aspirations.

The Board encompass their responsibility for the delivery of Value for Money in all we do and approved a new Value for Money (VfM) strategy during 2018-19. The revised strategy reflects a gradual increase in the efficiency and effectiveness of the use of Freebridge resources. The savings emanating from this are contained within our Financial Plan 2019 and deliver circa £11m of additional financial capacity to the organisation up to 2025. All additional capacity will be used to deliver our mission of Providing Homes and Opportunities for people in West Norfolk and specifically to providing additional new social homes and maintaining and enhancing our current homes.

Freebridge provide a strategic, comprehensive and robust approach to managing all available resources in a manner that is consistent with all aspects and aims of our work. This includes both management and scrutiny of performance to ensure value for money and business assurance are achieved in a sustainable and efficient way.

Freebridge shall ensure that all of our team recognise their continuing responsibilities to secure Value for Money and the effect this has in delivery of the Freebridge mission to "Create homes and opportunities in West Norfolk". A revised strategy and approach to Procurement has been adopted during 2018-19.

The seven (nine including the two variants) core metrics identified in the revised Value for Money Standard are embraced by Freebridge and our current, projected and benchmarked performance is presented below.

Funding	Freebridge	Norfolk Suffolk	Financial Plan 2019 (benchmark 2017-18 Global Accounts)					
	Year to Mar 2019	Benchmark year to to March 2018	2020	2021	2022	2023	2024	2025
Reinvestment %	9.0%	5.4%	9.0%	21.0%	8.9%	5.4%	4.6%	4.5%
New Supply Delivered (Social Housing Units)	0.41%	2.00%	1.21%	3.45%	1.10%	0.75%	0.29%	0.28%
New Supply Delivered (Non Social Housing Units)	0.00%	0.05%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Gearing	34.0%	48.9%	29.4%	35.5%	34.3%	31.4%	28.0%	24.3%
EBITDA (Earnings before Interest, Tax, Depreciation, Amortisation, Major Repairs Included) Interest Cover	3.69	1.99	3.89	3.24	2.76	3.00	3.44	4.14
Social Housing Cost per Unit	3,166	2,832	3,387	3,499	3,474	3,465	3,439	3,441
Operating Margin (social housing lettings only)	20.5%	40.0%	22.6%	19.6%	20.7%	26.8%	28.9%	30.3%
Operating Margin (overall)	22.1%	37.4%	25.4%	21.0%	22.6%	28.0%	30.1%	31.4%
ROCE (Return on Capital Employed)	6.3%	4.2%	6.5%	4.6%	4.7%	5.9%	6.3%	6.7%

Benchmarking – Freebridge believes benchmarking has to be relevant in terms of activity, scale of operation and location to add value to reporting. For these reasons, we have benchmarked ourselves against a weighted average performance of other comparable Norfolk and Suffolk associations. The future projections we record are based on the Financial Plan 2019, which awaits funder approval.

By reference to each of the seven Value for Money metrics we note:

1. Reinvestment – During 2018-19 we invested 9% (13% 2017-18) of property value in property acquisition, refurbishment and component replacement. The drop to 9% investment in 2018-19 reflects a pause in our refurbishment project at Hillington Square, which we plan to resume during 2019-20. A property acquisition and build programme is also a key feature of the plan reflecting the direction of travel Freebridge have indicated. In 2018-19 we benchmark strongly on reinvestment against our comparator who delivered a 5.4% reinvestment. Our future development aspiration increases this measure to a peak of 21% in 2020-21. We aspire to continue developing at a higher rate. We hold our properties at historic cost which enhances our performance on this measure.
2. New supply delivered – We delivered 34 new homes in the financial year, which was in line with our projection for 2018-19. We intend to increase the supply of new homes and continue to explore all opportunities and avenues that will move us toward this goal. The delivery of new homes reflected 0.41% of total homes owned compared to our comparator group at 2.00%. Delivery of our future plan will see us in line or ahead of our benchmark by 2020-21 with new supply delivered reaching 3.45%.
3. Gearing – We hold our properties at historic cost and this is a key determinant of the Gearing ratio. This has the effect of increasing the gearing measure when compared to alternate valuation methods which may offer a higher asset value. This said our Gearing measure at 34% (49% 2017-18) reflects significant potential to deliver future investment. During the year we repaid £5m of outstanding debt. Our Norfolk benchmark is at 49% (47% 2017-18). Our planned increased borrowing in the future is to facilitate investment in our property assets as is demonstrated by gearing peaking at only 35.5% in 2020-21.
4. EBITDA-MRI Interest cover – 369% (486% 2017-18) in 2018/19. Our Norfolk benchmark for interest cover is 199% (223% 2017-18). This is a strong interest cover performance which in part reflects the low gearing and debt of Freebridge. Future borrowing on a standard commercial agreement would typically be looking for interest cover well below our current and projected performance, which again indicates the potential for borrowing and investment.
5. Social Housing cost per unit – Our social housing cost in 2018-19 increased to £3.1k per home (£2.5k 2017-18) and is now above our Norfolk benchmark at £2.8k (£3.1k 2017-18) for the year. Our costs per unit increased during the year due to the planned investment in new and transitional skills for our teams and increased maintenance and asset management expenditure. We expect management cost to move closer to the benchmark over the coming years and the delivery of planned and responsive maintenance to benefit from increased efficiency. We do believe a significant investment in our current housing is desirable

and justified and this does form a key part of our future plan.

6. Operating margin for social housing and overall– At 20.5% and 22.1% respectively for 2018-19 is low in comparison to our Norfolk benchmark of 40.0% and 37.4%. This is in line with expectations and reflects income per home, which is 9.9% higher across our benchmark, and costs per home, which are 11.8% higher at Freebridge due to transitional costs and heavier investment in maintenance activity. Our margins improve toward the end of our focus period as value for money plans consolidate to deliver overall margin of 31.4% in 2025.

7. Return on Capital Employed (ROCE) – Freebridge delivered a return on capital of 6.3% (9% 2017-18) for 2018-19. This compares well against the Norfolk benchmark of 4.2% (5% 2017-18). ROCE reduces to 4.6% in 2020-21, which reflects the increased capital investment at this time against a steadily improving operating performance, before increasing to a return of 6.7% in 2025.

Key risks of the Association

During 2018, a systematic management review was undertaken of Freebridge's financial, social and operational activities that resulted in revising the range of key corporate risks. The new risk management arrangements were agreed by Board in May 2018, and those risks identified as having a high or fundamental potential impact on the strategic and operational performance of Freebridge, are highlighted in the following table:

Key Risks	
AM04	Failure to ensure delivery and that the correct level of efficiency is in place to achieve the Asset Management Strategy.
AM05	Not providing our statutory and regulatory duties to provide appropriate home safety.
HR01	Loss of key staff and lack of skills/knowledge - inability to recruit staff.
HR03	Having the right reward strategy in place to retain good performance and managing under performance.
PSD01	Failure to ensure the correct level of resource and competency to deliver the repairs, empty homes service and other contracted works.
PSD02	Failure to ensure that the correct & safe systems of work are in place.
PSD03	Failure to ensure delivery and the correct level of efficiency to support the effective delivery of repairs, empty homes and other contracted works.
ICT01	Data Security & Quality: Loss of business/customer information.
PR01	Ineffective Procurement.

An assessment of the outcomes of the key headline risks before and after mitigation, have been used to inform the stress testing of the Financial Plan and Business Plan.

As a consequence, we have stress tested for increased cost, reduced revenue, increased interest rates and one-off financial stress. The aim of our stress testing has been to demonstrate those changes in the operating environment that the Financial Plan can absorb and the impact that the mitigation actions may have on-going operations, as well as ensuring the protection of the social housing asset.

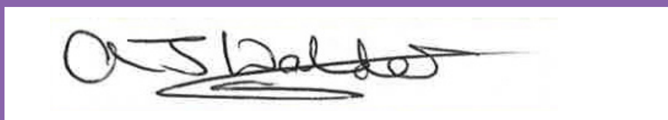
Freebridge monitors, reports and updates its risk map regularly to the Board. In addition, full consideration has also been given to the Regulator of Social Housing's annual Sector Risk Profile (2018) in respect of the increasingly complex operating environment that the sector faces, as Freebridge seeks to diversify into a wider range of different markets.

The strategic mitigation of the Associations key risks are derived through the system of internal control as outlined by the diagram below:

The Association is affected by a number of external factors including:

- Government policy – Despite being privately financed the Association is heavily influenced and directed by Government Policy. This being particularly apparent following the July 2015 budget announcement, when government policy of guaranteed rent increases of CPI + 1% for the next ten years was replaced with a 1% per annum rent reduction for each of the next four years, being 2017-2020 inclusively. The impact of the announcement will continue to affect and influence the forthcoming year's financial and operational performance to 31 March 2020
- Decent Homes Standard – which defines the minimum standard deliverable by housing associations, regards the maintenance and standard of its owned and managed housing stock. The business plan for Freebridge delivers a broad programme of improvement works to the Association's properties over and above the Decent Homes Standard, although future provision will be influenced by Net Present Value work being undertaken and the impact of the extension of the Right-to-Buy to all Housing Association tenants.
- Preferred Partner Status – The Association is not recognised by the Regulator of Social Housing as a "Preferred Partner". Therefore the Association works with local 'Preferred Partners' being; Orwell Housing, Saffron Housing, Colchester Borough Homes and Greenfield Housing Association as part of the e2 development consortium.
- Tenant Empowerment – As the Association's governance structure incorporates the principles of the Community Gateway Model in accordance with the Housing Transfer Offer Document, the Association implements and operates initiatives to ensure tenant involvement and influence is included and evident within the decision-making of the organisation.
- Treasury Management – As part of the historic funding agreement the Association is legally bound to meet financial performance tests each year, so as not to breach the conditions included within its current loan/funding agreement and updates are regularly provided to Board by Management Team.
- Property/Financial Markets – Changes in the property and finance markets impact on the Association. Higher property costs result in the development of new affordable homes becoming more expensive, whilst the threat of rent level limitations and the potential of higher interest rates impacts on the projected financial viability of new schemes.
- Right to Buy and Right to Acquire – Where applicable tenants of the association have the legal right to buy their home from the association at a discount, this results in a reduction of stock numbers and consequently levels of rental income.

By order of the Board



Andrew Walder

Board Chairman

Blockbusters development completed early 2019 on Albion Street, King's Lynn.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FREEBRIDGE COMMUNITY HOUSING LIMITED

Opinion

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

In our opinion, the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 March 2019 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

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

The impact of uncertainties due to Britain exiting the European Union on our audit

The Board's view on the impact of Brexit is disclosed on page 5.

The terms on which the United Kingdom may withdraw from the European Union, are not clear, and it is therefore not currently possible to evaluate all the potential implications to the Association's trade, customers, suppliers and the wider economy.

We considered the impact of Brexit on the Association as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Association's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible implications for the Association and this is particularly the case in relation to Brexit.

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 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 Board is responsible for the other information. The other information comprises the information included in the Report and Financial Statements 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.

New playground at Monks Close, Bircham Newton as part of Freebridge's Placeshaping work.

Matters on which we are required to report by exception

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

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

Responsibilities of the Board

As explained more fully in the Statement of the Board's responsibilities set out on page 3, 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 association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends 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 website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

This report is made solely to the association's members as a body in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014 and Chapter 4 of Part 2 of the Housing and Regeneration Act 2008. 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.

Signed:

Mazars LLP

Mazars LLP

Chartered Accountants and Statutory Auditor

45 Church Street

Birmingham

B3 2RT

Date:

22 JULY 2019

Statement of Comprehensive Income for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Turnover			
Excluding housing property sales		**30,984**	30,813
Housing property sales		**-**	-
Total Turnover	3	**30,984**	30,813
Cost of sales		**-**	-
Operating expenditure	3	**(23,726)**	(19,490)
Gain/(loss) on disposal of property, plant and equipment	6	**836**	991
Operating surplus		**8,094**	12,314
Interest receivable	7	**-**	-
Interest and financing costs	8	**(2,167)**	(2,193)
Surplus/(deficit) before tax		**5,927**	10,121
Taxation	11	**-**	-
Surplus/(deficit) for the year		**5,927**	10,121
Actuarial gain/(loss) in respect of pension schemes	22	**(1,915)**	886
Total Comprehensive Income for the year		**4,012**	11,007

The accompanying notes form part of the financial statements.
The Association's results relate wholly to continuing activities.

The financial statements themselves were authorised and approved by the Board on the 22 July 2019.

A Walder	A Hall	I Hill
Chairman	Chief Executive (Board Member)	Secretary

Statement of Financial Position as at 31 March 2019

	Note	2019 £'000	2018 £'000
Fixed Assets			
Tangible fixed assets – housing properties	12	**114,929**	114,857
Other property, plant and equipment	13	**4,352**	3,909
		119,281	118,766
Current Assets			
Inventories	14	**589**	479
Trade and other debtors	15	**1,333**	1,660
Cash and cash equivalents		**8,311**	7,468
Creditors: amounts falling due within one year	16	**(3,047)**	(2,909)
Net Current Assets		**7,186**	6,698
Total Assets less Current Liabilities		**126,467**	125,464
Creditors: amounts falling due after more than one year	17	**(59,225)**	(64,198)
Pension scheme liability	22	**(7,033)**	(5,069)
Total Net Assets		**60,209**	56,197
Capital and Reserves			
Income and expenditure reserve		**60,209**	56,197
Total Capital and Reserves		**60,209**	56,197

The accompanying notes form part of the financial statements.
The financial statements were issued and approved by the Board on 22 July 2019.

A Walder	A Hall	I Hill
Chairman	Chief Executive (Board Member)	Secretary

Freebridge Community Housing Limited
Homes and Community Benefit No. L4463
Co-operative and Community Benefit Society No. 29744R

Statement of Changes in Reserves for the year ended 31 March 2019.

Statement of Changes in Reserves	**Income and expenditure reserve £'000**
Balance as at 1 April 2017 from Statement of Comprehensive Income	45,190
Total comprehensive income for the year	11,007
Balance as at 31 March 2018	56,197
Total Comprehensive income for the year	4,012
Income and expenditure reserve	
Balance at 31 March 2019	60,209

Statement of Cash Flows for the year ended 31 March 2019

	2019 £'000	2018 £'000
Net cash generated from operating activities	**12,601**	15,394
Cash flow from investing activities		
Purchase and refurbishment of tangible fixed assets	**(6,790)**	(10,911)
Proceeds from sale of tangible fixed assets	**1,881**	1,851
Grants received	**182**	**533**
	(4,727)	**(8,527)**
Cash flow from financing activities		
Interest paid	**(2,031)**	(2,043)
Repayment of borrowings	**(5,000)**	(4,000)
	(7,031)	(6,043)
Net change in cash and cash equivalents	**843**	824
Cash and cash equivalents at beginning of the year	**7,468**	6,644
Cash and cash equivalents at end of the year	**8,311**	7,468

Note 1
Cash flow from operating activities

	2019 £'000	2018 £'000
Surplus for the year	**5,927**	10,121
Adjustment for non-cash items:		
Depreciation of tangible fixed assets	**4,923**	4,759
Decrease/(increase) in stock	**8**	(89)
Decrease/(increase) in trade and other debtors	**191**	(37)
Increase/(decrease) in trade and other creditors	**(41)**	(466)
Pension costs less contributions payable	**49**	150
Carrying amount of tangible fixed asset disposals	**(415)**	(1,015)
Proceeds from the sale of tangible fixed assets	**-**	-
Government grants utilised in the year	**(72)**	(72)
Interest payable	**2,031**	2,043
Interest received	**-**	-
Cash generated from operating activities	**12,601**	15,394

Note 2

Analysis of change in debt	**At 31.3.2018 £'000**	**Cashflows £'000**	**Other Changes £'000**	**At 31.3.2019 £'000**
Cash at bank and in hand	7,468	843	-	8,311
Debt due within one year	-		-	
Debt due after more than one year	(57,500)	5,000	-	(52,500)
Net debt	(50,032)	5,843	-	(44,189)

The accompanying notes form part of these financial statements

Work being complete on the Discovery Centre garden by volunteers from the charity Family Action.

NOTES TO THE FINANCIAL STATEMENTS

1. Legal Status

Freebridge Community Housing is registered under the Co-operative and Community Benefit Societies Act 2014 and registered with the Regulator of Social Housing as a registered provider of social housing as defined by the Homes and Communities Act 2008.

2. Principal Accounting Policies

The principal accounting policies are summarised below. They have been applied consistently throughout the year and to the preceding year.

General Information and Basis of Accounting

The financial statements have been prepared under the historic cost convention in accordance with Financial Reporting Standard 102 (March 2018) (FRS 102) issued by the Financial Reporting Council and the Accounting Direction for Private Registered Providers of Social Housing 2019. The financial statements have also been prepared to comply with the Housing SORP: 2018 Update (Statement of Recommended Practice for Registered Social Housing Providers), the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014. The Association is a public benefit entity in accordance with FRS 102. The financial statements are presented in Sterling (£).

The March 2018 edition of FRS 102 includes amendments arising from the Financial Reporting Council's triennial review of the standard. There is no material effect on the amounts recognised in these financial statements as a result of early adopting these amendments.

Going Concern

The Association's financial statements have been prepared on a going concern basis.

The Association's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. The Association has long term debt facilities in place which provide adequate resources to finance the Associations day to day operations and development pipeline. The approved financial plan demonstrates the Association's ability to service its debt facility whilst continuing to comply with lenders covenants.

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

Significant Judgements and Estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for revenues and expenses during the year as well as the amounts reported for assets and liabilities at the date of the Statement of Financial Position. The following judgements, estimates and assumptions have had the most significant effect on the amounts recognised in the financial statements:

Significant Management Judgements:

- Impairment. As part of the Association's continuous review of the performance of its assets, management identify any housing assets that have increasing void losses, are impacted by policy changes or where the decision has been taken to dispose of the properties. These factors are considered to be an indication of impairment. Where there is evidence of impairment, the fixed assets are written down to the recoverable amount and any impairment losses are charged to operating losses.

The Association has estimated the recoverable amount of its housing properties as follows:

(a) Identified three cost generating units to assess impairment owing to their income being separately identifiable. The units identified are split by area; Downham Market, Hunstanton and King's Lynn

(b) Estimated the recoverable amount of each cash generating unit

(c) Calculated the carrying amount of each cash generating unit

(d) Compared the carrying amount to the recoverable amount to determine if an impairment loss has occurred.

Based on this assessment, we calculated the Depreciated Replacement Cost (DRC) of each group of assets, using appropriate construction costs and land prices and compared this to the carrying amount of each group of assets. Following the assessment of impairment no impairment losses have been identified in the reporting period.

- Classification of Loans as Basic. The terms of the Association's loan agreement includes provision of a two-way break clause that could give rise to a payment from the lender on early redemption. The loans in question are fixed rate loans. In a prepayment scenario that results in a break gain, the loan agreement provides for the repayment of the capital at par. Any break gain payable by the lender would be in relation to future interest periods only. Management have considered the terms of the loan agreement and concluded that they do meet the definition of a basic financial instrument and are therefore held at amortised cost.

Estimation Uncertainty:

- Useful Lives of Depreciable Assets. Management reviews its estimates 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 the decent homes standard which may require more frequent replacement of key components. Accumulated depreciation of housing properties as at 31st March 2019 was £40.4m. The carrying amount of housing properties was £113.8m at the 31 March 2019.
- Defined Benefit Obligation. The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions such as standard rates of inflation, mortality, discount rates and anticipation of future salary increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. The liability at 31st March 2019 was £7.0m. Note 22 includes details of the effects of changes in the key assumptions on this liability.

Turnover

Turnover represents rental income receivable, amortised capital grant, revenue grants from local authorities, income from the first tranche sales of shared ownership properties, other properties developed for outright sale and the invoiced value of other services of goods and/or services supplied in the year.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Income from first tranche sale proceeds and properties built for sale is recognised at the point of legal completion of the sale.

Service Charges

The Association operates variable service charges on a scheme by scheme basis. The charges include an allowance for the surplus or deficit from prior years. Surpluses are returned to residents by a reduced charge and deficits are recovered by a higher charge. Until these are returned or recovered they are held as creditors or debtors in the Statement of Financial Position.

Taxation

Current tax is recognised for the amount of corporation tax payable in respect of the taxable surplus for current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

VAT

The Association exercises it rights under the partial exemption method to recover Value Added Tax (VAT) incurred on expenditure from HM Revenue and Customs. VAT recoverable or payable is disclosed in the Statement of Financial Position. Irrecoverable VAT is accounted for in the Statement of Comprehensive Income.

All capitalised assets include VAT. VAT retained by the Association, including that which is covered by a VAT sharing agreement with Borough Council of Kings Lynn and West Norfolk (BCKLWN), is disclosed through the Statement of Comprehensive Income and the details are disclosed in the notes to the accounts.

Interest Payable and Receivable and Arrangement Fees

Loan interest costs are calculated using the effective interest method of the difference between the loan amount at initial recognition and the amount of maturity of the related loan. Interest is charged to income and expenditure in the year.

Financial Instruments

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS102 are accounted for under an amortised historic cost model.

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.

Creditors

Short-term trade creditors are measured at the transaction price.

Stock

Stock of materials is held at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase. Work in progress and finished goods include labour and attributable overheads.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash

New Shared Ownership property and rented property side by side on School Road, Walton Highway.

and are subject to an insignificant risk of changes in value.

Pension

The Association participates in the Norfolk County Council Pension Fund which is a defined benefit pension scheme so provides benefits based on final pensionable pay and from April 2014 average career earnings. The assets of the scheme are separate from those of the Association and are invested in independently managed funds.

For this scheme the amounts charged to operating surplus are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. The net interest cost on the net defined benefit liability is charged to revenue and included within finance costs. Remeasurements comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each Statement of Financial Position date.

The surplus/deficit of funds is disclosed in the Statement of Financial Position in accordance with FRS 102.

Pension costs are assessed in accordance with the advice of an independent qualified actuary.

The Association participates in two defined contribution schemes where the amount charged to surplus or deficit in the Statement of Comprehensive Income in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position

Housing Properties

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

Freehold land is not depreciated.

Housing properties under construction are stated at cost and are not depreciated. These properties are reclassified as housing properties on practical completion of construction.

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

Social Housing and Other Government Grants

Government Grants include grants receivable from the Regulator of Social Housing, local authorities and other government organisations.

Where developments have been financed wholly or partly by social housing and other grants, the amount of the grant received is included as deferred income and recognised in Turnover and spread over the estimated useful economic life of the recognised asset structure (not land), under the accruals model.

Social Housing Grant must be recycled by the Association under certain conditions, if a property is sold or if another 'relevant event' takes place. Under these circumstances the Social Housing Grant can be used for projects approved by the Regulator of Social Housing. However, Social Housing Grant may have to be re-paid if certain conditions are not met.

Government grants released on the sale of a property are credited to a Recycled Capital Grant Fund and included in the Statement of Financial Position in creditors.

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

Other grants received in respect of revenue expenditure from local authorities and other organisations are credited to the Statement of Comprehensive Income in the same period as the expenditure to which they relate.

Capitalisation of 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 its intended use.

Depreciation of Housing Properties

The Association 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 economic life.

The Association depreciates the major components of its housing properties at the following annual rates:

Useful Economic Lives of Identified Components	Life (years)	Life (%)
Traditional Structure	100	1
Non-Traditional Structure	30	3.3
Roof	50	2
Rewiring	20	5
Kitchen	20	5
Bathroom / Level Access Shower	30	3.3
Heating	15	6.7
Windows	30	3.3
Doors	25	4
Biomass	20	5
Photovoltaics	20	5
Lifts	25	4
Garage Doors	25	4

Impairment

Housing properties are assessed annually for impairment indicators. Where indicators of impairment are identified an assessment for impairment is undertaken comparing the asset's carrying amount to its recoverable amount. Where the carrying amount of an asset is deemed to exceed its recoverable amount, the asset is written down to its recoverable amount, this is likely to be the value in use of the asset based on it service potential. The resulting impairment loss is recognised as operating expenditure in the Statement of Comprehensive Income. Where an asset is currently deemed not to be providing service potential to the Association, its recoverable amount is its fair value less costs to sell.

Other Tangible Fixed Assets

Other Tangible Fixed Assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives.

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

The principle rates used for other assets are:

Useful Economic Life	Life (years)	Life (%)
Office Fittings & Equipment	10	10
Scheme Equipment	5 to 30	20 to 3.3
Computer Hardware	5	20
Commercial Vehicles (Not Leased)	5	20
Freehold Buildings	50	2

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 a sale of fixed assets.

Low Cost Home Ownership properties are not depreciated on the basis of immateriality, as indicated within the Housing SORP 2014 as updated by Housing SORP 2018: update.

Recycling of Capital Grant (RCGF)

Where Social Housing Grant is recycled the Social Housing Grant is credited to the RCGF fund and appears as a 'Creditor' until it is used to fund the acquisition of new properties. Where recycled grant is known to be repayable it is shown as a 'Creditor within 1 Year'.

Disposals Proceeds Fund (DPF)

Receipts from the sale of Social Housing Grant funded properties less the net book value of the property and costs of disposal have in the past been credited to the Disposals Proceeds Fund. DPF was abolished with effect from 6 April 2017. However, under transitional arrangements, a DPF held immediately prior to 6th April 2017, must be operated until:

i. the fund is exhausted; or

ii. the funds are not able to be used or allocated; or

iii. until 6 April 2020

whichever is the earlier.

Lease Obligations

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 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

Discovery Community Centre sports hall once it had been refurbished.

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.

Properties Held for Sale

Properties available for sale under Right to Buy are accounted for as sales of fixed assets. The surplus or deficit arising on sale is net of the clawback payable to the Borough Council of King's Lynn & West Norfolk and after deducting the carrying value of the property and related sale expenses.

Provision for Liabilities

Provisions are recognised when the Association has a present obligation (legal or constructive) as a result of a past event, it is probable the Association 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.

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

Notes to the financial statements

3. a) Particulars of turnover, cost of sales, operating costs and operating surplus

	2019 Turnover	2019 Costs	2019 Operating Surplus	2018 Turnover	2018 Costs	2018 Operating Surplus
Social Housing lettings (note xx)	**29,480**	**(22,758)**	**6,722**	29,876	(19,149)	10,727
Other social housing activities						
First tranche low cost home ownership	**751**	**(422)**	**329**	86	(62)	24
Supporting People	**-**	**-**	**-**	143	-	143
Other	**126**	**-**	**126**	112	-	112
	877	**(422)**	**455**	341	(62)	279
Activities other than social housing	**627**	**(546)**	**81**	596	(279)	317
Total	**30,984**	**(23,726)**	**7,258**	30,813	(19,490)	11,323

Notes to the financial statements

3b Particulars of Income and Expenditure from social housing lettings

	2019 General needs housing £'000	2018 General needs housing £'000
Rent receivable net of identifiable service charges	**28,677**	29,063
Service charge income	**731**	739
Amortised government grants	**72**	74
Turnover from social housing lettings	**29,480**	29,876
Management	**(4,998)**	(4,491)
Service charge costs	**(2,361)**	(2,478)
Routine maintenance	**(5,662)**	(3,808)
Planned maintenance	**(1,113)**	(1,234)
Major repairs expenditure	**(3,665)**	(2,427)
Bad debts	**(36)**	48
Depreciation of housing properties	**(4,756)**	(4,586)
Depreciation of other fixed assets	**(167)**	(173)
Operating expenditure on social housing lettings	**(22,758)**	(19,149)
Operating surplus on social housing lettings	**6,722**	10,727
Void Losses	**454**	430

Notes to the financial statements

4. Accommodation in management and development

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

	2019 No of properties	2018 No of properties
Social housing		
General housing:		
- social rent	**5,699**	5,728
- affordable rent	**470**	451
Supported housing and housing for older people	**611**	611
Low cost home ownership	**31**	23
Total owned	**6,811**	6,813

Notes to the financial statements

5. Operating surplus

The operating surplus is arrived at after charging/(crediting):

	2019	2018
	£'000	£'000
Depreciation of housing properties	4,756	4,586
Depreciation of other tangible fixed assets	167	173
Operating lease rentals		
- Vehicles	308	254
- Land and Buildings	26	32
	334	286
Auditors' remuneration (excluding VAT)		
- Fees payable to the Association's auditors for the audit of the financial statements	17	17
- Fees payable to the Association's auditors for other services	6	3
Total audit services	23	20

Notes to the financial statements

6. Surplus on sale of fixed assets – housing properties

	2019 £'000	2018 £'000
Disposal proceeds	**1,881**	1,765
Carrying value of fixed assets	**(1,004)**	(752)
	877	1,013
Capital grant recycled (note 19)	**(41)**	(22)
Disposal proceeds fund (note 20)	**-**	-
	836	991

7. Interest receivable and other income

	2019 £'000	2018 £'000
Interest receivable and similar income	**-**	-
	-	-

8. Interest and financing costs

	2019 £'000	2018 £'000
Defined benefit pension charge	**136**	150
Loans and bank overdrafts	**2,031**	2,043
	2,167	2,193

Notes to the financial statements

9. Employees

Average monthly number of employees expressed as full time equivalents (calculated based on a standard working week of 37hrs):

	2019	2018
	No	No
Administration	**38**	43
Property and Development	**23**	19
Housing, support and care	**60**	56
Property Services	**94**	94
	215	212

The previous year 2018 classification of employees (primarily Administration) has been revised to reflect the area of service rather than function.

Employee costs:

	2019	2018
	£'000	£'000
Wages and salaries	**6,118**	5,798
Social security costs	**576**	522
Pension Costs: Defined Contribution scheme	**267**	231
Pension Costs: Defined Benefit scheme	**790**	893
	7,751	7,444
Restructuring costs	**-**	81
	7,751	7,525

The full time equivalent number of staff who received remuneration (*including* directors):

	2019	2018
	No.	No.
£140,001 - £150,000	**1**	1
£90,001 - £100,000	**1**	2
£80,001 - £90,000	**1**	-
£70,001 - £80,000	**2**	2

Notes to the financial statements

10. Board members and Executive Directors

Executive directors

The aggregate remuneration for key management personnel charged in the year is:

	2019 £'000	2018 £'000
Basic salary	**478**	508
Benefits in kind	**3**	4
Pension contributions	**68**	85
	549	597

The emoluments of the highest paid director, the Chief Executive, excluding pension contributions, were £142k (2018: £140k).

The Chief Executive is a deferred member of the Norfolk County Council (LGPS) Pension Scheme. He is an ordinary member of the pension scheme and no enhanced or special terms apply. The association does not make any further contribution to an individual pension arrangement for the Chief Executive.

During the year, the aggregate compensation for loss of office of key management personnel was £nil (2018:£19k)

Non-Executive Board Members

The remuneration for Non-Executive Board Members charged in the year is:

	2019				2018
	Basic remuneration £'000	Benefits in kind £'000	Pension contributions £'000	Total £'000	Total £'000
Andrew Walder	11	-	-	11	7
Raymond Johnson	-	-	-	-	5
Steve Clark	5	-	-	5	5
Marie Connell	6	-	-	6	5
Ian Pinches	6	-	-	6	5
Simon Smith	6	-	-	6	5
Brian Long	5	-	-	5	4
Pauleen Pratt	5	-	-	5	4
Jasmine Rigg	5	-	-	5	4
Colin Sampson	-	-	-	-	2
Marcus Hopkins	5	-	-	5	2
Shelley Lamprell-Josephs	5	-	-	5	1
Richard Spilsbury	5	-	-	5	1
Michael Britch	4	-	-	4	-
Joanna Barrett	1	-	-	1	-
	69	-	-	69	50

Notes to the financial statements

11. Tax on surplus on ordinary activities

	2019 £'000	2018 £'000
Current tax		
UK corporation tax on surplus for the year	-	-
Adjustments in respect of prior years	-	-
Total current tax	-	-

A £nil tax liability (2018 £nil) has been identified as a consequence of external works carried out by the Property Services Department.

12. Fixed assets – housing properties

	Assets Under Construction £'000	Traditional Properties Held for Letting £'000	Non-Traditional Properties Held for Letting £'000	Housing Properties - Shared Ownership £'000	Total Housing Properties £'000
Cost					
At 1 April 2018	7,977	126,433	15,948	916	151,274
Additions	3,846	-	-	211	4,057
Works to existing properties	-	2,763	208	-	2,971
Transfers in Year	(10,699)	10,362	-	337	-
Shared Ownership Staircasing	-	-	-	-	-
Disposals	-	(2,886)	(155)	(23)	(3,064)
At 31 March 2019	1,124	136,672	16,001	1,441	155,238
Depreciation and impairment					
At 1 April 2018	-	31,263	5,154	-	36,417
Transfers in Year	-	-	-	-	-
Depreciation charged in year	-	4,065	691	-	4,756
Impairment charged in year	-	-	-	-	-
Released on disposal	-	(789)	(75)	-	(864)
At 31 March 2019	-	34,539	5,770	-	40,309
Net book value					
At 31 March 2019	1,124	102,133	10,231	1,441	114,929
At 31 March 2018	7,977	95,170	10,794	916	114,857

A grant movement of £212k during 2017/18 was incorrectly reflected between assets under construction and deferred grant income (note 18) in the 2017/18 financial statements. In order to present accurate balances and movements in 2018/19 the opening balances have been adjusted by reducing the opening assets under construction balance from £8,189k to £7,977k.

Notes to the financial statements

Fixed assets – housing properties (continued)

Expenditure on works to existing properties

	2019	2018
	£'000	£'000
Improvement works capitalised	-	-
Components capitalised	2,971	2,738
Amounts charged to income and expenditure	3,665	2,427
	6,636	5,165

On 31st March 2019, the Association's housing properties were revalued by Savills, an independent firm of Chartered Surveyors. The valuation of the housing stock for loan security purposes has been prepared using discounted cash-flow methodology and is in accordance with the Royal Institute of Chartered Surveyors [RICS] Valuation – Professional Standards, the "RICS Red Book", effective from 6th January 2014.

The valuation of £219.495m (2018: £217.740m) takes into account regulatory `performance indicators' for Registered providers and the Rent Restructuring regime applicable from 2002 onwards.

It should be noted that future growth in both capital and rental values may not occur and values can fall as well as rise.

All properties are freehold.

Impairment

In line with the SORP 2018 update the Association has carried out an impairment assessment.

1. The Association's stock has been assessed for impairment across the following cash generating units over which the Association owns and manages stock; King's Lynn, Downham Market and Hunstanton.
2. We have estimated the recoverable amount of the cash generating units based on depreciated replacement cost.
3. We have calculated the carrying amount of the cash generating unit
4. We have compared the carrying amount to the recoverable amount

Following and as a result of the impairment assessment the Association has recognised an impairment loss of nil value through the 2018/19 Statutory Accounts. In addition a review of The Hillington Square refurbishment project was undertaken and the recoverable amount based on depreciated replacement cost remains in excess of the carrying value. Hillington Square is included within the King's Lynn catchment area. It represents 3.7% of stock based in the King's Lynn area.

Notes to the financial statements

13. Tangible Fixed Assets – Other

	Long leasehold property	Computers and office equipment £'000	Furniture, fixtures and fittings £'000	Total £'000
Cost				
At 1 April 2018	4,289	945	492	5,726
Additions	334	213	87	634
Disposals		(24)		(24)
At 31 March 2019	4,623	1,134	579	6,336
Depreciation				
At 1 April 2018	638	845	334	1,817
Charged in the year	85	53	29	167
Released on disposal		0		0
At 31 March 2019	723	898	363	1,984
Net book value	3,900	236	216	4,352
At 31 March 2019				
At 31 March 2018	3,651	100	158	3,909

Notes to the financial statements

14. Stock

	2019 £'000	2018 £'000
Shared ownership properties:		
Completed properties	**119**	-
Stock of materials	**470**	479
	589	479

15. Debtors

	2019 £'000	2018 £'000
Due within one year		
Rent and service charges receivable	**1,039**	1,287
Less: provision for bad and doubtful debts	**(428)**	(583)
	611	704
Other Debtors	**120**	397
Trade Debtors	**105**	102
Prepayments and accrued income	**497**	457
	1,333	1,660

Notes to the financial statements

16. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	**539**	586
Rent and service charges received in advance	**212**	186
Deferred grant income (note 18)	**72**	72
Corporation tax	**-**	-
Other taxation and social security	**145**	149
Other creditors	**134**	138
Accruals and deferred income	**1,945**	1,778
	3,047	2,909

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

	2019 £'000	2018 £'000
Debt (note 21)	**52,500**	57,500
Recycled capital grant fund (note 19)	**105**	64
Disposal proceeds fund (note 20)	**-**	167
Deferred grant income (note 18)	**6,620**	6,467
	59,225	64,198

Notes to the financial statements

18. Deferred grant income

	2019 £'000	2018 £'000
Balance at 1 April	**(6,539)**	(5,942)
Grant received in the year	**(225)**	(671)
Released to income in the year	**72**	74
At 31 March	**(6,692)**	(6,539)

	2019 £'000	2018 £'000
Amounts to be released within one year	**(72)**	(72)
Amounts to be released in more than one year	**(6,620)**	(6,467)
	(6,692)	(6,539)

19. Recycled capital grant fund

	2019 £'000	2018 £'000
At 1 April	**(64)**	(27)
Grants recycled	**(41)**	(64)
Withdrawals	**-**	27
	(105)	(64)
Repayment of grant	**-**	-
At 31 March	**(105)**	(64)
Amount of grant due for repayment	**-**	-

20. Disposal proceeds fund

	2019 £'000	2018 £'000
At 1 April	**(167)**	(627)
Net sales proceeds recycled	**-**	-
Interest accrued	**-**	-
Withdrawals	**167**	460
Transfers to other providers	**-**	-
At 31 March	**-**	(167)

Withdrawals from the disposal proceeds fund are used for approved works to housing properties. All funds are fully allocated.

As at 31 March 2019, there are no amounts due for repayment and £nil has been paid in the year (2017/18 £nil).

Notes to the financial statements

21. Debt analysis

Borrowings

	2019 £'000	2018 £'000
Due within one year		
Bank overdraft	**-**	-
Bank loans	**-**	-
	-	-
Due after more than one year		
Bank loans	**(52,500)**	(57,500)
Total loans	**(52,500)**	(57,500)

Security
Properties are charged as security in accordance with the Association's current loan agreements

Terms of repayment and interest rates
The Association has a £111m loan facility of which £86.2m is available to use. The funds available are not expected to be fully drawn until peak debt year of 2020 from which point the Association will need to start repaying its debt. The Financial Plan 2019 would, on funder approval, amend these numbers to a £111m loan facility of which £77m is available to use with an expected peak debt year of 2022.

A total of £52.5m of the available facility has been drawn to date, consisting of £50m fixed rate loans and £2.5m variable rate debt.

The Association pay interest on a quarterly basis and rates currently range from 2.15% to 4.84% on its £50m of fixed debt with the balance of £2.5m subject to variable rate debt.

The association typically keeps its fixed: variable loan ratio within the optimum range of 70% +/- 10% as per Treasury Management Policy, in order to balance its exposure to inflation and interest rate rises prevalent in fixed and variable loans respectively. We are currently operating within a temporary amendment to the Treasury Management Policy allowing for up to 100% fixed debt.

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

	2019 £'000	2018 £'000
Within one year or on demand	**-**	-
One year or more but less than two years	**-**	-
Two years or more but less than five years	**(27,500)**	(30,000)
Five years or more	**(25,000)**	(27,500)
	(52,500)	(57,500)

Notes to the financial statements

22. Pensions

The Local Government Pension Scheme (LGPS) is a multi-employer scheme, administered by Norfolk County Council under the regulations governing the LGPS, a defined benefit scheme.

Triennial actuarial valuations of the pension scheme are performed by an independent, professionally qualified actuary using the projected unit method.

The latest formal valuation of the fund for the purpose of setting employers' actual contributions was at 31st March 2019, with the next formal valuation due at 31st March 2022.

The employer's contributions to the LGPS by the Association for the year ended 31 March 2019 were £813k (2018: £857k). The employer's contribution rate was 27.4% of pensionable pay during the year.

Principal actuarial assumptions
Financial assumptions

	31 March 2019 % per annum	31 March 2018 % per annum
Discount rate	**2.4%**	2.7%
Future salary increases	**2.8%**	2.7%
Future pension increases	**2.5%**	2.4%

Mortality assumptions
Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2010 model assuming the current rate of improvement has reached a peak and will converge to a long term rate of 1.25% pa.

	2019 No. of years	2018 No. of years
Retiring today:		
Males	**22.1**	22.1
Females	**24.4**	24.4
Retiring in 20 years:		
Males	**24.1**	24.1
Females	**26.4**	26.4

Amounts recognised in surplus or deficit

	2019 **£'000**	2018 £'000
Current service cost	**813**	857
Loss on settlements	**-**	-
Amounts charged to operating costs	**813**	857

	2019 **£'000**	2018 £'000
Interest Income on Plan Assets	**819**	757
Interest Cost on Defined Benefit Obligation	**(955)**	(907)
Amounts (charged)/credited to other finance costs	**(136)**	(150)

Reconciliation of opening and closing balances of the present value of scheme liabilities

	2019 **£'000**	2018 £'000
Opening scheme liabilities	35,303	34,698
Current service cost	726	857
Interest cost	955	907
Remeasurements	3,280	(764)
Plan participants' contributions	136	158
Benefits paid	(678)	(553)
Closing scheme liabilities	39,722	35,303

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

	2019 **£'000**	2018 £'000
Opening fair value of plan assets	30,234	28,893
Interest income	819	757
Return on plan assets (in excess of interest income)	1,365	122
Contributions by employer	813	857
Plan participants' contributions	136	158
Benefits paid	(678)	(553)
Closing fair value of plan assets	32,689	30,234

	2019 **£'000**	2018 £'000
Actual return on scheme assets	**2,184**	879

Notes to the financial statements

Pensions (continued)

Major categories of plan assets as a percentage of total plan assets

	2019 %	2018 %
Equities	**50%**	55%
Bonds	**35%**	31%
Properties	**11%**	12%
Cash	**4%**	2%

Sensitivity analysis

Change in assumption at 31 March 2019	**Approx Increase to Employer Liability %**	**Approx Monetary Amount £'000**
0.1% decrease in Real Discount Rate	**2.4%**	**914**
0.1% increase in the Salary Increase Rate	**0.4%**	**157**
0.1% increase in the Pension Increase Rate	**1.8%**	**740**

23. Share capital

All members of the Association hold a share of £1 in the Association. The shares carry the right to vote at meetings on a basis of proportional weighting depending on class of share.
They do not carry any right to a dividend, to any redemption value or to any distribution on winding up.

	2019 No	2018 No
Number of members		
At 1 April	**227**	215
Joining during the year	**3**	25
Leaving during the year	**(12)**	(13)
At 31 March	**218**	227

Notes to the financial statements

24. Cash flow from operating activities

	2019 £'000	2018 £'000
Surplus for the year	**5,927**	10,121
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	**4,756**	4,586
Depreciation of other fixed assets	**167**	173
Decrease / (increase) in stock	**8**	(89)
Decrease / (increase) in trade and other debtors	**190**	(37)
Increase / (decrease) in trade and other creditors	**(41)**	(466)
Profit from the sale of tangible fixed assets	**(1,164)**	(1,015)
Government grants utilised in the year	**(72)**	(72)
Prior Year Adjustment	**-**	-
Interest payable	**2,031**	2,043
Interest received	**-**	-
Defined benefit pension movement	**49**	150
Net cash generated from operating activities	**11,851**	15,394

25. Capital commitments

	2019 £'000	2018 £'000
Capital expenditure		
Expenditure contracted for but not provided in the accounts	**-**	-
Expenditure authorised by the board, but not contracted	**10,483**	13,457
	10,483	13,457

The above commitments will be financed primarily through borrowings, which are available for draw-down under existing loan arrangements. However, social housing grant will be utilised if it becomes available.

Notes to the financial statements

26. Contingent assets/liabilities

The association had no contingent assets at 31 March 2019 (2018: nil).

Contingent liability

In the calculation of the defined benefit pension scheme liability, no allowance has been made in respect of potential liabilities arising from the McCloud court judgement, given some uncertainty around this judgement with the government awaiting news of its right to appeal. No provision has been made because (a) it is not considered probable that an outflow of resources will be required to settle the obligation and (b) the amount of the obligation cannot be measured with sufficient reliability.

27. Leasing commitments

The future minimum lease payments of leases are as set out below. Leases relate to vehicles and homes.

The association's future minimum operating lease payments are as follows:

	2019	2018
	£'000	£'000
Within one year	**245**	269
Between one and five years	**266**	456
Later than five years	**78**	-

28. Related parties

The tenant Board members rent properties from the Association under the same terms and conditions as tenants in similar properties.

There are two tenant member on the Board, Jasmine Rigg and Shelley Lamprell Josephs. Their tenancies are on normal commercial terms and they are not able to use their position to their advantage. No amounts were due to or from the tenant members at the reporting date.

29. Financial assets and liabilities

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

Categories of financial assets and financial liabilities

	2019 £'000	2018 £'000
Financial assets that are debt instruments measured at amortised cost	**9,033**	8,671
Financial liabilities measured at amortised cost	**(62,187)**	(67,105)
Total	**(53,154)**	(58,434)

The financial assets comprise of Trade and Other Debtors, Prepayments and Cash & Equivalents. The financial liabilities comprise of Creditors falling due within one year and Creditors falling due after more than one year.

Borrowing facilities

The Association has a £111m loan facility of which £86.2m is available to use. The funds available are not expected to be fully drawn until peak debt year of 2020 from which point the association will need to start repaying its debt.

A total of £52.5m of the facility has been drawn to date, consisting of £50m fixed rate loans and £2.5m variable debt.

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

	2019 £'000	2018 £'000
Expiring in one year or less	**(10,000)**	-
Expiring in more than one year but not more than two years	**(20,000)**	-
Expiring in more than two years	**(22,500)**	(57,500)
	(52,500)	(57,500)

Notes to the financial statements

30. VAT Sharing Agreement

Prior to the completion of the transfer of properties from the Borough Council of King's Lynn and West Norfolk, Freebridge Community Housing entered into a Development Works Agreement with the Borough Council whereby the latter was required to carry out works on the transferred properties at its own expense, at a fixed price. At the same time, the Borough Council appointed Freebridge Community Housing as the main subcontractor to carry out the work, either on its own behalf or through external contractors.

Under the VAT Sharing Agreement established at transfer between the Association and the Borough Council of King's Lynn & West Norfolk, the Association was required to settle an initial estimated liability of £13.33m on a reducing balance basis. In May 2017 the Association paid the outstanding obligation as at 31 March 2016 of £0.177m to the Borough Council of King's Lynn and West Norfolk to bring the total paid to £13.33m.