thrive homes

Financial Statements

Year ended 31 March 2018

Co-operative and Community Benefit Societies Act 2014,
registered society, number 30398R

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A Brief Story

WHAT DOES THRIVE HOMES DO?

Thrive Homes is a housing association providing affordable homes for people in housing need, primarily in South West Hertfordshire, Bedfordshire and Buckinghamshire.

Key statistics are:

- 4,000 low cost rented homes
- 10,500 residents
- £110 per week average rent
- 91 FTE staff

WHY DO WE EXIST?

We are a not-for-profit business. Our entire surplus is re-invested back into our housing stock or, together with our cash from the Bond issued, is used to build or buy more homes.

We have a very simple Mission: 'Thrive exists to provide good quality affordable homes and services enabling the development of communities where people enjoy living'.

We do this by working with customers and partners to deliver our strategic objectives:

- Resilient with a strong financial base
- Fair deal for customers
- Growth
- A good place to work

These are the four elements to Thrive Homes' 2018 Strategic Framework. The Strategic Framework explains the aims within each of the 4 objectives and where appropriate sets out the minimum levels of performance. For the Framework to remain 'relevant' in an ever-changing environment, Thrive has not set targets for each of these strategic objectives, but rather defined within the 'framework' what Thrive is trying to achieve within each of these areas. This Strategic Framework has replaced the 2014-19 Strategic Plan, which as explained in last year's accounts, had become less 'relevant' given the significant level of changes within the Housing Sector in recent years.

WHAT WE THINK ABOUT SOCIAL HOUSING

The year ended 31st March 2018 was the second year of the 4 years of rent reductions announced by the Government in July 2015, effective from April 2016 to March 2020. The impact of this was to reduce rental income by a further £200k on top of the £200k reduction in 2017. New units, most of the new build units are at Affordable rents rather than Social rents, assisted in income going up overall. The focus of Government on the provision of more homes has not waned and this is something the Board of Thrive Homes is in complete agreement with. The development programme has increased in scale significantly in the year, with 43 new units built and over 100 new units due in the 2018/19 financial year, 90% of which are affordable housing.

The reality is that fewer and fewer people will be able to buy a home, but still need a decent affordable home that offers reasonable security of tenure to live in. As a result, demand for affordable rent and ownership products continues to be strong across our areas of operation. In Three Rivers District Council (TRDC), where the majority of our rented stock is, we receive an average of 44 bids for every home that becomes available for letting, this was 29 bids per property last year! To purchase an average home outright in TRDC, would cost more than £407,000! Both these statistics indicate how hard it is for local people to own or obtain a social housing home.

Maintaining affordability in the current housing market, where only minimal grant funding is available to subsidise sub-market rented homes, means that housing providers increasingly need to find ways to support this. Thrive is currently utilising 'profits' from shared ownership sales, cashable Value for Money savings and other efficiencies to generate cash to support its development programme. We recognise that to maximise efficiencies, we need to move to a different operating model with a larger digital platform and are working on this. Thrive is also undertaking more commercially related activities, such as market rented properties, something that will be in operation during 2018/19. The development programme also includes some land opportunities Thrive has acquired where the site could be built for open market sales; the profits from which could then be used to build more affordable housing. This utilisation of general commercial activities (at a relatively small scale) to provide additional funds to build more homes is a key opportunity for Thrive.

Ensuring that products are affordable to our target customer groups continues to be a priority and we carefully evaluate prospective customers to ensure that their tenancy will be sustainable. Thrive will continue to offer a range of social and affordable rent properties. Wherever possible, affordable rents will be offered in houses, to manage the service charge risk associated with this tenure.

HOW WE'RE DOING

During the year under review, Thrive issued the last remining Bond funds (£25 million) and utilised this money to acquire 298 units from another Housing Association which was looking to dispose of units where it did not have significant volume. The acquisition of these units helped to offset the impact of Thrive selling 123 units to another Housing Association who will be redeveloping these units as part of the regeneration of South Oxhey on the outskirts of Watford.

This was another successful year financially and operationally.

	2018	2017	Progress
Operating Margin	31%	30%	↑
Net Surplus	£7.7m	£4.3m	↑
Arrears	2.18%	1.79%	↓
Void Turnaround	25 days	18 days	↓
Net Promoter Score	7	61	→

Operating margin has improved in the year to 31%. The increase is mainly from increased units generating additional income with minimal cost increases apart from depreciation. Also, 2017 included restructuring costs and costs relating to the 'wind down' of the support services contract Thrive had, neither of these costs were incurred in 2018. These improved margins as well as the 'exceptional' surplus of £4.4m on the sale of 123 units to another Housing Association. This additional sales profit was partially offset by £900k of additional interest costs from additional funds borrowed to acquire 298 units from another Housing Association.

Arrears in 2018 has increased compared to 2017, which is reflective of the fact that more units being managed are at Affordable Rents (which are higher than Social Rents) and the impact of over 100 customers now being on Universal Credit (not all of whom are in arrears) and the difficulties they are having when starting on Universal Credit to be able to access their funds and thus not fall into arrears.

Void turnaround has increased further due to a higher number of voids than the prior year, many with significant works to be carried out within them (though letting the units is not generally an issue).

Thrive has changed the way Net Promoter Score is calculated to be consistent with the general service sector. This means that it is not possible to compare the 2018 result with that of 2017. On the 'old' basis the 2018 score would have been 64.

WHAT WE ARE DOING IN THE COMING YEAR

The 2018/19 financial year is going to be another year of change for Thrive. Having completed end-to-end reviews of 3 key processes, Thrive will be implementing the changes which includes a significant shift towards digital tools for both our customers and our staff to use to interact with one another. Thrive will start 'digital only' tenancies whereby all interaction by a customer will be digital (mainly through the myThrive App) unless an emergency. Whilst all these activities are taking place, Thrive will also be moving to new offices in Apsley near Hemel Hempstead, where office costs are being reduced relative to remaining at the present location. The move also allows easier access to key transport links as Thrive expands its geographical spread of properties, but always remaining with 1-hour drive of the office.

During the coming year, Thrive will also be commencing the re-development of two existing sites, where existing properties will be demolished to make way for more modern accommodation. This will also see an increase in the number of units available for rent or purchase at affordable levels.

IMPROVING OUR PROPERTIES

Every year we spend millions of pounds improving our properties, making sure they are good quality homes that people want to live in. Below are some of the new products we installed in our properties during the year:

	2018	2017
Bathrooms	98	102
Boilers	255	159
Doors	545	362
Kitchens	73	77
Roofs	193	189
Windows	184	239
Total spent	**£4.4 million**	**£4.0 million**

Board Members, Executives And Advisers

Board

Ashley Lane	Chair of the Board	
Vic Baylis	Vice Chair of the Board, Chair of Remuneration and Governance Committee	
Mick Biles	Chair of Risk and Audit Committee	Resigned 18th September 2017
Beverley Cook	Resident member	
Malcolm Green		
Yvonne Harrison		
Monique Kozlakidis	Resident member	
Kate McLeod		Appointed 14th May 2018
Graham Olive		
Jamie Smith	Chair of Resources and Development Committee	
Tom Vaughan		

Co-Optees

Paul Haylock	Chair of Risk and Audit Committee	Appointed 18th September 2017
Peter Matza	to Risk and Audit Committee	Resigned 16th April 2018

Executive Management Team

Elspeth Mackenzie	Chief Executive	
Jo Barrett	Operations Director	
Jack Burnham	Development Director	Appointed 20th March 2017
Shaun McLean	Resources Director	

Company Secretary

Shaun McLean

Registered Office

Building 3, Hatters Lane, WATFORD WD18 8YG

Auditor

Mazars LLP, Chartered Accountants and Statutory Auditors
Tower Bridge House, St Katharine's Way, LONDON E1W 1DD

Principal Banker

Barclays Bank PLC
1 Churchill Place, LONDON E14 5HP

Legal Advisors

Devonshires Solicitors	Salisbury House, London Wall, LONDON EC2M 5QY
Anthony Collins Solicitors LLP	134 Edmund Street, BIRMINGHAM B3 2ES

A REGISTERED SOCIETY UNDER THE CO-OPERATIVE AND COMMUNITY BENEFIT SOCIETIES ACT 2014, NUMBER 30398R

REGISTERED BY THE REGULATOR FOR SOCIAL HOUSING, NO: L4520


thrive

Board Report

The Board is pleased to present its report and audited financial statements for the year to 31st March 2018. The report and financial statements have been prepared in accordance with applicable law and in accordance with FRS 102, the Financial Reporting Standards applicable in the UK and Republic of Ireland (FRS 102) and comply with the Statement of Recommended Practice for Registered Social Housing Providers 2014 (SORP), the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

The past year was another where the Government's announcement in July 2015 regarding 4 years of rent reductions in absolute terms, remained in place. This meant a reduction of over £200k in rental income, on top of the £200k rent reduction last year. Thrive has continued trying to mitigate these reductions by improving and altering the operations of the business to improve efficiency and create Value for Money. Some of these plans led to savings in the current year (overall the 10% reduction in headcount in late 2016), whilst others continue to be ongoing and will achieve their full benefits in the coming years.

The Board made the decision during the past year that some of the aims and targets within the 2014-19 Strategic Plan were no longer the most appropriate in the current operating environment. The rent cuts by Government as well as many other changes such as Universal Credit had meant that the operating environment for Housing Associations had changed fundamentally from when the Strategic Plan was originally written. These changes as well as the fact the most important targets had already been met (such as building 150 new homes), meant that the document was reviewed. The outcome from the review, saw a new Strategic Framework created. This new Framework had 4 key strategic objectives:

- Resilient with a strong financial base
- Fair deal for customers
- Growth
- A good place to work

Each of these has various aims and outcomes to be achieved over the period, but with no specific targets and delivery dates. The Strategic Framework sets out what it is Thrive wishes to achieve and 'guidelines' around how this will be done and what key measures must be achieved as a minimum. Growth is now an objective of its own, reflecting the Board's desire to increase the number of homes Thrive owns and manages. This growth is via both acquisition and build. 2017/18 saw the number of units Thrive owns and manages increase by 222. Thrive completed the acquisition of 298 units from another Housing Association, whilst also selling 123 units to a Housing Association that was successful in winning the opportunity to re-develop the town centre in South Oxhey. Added to this, Thrive completed 43 new build properties and has a contracted pipeline of over 200 further properties to be built over the next 2-3 years as well as land opportunities for a further 175 homes.

All the changes made and those still being implemented are part of Thrive Homes' desire to be more efficient and cost effective. These efficiencies are being converted into improved financial results (and cash), so that Thrive can build more homes of all tenures, be that affordable rent, shared ownership or social rents. Thrive has also entered (on a limited scale) into commercial activities such as market rent properties and will also be building some properties for market sale. Profits from these commercial activities are higher than they are on social activities and will be used to subsidise the cost of building more affordable rental and home ownership properties; something that is desperately required within the core operating area of Thrive. These plans and Strategic Framework help Thrive positively contribute to the Regulator for Social Housing (RSH) aim of regulated providers being cost efficient and contributing towards the Governments aims of building more homes.

Description of the Business

Thrive Homes' principal activity is the provision and management of housing accommodation at affordable rents for people in housing need, primarily in South West Hertfordshire, Bedfordshire and Buckinghamshire. Thrive also develops homes for Shared Ownership sale; there were 9 sales in the year under review. These units were sold at good margins, generating additional surpluses which will be used to build even more homes.

Thrive Homes is a charitable, not-for-profit organisation, administered by a non-executive board comprised of tenants, leaseholders and independent business people.

The Association is managed on a day to day basis by officers who include a Chief Executive and members of an Executive Management Team.

Thrive Homes is regulated by the Regulator for Social Housing (RSH) and is reviewed annually against its Regulatory Code. Thrive continues to hold the highest level possible for Governance (G1), whilst being V2 for Viability. V2 is still a compliant grade and reflects Thrive's increased development program and need to borrow funds for this development. This increased borrowings whilst building these units (i.e. most of the new units are not yet generating income) is impacting on some of the financial metrics of Thrive, such that they are below mean for the sector.

On 24th March 2014 Thrive Homes issued a £125 million listed bond through its special purpose funding subsidiary, Thrive Homes Finance plc. All £125 million has now been issued and is currently the sole source of funding for Thrive Homes. Thrive is currently working with advisors to source further funding to allow more homes to be built.

During the year Thrive acquired all the shares in a limited company (SRJ Homes Limited). SRJ Homes Limited owns land in Hemel Hempstead that has planning permission and this site will be developed starting in the coming year. The two subsidiaries created last year (Thrive OwnHome Limited and Building for Thrive Limited) have not traded during the year under review.

The results of Thrive Homes Finance plc and SRJ Homes Limited for the year to 31st March 2018 are consolidated within the Thrive Homes Limited group results.

Mission and Key Objectives

The Mission and Vision of Thrive Homes has been simplified to be 'Thrive exists to provide good quality affordable homes and services enabling the development of communities where people enjoy living'.

We will do this by working with customers and partners to deliver our strategic objectives:

- Resilient with a strong financial base
- Fair deal for customers
- Growth
- A good place to work

The achievement of these high-level aims is monitored using both financial and non-financial performance indicators. A balanced scorecard has been produced which is used by both the Executive and the Board to scrutinise performance.

Corporate Governance

The Association is managed and monitored by the Board, several Board Sub-Committees and an Executive Management Team. Membership of the Board and Committees is entirely of non-executive Members including relevant professionals and our residents. All appointments to Board Member positions are made via an appointments panel. Board and Co-opted members of Committees are paid for their services.

The Board of Thrive Homes appoints the Directors and Company Secretary of all the subsidiaries of Thrive Homes; Thrive Homes Finance plc, Building for Thrive Limited, Thrive OwnHome Limited and SRJ Homes Limited.

Composition of the Board

Thrive Homes complies with the NHF Code of Governance and has adopted the 2015 NHF Model Rules for registered providers. The rules of Thrive Homes state that the Board consists of no more than 12 Members, of which up to 25% must be residents. In addition, a total of 2 co-opted committee members were in place at 31st March 2018 to ensure additional skills and experience could be drawn upon where relevant.

Committee Structure

The Board has set up the following Committees to facilitate the direction of the Association's affairs, all Committees meet quarterly:

- **Risk and Audit Committee** – to ensure that Thrive Homes is aware of, and manages risk effectively and maintains good standards of probity.
- **Resources and Development Committee** – to ensure that Thrive Homes makes effective use of its resources and to monitor the development programme, including delegated power to approve new development schemes up to a total cost of £10 million.
- **Remuneration and Governance Committee** – to ensure Thrive Homes is well governed and that it maintains appropriate policies and practices to achieve its strategic objective to be a good place to work.

Executive Management Team

This Team is listed on page 9 and has responsibility for the day to day management of the business and the implementation of the strategic policies and plans of the Board.

Performance and Development

Senior management and the Board monitor achievement of Thrive Homes' objectives by measuring performance against several Key Performance Indicators. A selection of the key indicators is set out below. The Board agrees targets each year that are designed to manage development and deliver continuous service improvement. A range of indicators are used to monitor achievement of the Association's objectives and these have evolved over time in order that measures can be used to inform service improvement activity.

Operational performance over the last 3 years against the key indicators is shown in the table below:

Key Performance Information	2018	2017	2016
Customer satisfaction with repairs service	90.0%	80.0%	91.0%
Net Promoter score (old basis)	N/A	61	56
Net Promoter score (new basis)	7	N/A	N/A
Complaints handled within target time	100%	100%	100%
Percentage of properties compliant with the Decent Homes Standard	98%	98%	100%
Average days to re-let a general needs dwelling	25	15	14
Percentage of emergency repairs completed within target	96.8%	95.0%	94.8%
Percentage of properties with a valid gas safety certificate*	100.0%	100.0%	99.90%
Gross current tenant arrears as % of rent and service charges receivable	2.18%	1.79%	0.94%
Operating margin	31%	30%	28%
Staff Engagement with Thrive	74%	67%	65%

*The appropriate legal process has been initiated where access was denied

Operating and Financial Review

Operating Review

The year ended 31st March 2018 saw a continuation in the high levels of performance achieved by the organisation.

Customer feedback across the range of services provided by Thrive Homes was positive. This cannot be seen when comparing Net Promoter Score across the years as the method of calculating this was changed during the year to allow Thrive to compare itself against other service organisations, on the old calculation basis the 2018 score would have been 64, so slightly improved on 2017. Satisfaction with the repairs service has improved back to 2016 levels. Most compliments Thrive receives relate to the maintenance team, which shows that if staff can honour the appointment, then customers are generally happy. Complaint handling has maintained its excellent results from last year. This shows that Thrive can adhere to its policies and the limited number of complaints to be escalated shows that customers understand the response they receive from Thrive even when the decision is not to uphold their complaint.

Properties allocated for re-development have been allowed to drop below the Decent Homes Standard. This is because the significant investment to maintain the condition of the properties would be a poor return on this investment. All of these properties are now vacant, but if a customer were still living in the property, Thrive would continue to maintain the property and all Health & Safety related works would be carried out in accordance with Thrive policies and standards.

Thrive Homes continues to offer a wide range of opportunities for customers to be involved in shaping service development, be that via the service satisfaction surveys, membership of the Customer Experience Panel, various Thrive Deal related activities or becoming Board members.

Universal Credit is affecting a more significant number of the customers at Thrive, with 103 (2017: 41) residents now being part of this scheme. This category of residents' arrears is 11.4% (2017: 12%), though not every person receiving Universal Credit is in arrears. This increased number together with more rents being at Affordable rent levels (3.8% of rental stock in 2018 against 1.9% in 2017) rather than Social rent has meant a further increase in arrears. It is hoped that the changes to the Universal Credit system in April 2018 with regards to shorter waiting times to receive funds and being able to draw larger amounts against the benefits to be paid will assist customers into not falling so significantly into arrears right from the start of being on Universal Credit. Whilst disappointing that arrears have increased, the levels are within target and within the business plan parameters that Thrive has. Like many other providers who have many more Universal Credit customers than Thrive or those who have had customers part of the system for years, it is known that arrears will go up in the early stages and then come down and stabilise; the level at which it stabilises varies significantly meaning that whilst Thrive has targets for what levels it hopes arrears will not exceed, there is still a significant level of uncertainty when trying to set the targets.

Operational performance of Thrive Homes' in-house maintenance team which carries out emergency repairs, improved in the year to 97% of appointments kept. At the year-end, 100% of all properties had a valid gas safety certificate or the appropriate legal process had been initiated. Performance for the year has been either at or very close to 100% every month, testimony to the work the team has put into ensuring tenants are safe.

One of Thrive Homes' key Strategic Aims is to be a Good Place to Work. Thrive participated in the Best Companies survey in 2015 and 2016, achieving a ranking of 'One to watch'. The survey was done again in 2017 with Thrive's score improving significantly, so that Thrive was graded as a '1 Star' organisation. This improved result led to Thrive being ranked 73rd in the Sunday Times Top 100 Not for Profit companies to work for. Thrive also received an award for the best improvement, improving 60 positions compared to the prior year. The Positive Resilient People project continues to utilise feedback from these surveys and other findings, work with the Staff Voice group and staff in general to determine what changes could be made to make Thrive an even better place to work.

Financial Review

The results for the period and for the last three years are summarised in the table below:

Financial Highlights – Three Year Summary For the year ended 31 March	Group Results		
	2018	2017	2016
Statement of Comprehensive Income	£m	£m	£m
Total turnover	26.4	27.9	24.3
Income from social housing lettings	25.2	23.9	23.9
Depreciation and impairment of housing properties	3.7	2.9	2.8
Interest payable	5.1	4.2	4.0
Operating surplus	8.2	8.2	6.8
Surplus before and after tax	7.7	4.3	3.0
Statement of Financial Position			
Non-current assets, at depreciated cost	184.6	125.8	114.9
Net current assets	25.4	38.1	47.1
Provisions	(1.7)	(2.0)	(0.4)
Indebtedness	(156.6)	(126.6)	(130.2)
Social Housing Grant	(11.6)	(3.4)	(3.4)
Total reserves	40.1	31.9	28.0
Key financial performance information	%	%	%
Operating Surplus as a % of turnover	31	30	28
Gearing	54	50	50
Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) less Major Repairs Improvements as a % of interest payable	153	161	134

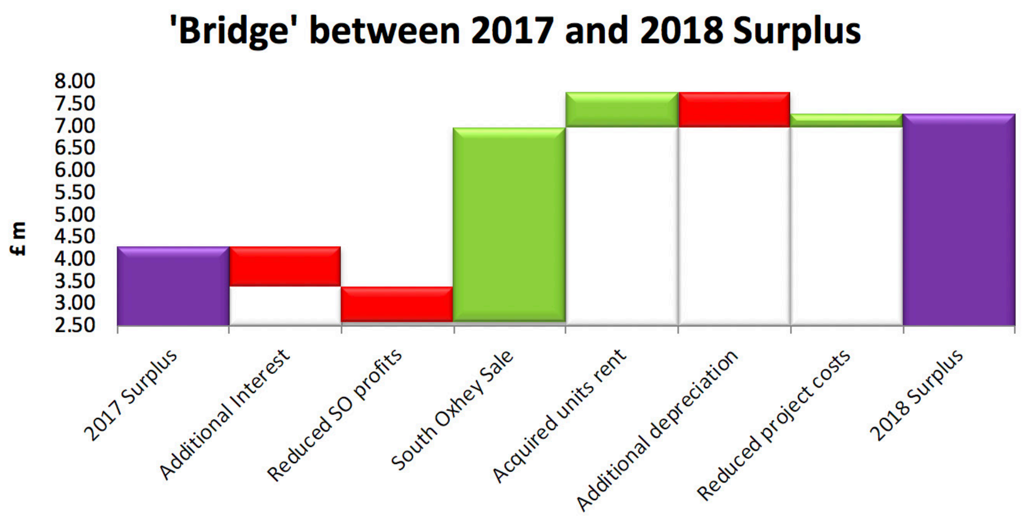
Accounting Policies

The main accounting policies are set out on pages 47 to 52. The policies with the most impact on the statements are the capitalisation of overheads and the calculation of housing property depreciation.

Performance in the Period

Thrive Homes reported a surplus for the Group of £7.7 million for the year ended 31st March 2018 on total turnover of £26.4 million. The improved surplus compared to 2017 mainly originates from the 'one-off' profit of £4.4 million on the sale of 96 rental and 27 leasehold units to another Housing Association who together with a commercial developer were successful in being awarded the contract to regenerate the town centre of South Oxhey, including these units Thrive owned. The additional interest costs of £0.9 million relate to the issue of the retained bond which was used to acquire 298 units from another Housing Association. These new units were also a contributing factor to the increased depreciation costs of £0.8 million. In the year, Shared Ownership profits reduced by over £0.8 million compared to 2017.

Below is a graph to depict the main factors contributing to the movement in surplus. What is not depicted here is that the cost base has remained the same as 2017, despite having net 222 additional units during the year. This ability to 'absorb' additional units reflects that the changes made to systems, processes and structures are working and leading to tangible Value for Money improvements.



During the year there was a reduction of 9 units through Right to Buy sales and 2 Right to Acquire sales. Thrive has also spent £4.4 million further improving Thrive Homes' properties, ensuring that those units not planned for redevelopment at least meet the Decent Homes Standard.

Development

Thrive Homes has set a target of growing by 800 homes over the next 5 years. With the acquisition this year and new contracts signed, 740 units will be delivered. The development team continue to seek opportunities and the Board are assessing, subject to financing options, how many more units Thrive can aspire to build.

Thrive was successful in securing grant funding under the Affordable Homes Programme for redevelopment of some existing sites. Along with this grant, Thrive has also been successful in securing grant funding from Local Authorities for 2 new development opportunities signed within the past year. Grant funding assists with the capital required from Thrive to build units, meaning that more units can be built.

Treasury Management

The Association's Treasury Management Policy is reviewed and updated on a regular basis. Treasury Management performance, which includes ongoing review of compliance with the bond financial covenants, is reviewed quarterly.

At 31st March 2018 Thrive Homes complied with all financial covenants in place. The Statement of Cash Flows on page 43 shows that during the year Thrive Homes generated net cash from operating activities of £13.8 million and made interest payments of £5.8 million.

Financing

Thrive Homes Finance plc issued the last retained bonds (£25.0 million) in May 2017. The bonds were issued at a premium of £7.7 million. The funds were on-lent to Thrive Homes, where the proceeds were used to purchase the 298 units from another Housing Association. There are no further retained bonds available to be issued.

Thrive is currently working with Treasury advisors to source further funding directly from UK banks, which will be more 'flexible' in the drawing of the funds. These loans will be at variable interest rates rather than a fixed interest rate as the Bond is, a new risk for Thrive to manage.

The bond agreements contain financial covenants based on portfolio interest cover and asset cover, both of which were comfortably achieved throughout the year and at year-end.

Liquidity

The Association's Treasury Management Policy which was in operation throughout 2017/18 dictates that Thrive Homes will maintain a minimum level of liquidity such that there is sufficient cash and committed loan facilities capable of immediate draw down to cover the next six months forecast cash requirement; and sufficient cash and committed loan facilities (whether or not capable of immediate draw down) to cover the higher of committed development spend and the next 18 months forecast cash requirement. Thrive Homes has been compliant with this policy throughout the year. Thrive Homes has sufficient committed facilities available to meet known requirements until 31 March 2019 and for the foreseeable future.

At the year end, the Group held £27.4 million of cash, £13.4 million of this cash was freely available, with a further £14.0 million on notice deposits with varying maturity dates, the longest of which is 60 days.

Financial Instruments

Thrive Homes does not have any abnormal exposure to credit, liquidity, interest rate, counterparty or cash flow risks arising from its trading activities. No trading in financial instruments was undertaken in the year.

Reserves

The Board has reviewed the reserves of the Association taking into consideration the nature of income and expenditure streams and has concluded that the level of reserves shown at 31 March 2018 is commensurate with the performance and investment profile of a charitable housing provider.

Risk Management

The main risks faced by Thrive Homes are considered by the Executive Management Team with the Board as part of the business planning process and are considered on a quarterly basis by the Risk and Audit Committee. Thrive Homes has taken steps to ensure that it identifies factors that may affect future performance. Thrive Homes' Risk and Assurance Strategy identifies the key risks facing the Association and strategies for monitoring and mitigating them. The Executive Management Team and the Senior Management Team meet monthly. They play an active part in embedding a culture of risk awareness and risk management amongst staff.

The internal audit function plays a critical supporting role in providing assurance to the Board, particularly through regular reporting to the Risk and Audit Committee on the integrity of the internal control environment at Thrive Homes.

Thrive Homes considers the following to be key risks during the business plan period:

- Further changes in Government or Regulatory Policy and its impact upon Thrive Homes and its customers. Currently considered elements are further changes to the rent setting policy post 2020 despite announcements that the rents formula will return to CPI+1% and further changes to Right to Buy. Other changes are also possible, but not yet identified.
- LGPS Pension liability crystallisation. Thrive Homes has 12 remaining contributing members to the scheme. When the last member leaves, the liability will be crystallised. Further risk is caused by the significant variations in valuations being created between financial years.
- High CPI levels. Thrive's rental income is reducing by 1% per annum for the next 2 years; this is during a current period where CPI is in excess of 2% and higher costs, particularly in materials for construction and maintenance of properties is already being experienced.

Further details of the Thrive Homes' risk management activities are provided in the Board's statement on internal control.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Value for Money Strategy

Thrive Homes Strategic Framework comprises 4 main aims, as set out below:

- Resilient with a strong financial base
- Fair deal for customers
- Growth
- A good place to work

Within each of these high-level aims are several specific objectives which together will enable Thrive Homes to build upon its existing success and focus upon the use of all its resources in the most effective way. Value for Money (VFM) is absolutely at the heart of how these aims and targets will be achieved.

The Thrive Homes Value for Money strategy can be found on the website at http://www.thrivehomes.org.uk/we-want-to-work-in-partnership/strategy-and-values/ The strategy operates around the belief that there are three approaches to creating Value for Money, namely transactional, transitional and transformational. All deliver value for money gains; however, the transformational approach delivers the longer-term gains. These three approaches can be described as follows:

TRANSACTIONAL (tactical efficiency savings)

- Quick wins
- Localised cost savings
- Process improvement
- Performance improvement

TRANSITIONAL (strategic operation re-alignment)

- Cost : value ratio – better utilisation
- Optimisation of people, processes and technology, procurement and capital assets

TRANSFORMATIONAL (sustainable VFM)

- Ongoing embedded cost management and continuous improvement

The aim is to ensure that as a business, the transformational approach is achieved.

The Strategy has identified eight Value for Money objectives, these are to:

- Ensure a robust approach to strategic decisions
- Ensure the financial sustainability of Thrive Homes
- Optimise the use of our assets
- Ensure robust management of all performance and costs
- 'Leverage' the asset base to invest and grow the portfolio; this will improve Cost per Unit through economies of scale
- Maximise the value and capacity of our people
- Deliver social and environmental value to help achieve Thrive Homes' Vision and Mission
- Create a framework to measure our approach to Value for Money and ensure transparency to all stakeholders.

Value for Money Performance

Background

The Regulator for Social Housing (RSH) recently issued a new Value for Money (VFM) Standard. This has done away with the self- assessment report from previous years and is much more focussed on 7 Key Performance Indicators (KPI). The explanation of these metrics can be seen if the link is either clicked on or entered into a web browser
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/695830/Technical_Note_VfM_Metrics_April_2018.pdf

The requirement is for Thrive to report on its performance against these 7 KPIs and for the Board to report in these financial statements how it is performing relative to the Sector averages and where significantly different. The Board understands how these differences are due to Thrive delivering its strategic objectives. Where the differences are due to inefficiencies, what actions the Board is taking to reduce these inefficiencies needs to be commented on.

Current position

Thrive has developed its Standing Orders and Financial Regulations to ensure clear roles and responsibilities for the Board, Committees and Executive Management Team. This includes 'tiered' approval levels for development schemes (within standard, approved development assumptions), review and approval of the various strategies as well as reporting of both operational performance (mainly via the Management Accounts and the Balanced Scorecard of Key Performance Indicators) to the Committees and Board and regular monitoring of development performance, compliance with Health & Safety and other legislation and also progress on the operational change program Thrive is undertaking.

Each year, performance targets are set and the new Strategic Framework outlines the strategic aims for Thrive. These are agreed by the Board either at regular Board meetings or at any of the 4 'away days' the Board has throughout the year. These 'away days' allow for time as a Board to be dedicated to significant and strategic issues that cannot be suitably covered during a regular Board meeting. Decisions at these events have included reviewing different tenure options for development (and the scale of these), corporate structures which could allow for savings to be achieved and developing the new Strategic Framework.

Thrive's performance has been assessed by the Board against the Strategic Framework objectives that Thrive has. Within these are several aims and strategies that Thrive has in place, that will impact on VFM. Examples are, the Asset Management Strategy provides a clear basis on which Thrive makes decisions regarding how much to invest in its properties; the Treasury Strategy defines the level of borrowings and types of debt Thrive wishes to have. Within the Growth aim of the Strategic Framework, the Board has defined that it wishes to retain a 'tight' geographic spread of all the properties it manages as this will enable greater efficiency than a diverse geographical area and so all stock must be within a 1-hour drive of the main office. Given that the opportunity for growth south of the current office is limited, Thrive will be relocating offices from Croxley Green to Hemel Hempstead in late 2018, meaning that new areas of operation (and potential partnerships with new Local Authorities) can be accessed whilst still remaining within the 1 hour 'limit', though 90% of Thrive stock will still be accessed within 15 minutes from the new office.

Thrive's procurement strategy has been an area of significant savings in the past and will continue to do so, not just in major works spend as in the past, but also in build costs as Thrive start to procure for development of its own sites and land sites acquired.

Thrive has been successful for years in achieving tangible VFM savings, having achieved over £587k of savings in the past year and £926k of savings in the 2016/17 financial year.

		2016		2017		2018	2019	2020
		Actual	Sector	Actual	Sector	Actual	Forecast	Forecast
Metric 1	**Reinvestment %**	8.0	7.3	17.4	6.8	36.8	16.3	10.1
Metric 2a	**New supply of Social housing units delivered %**	-0.2	1.6	3.1	1.5	4.8	1.2	3.7
Metric 2b	**New supply of non-Social housing units delivered %**	0.0	N/A	0.0	1.8	0.0	0.4	0.0
Metric 3	**Gearing %**	50.2	49.5	49.8	49.9	53.5	60.7	60.8
Metric 4	**EBITDA MRI Interest Cover %**	134	170	161	170	153	141	160
Metric 5	**Headline Social Housing cost per unit £**	£4,854	£3,570*	£4,611	£3,300*	£4,344	£3,667	£3,581
Metric 6a	**Operating margin (social housing lettings) %**	30.4	32.1	35.2	34.1	31.2	32.3	32.9
Metric 6b	**Operating margin (overall) %**	28.3	27.6	29.6	29.6	31.2	32.2	31.9
Metric 7	**Return on Capital Employed**	4.4	4.2	5.3	4.3	6.1	3.9	4.3

** the Regulator has not published updated values for these metrics since changing the definition to exclude leasehold units.*

Sector values are obtained from the HQN Housing Finance Network group

Forecast results are from the 30-year Business Plan Thrive prepares and submits to the Regulator for Social Housing.

Metric 1 - Reinvestment

This metric reflects the value of spend on building and acquiring more homes as well as how much is invested in the homes Thrive already own. Thrive continues to invest over £4 million per year in its existing units as well as has completed acquisitions in each of the last 2 years including acquiring 298 units from another Registered Provider during the past year. Even without these acquisitions, the growth would have been 8.8% and 13.0% in 2017 and 2018 respectively, indicating Thrive is investing more than the Sector average in properties. This 'active' decision by the Board to continue investing in existing properties is in line with the Asset Management Strategy which includes ensuring the properties are maintained in good condition for the wellbeing of our customers but also so they maintain 'value' from a security aspect for potential future borrowings. When the properties were transferred to Thrive in 2008, there was a significant level of investment required, reflecting the condition the properties were in generally and how Thrive is striving to bring the properties to a Decent Homes 'plus' Standard which is the standard that Thrive is striving for. The new properties, be they newly built or acquired, is part of the Growth Strategic Framework objective referred to earlier in this report. At the end of the day, the properties Thrive own are its only income generating asset.

Metric 2a - New supply of Social Housing assets

There is often a 'disconnect' between this metric and metric 1. Metric 1 will include spend on units being built during the year, much of the spend may be over a couple of years before units are completed, which is what Metric 2 is measuring. As can be seen, the change in strategy around development and Thrive's focus on growth within the new Strategic Framework has meant more than double the Sector average in 2017 (in 2016 Thrive lost units via Right to Buy and had no new units built) and continuing significant growth this year and into the future.

Metric 2b - New supply of non-Social Housing assets

Growth is one of the four objectives of the new Strategic Framework. To date Thrive has not built or acquired any units that are not for social housing. This will change in the coming year where Thrive has built 19 units which will be for Market rent. The land acquisitions done in the current year could be used to develop more units for Market sale or Market rent, though Thrive has not taken any final decisions on this yet. All non-social housing activities are only undertaken with the purpose of utilising the profits from these activities to support Thrive's social purpose, either to invest in the business to improve services to customers or to subsidise the building of more social housing units. This is part of the Development strategy that Thrive has, though it will only be done within the financial 'red lines' within the Strategic Framework.

Metric 3 - Gearing

Thrive has gearing that is around average for the sector. Gearing levels are expected to increase in the coming years, particularly as Thrive utilise the cash reserves and will also continue to borrow to invest in building more homes. The sector average would also be expected to increase, assuming the sector is aiming to increase the volume of new homes built. Essentially Thrive wishes to 'sweat' its assets to an appropriate level and links with Metric 1 where Thrive invests in maintaining the existing units so that they have a value that can be used as security for further borrowings and thereby further growth.

Metric 4 - Interest cover

This is a fundamental metric for both the regulator, lenders and Standard & Poors (our credit rating organisation). Interest cover demonstrates Thrive's ability to service its interest on borrowings out of its day to day operations.

Thrive's interest cover is below the sector for 2 main reasons: i) Thrive has used Bond funding to finance the development programme; this means receiving all the cash up-front and then spending it which means paying interest on money held in the bank and ii) the cash is being spent on building new homes that haven't all been completed yet and so are not producing income. The Board is satisfied that the current and forecast levels for the next few years are acceptable for now, as Thrive has increased the size of the development programme significantly in a short period and these new units being built will take time to generate income. The intention is for Thrive to consistently achieve interest cover closer to sector average from 2021 when the development programme scale is consistent in annual growth and has a continuous 'flow' of new units completing and generating income each year.

The Treasury Strategy includes the requirement that the next funding Thrive obtains is to be more flexible both in how the cash is drawn and interest rates. It is for this reason that Thrive will likely be obtaining a Revolving Credit Facility for the next round of borrowing.

Metric 5 - Cost per Unit (CPU)

Cost per unit measures the total cost base divided by the number of units that Thrive manages. The measure is not entirely accurate as leaseholder costs in the form of service charge costs do form part of the total cost base, but the leasehold units are not included in the number of units Thrive manages; which in Thrive's case is about 13% of the total stock. This definition was changed when the new VFM Standard was issued, but the Regulator has not supplied any updated information as to what the average for the sector would be if leaseholders were excluded (which is not how the sector average has been calculated). Irrespective, Thrive is above the mean and it is something the Board at Thrive has taken a lot of time to understand and determine their 'comfort' with the levels of spend that Thrive has. The Regulator has also in the past recognised that organisations with housing for older people will have a higher CPU; Thrive has 15% housing for older people.

One of the key spends that impact CPU is the major works spend, i.e. investment in its properties. This means that where performance in Metric 1 is good, it will negatively impact the CPU (more spend per unit on kitchens, bathrooms, roofs and similar). There is also recognition from the Regulator that LSVT organisations such as Thrive that are approximately 12 years since transfer generally do have a CPU of £300 more than traditional organisations, this is in recognition of the fact that the LSVT still has obligations to fulfil under the Transfer Agreements via which they were created; something true for Thrive where the commitment still has £24.7 million of spend to be carried out. Costs are controlled as best is possible via Thrive's procurement processes and have been successful in generating significant savings over the years.

The important thing is that CPU is reducing every year, both from increased units under management meaning that the costs are diluting, but also real savings. Thrive's aim is to grow; this growth will lead to reduced CPU as the 'fixed' elements of the cost base will not change and so Thrive will manage more units for less. The Board has reviewed (and continues to review) various ideas and initiatives to potentially reduce spend. A simple method to reduce CPU would be to reduce asset management spend, but this is contrary to the Asset Management strategy and the aims identified in Metric 1. The decision not to reduce spend does not mean there is no control on the expenditure, but rather that the Board hold the Executive Management Team to account with ensuring the strategic objectives and strategies are delivered within the annual budget and longer term financial plans.

Metric 6a - Social Housing Lettings Operating Margin

Thrive margins are very close to sector average, though the margins in future years are significantly impacted by increasing depreciation costs. As Thrive is a 'young' organisation, many of the major works done each year are adding to the depreciation cost and is not a 'replacement' of cost. This is impacting margins in the region of 0.6% per annum. Margins are also being impacted by the -1% rent reduction in 2017, 2018 and the next 2 years.

The Board is satisfied that the current margin is appropriate for where Thrive is in its growth and investment phase. The levels of investment are all in line with the Strategic Framework and associated strategies. Margins above forecast margins is the aspiration but not a requirement at this 'phase' of Thrive delivering on the short and medium term aims

Metric 6b- Overall Operating Margin

As Thrive has limited activities other than Social Housing lettings, the overall margins are very similar to Social Housing lettings margin.

The margin relative to Social Housing lettings is affected by the investment spend referred to above regarding structures, process etc., also, Shared Ownership 1st tranche sales impact on margins, though the level ultimately depends on the volume of sales (there will be much higher volumes in 2019 and 2020 than in 2018) as well as what percentage is sold at 1st tranche.

Metric 7- Return on Capital Employed (ROCE)

ROCE is a measure of the level of surplus (return) for the year relative to the cost base of the assets that generate that return. ROCE for Thrive is about sector average, though the 2018 result will quite likely be significantly above average due to the significant surplus made on the sale of 123 units to another Housing Association who will be demolishing those units as part of a large regeneration project. Without this exceptional item, ROCE would have been 4.6%. 2017 was higher due to a significant level of Shared Ownership 1st tranche sales at margins above 33%.

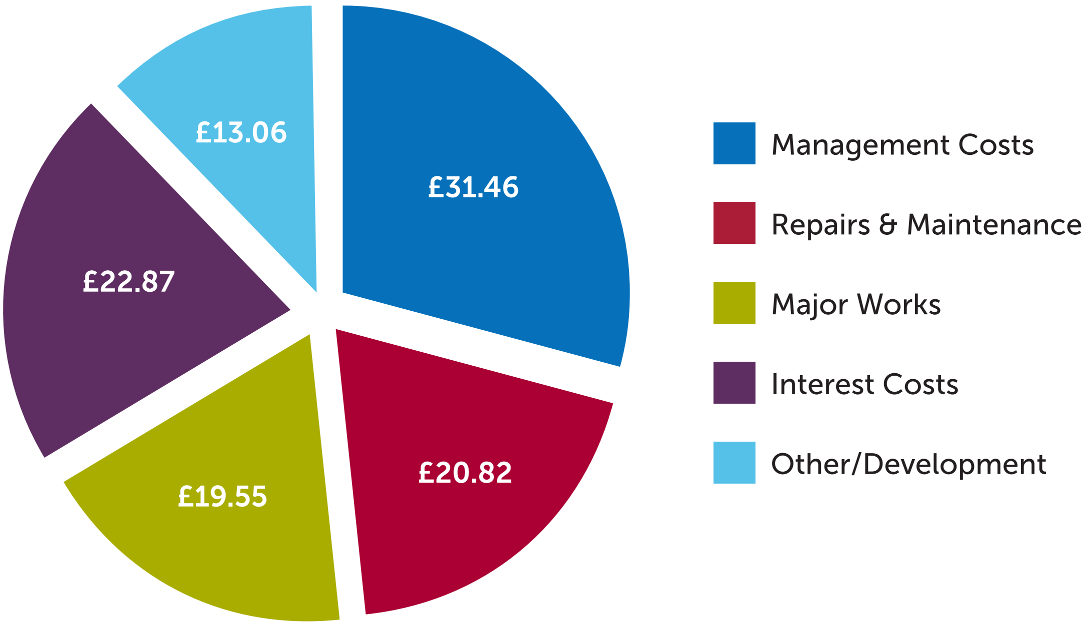
The Board is content that the current ROSE is in line with expectations as Thrive continues to invest in its existing homes whilst also growing. This means that the Capital levels against which the returns are being derived are growing significantly in a short period; returns will increase over time as has been identified when appraising new development opportunities.

Customer Value for Money

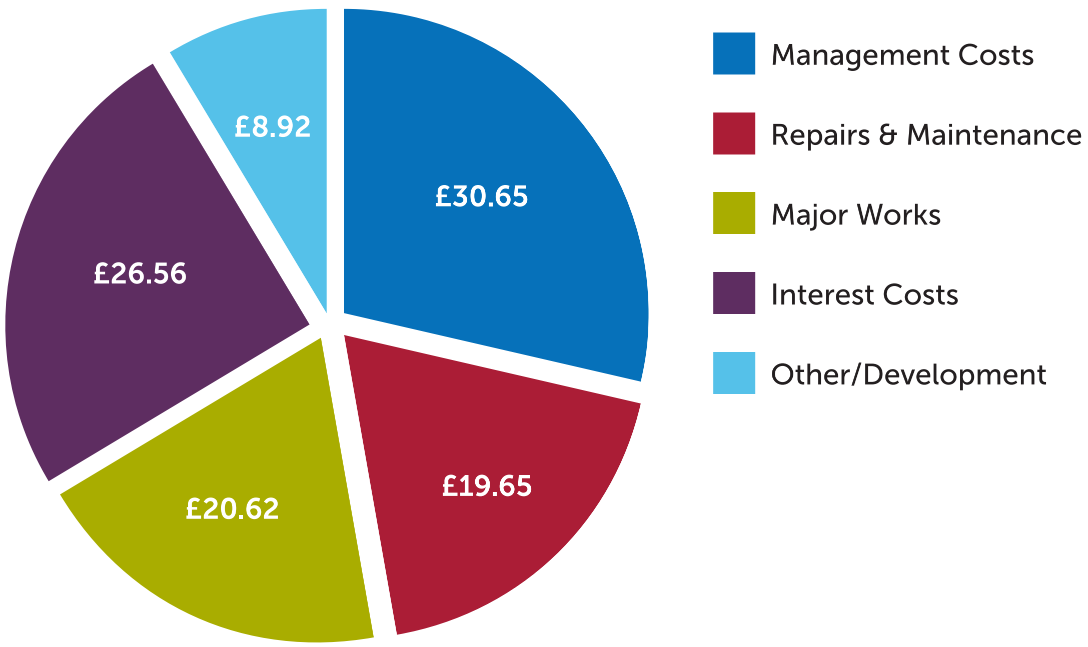
The average rent for a Thrive property is £106/week. Below indicates how that £106 is spent and how it was spent the year before.

A little over £40 goes to maintaining customer properties in good condition; with nearly £36 each week going towards either paying the interest costs of Thrive directly investing in building or acquiring more homes. It is this increased spend on development in 2018 that is the large increase in 'Other/ Development' when compared to 2017.

2018 Spend Allocation



2017 Spend Allocation



The desire to deliver efficient and effective services is also aimed at benefitting our customers by reducing inconvenience and time wasted caused by multiple visits to carry out the same repair as an example. Solving the customer's issue at the first opportunity will generate value for both Thrive and its customers.

Value for Money benefits can then continue to be seen in local communities, like the Citizens Advice Bureau in South Oxhey where Thrive issues a grant that allows the office to be manned 2 days extra per week than it would without that funding. Other benefits to the community will also naturally occur from new and additional properties.

Conclusion

The Board of Thrive Homes monitor performance of the business via various means, including management accounts, risk maps and a Corporate Balanced Scorecard. The Corporate Balanced Scorecard enables the Board to monitor compliance, customer satisfaction, employee engagement, VFM and more. It is felt that this 'holistic' view aids the Board in ensuring that VFM is embedded across the business in all the activities that Thrive undertakes and that no decisions are made with VFM as the sole objective, if they lead to reduced customer engagement or increasing compliance risks.

The Board dedicates part of an away day every year to reviewing VFM, benchmarking performance against similar organisations they believe are appropriate to compare performance against. These are generally LSVT organisations with some Housing for Older people and are based on the outskirts of London (so have similar key characteristics that would affect VFM) like Thrive. The benchmarking always includes the sector averages as well, so that comparisons are not done in isolation. Overall the Board is satisfied with Thrive's performance given where Thrive is, against its recent growth via development objective and the investment that has been made as Thrive evolves its operating model. This 'satisfaction' does not mean that the Board is content with these levels of return and margins in the medium term, improvement targets are being identified as well as 'red lines' to reflect the lowest level of performance the Board will accept, have been defined. The Business Plan indicates that these improvements cannot be achieved merely by maintaining existing performance levels, savings will be a pre-requisite to being able to achieve the targets.

The Board is confident that given the strategic approach taken to VFM, the actions to date and future activities identified, Thrive Homes is meeting the VFM standard.

Statement on Internal Controls Assurance

Responsibility

The Board has overall responsibility for establishing and maintaining the whole system of internal control and reviewing its effectiveness.

The Board recognises that no system of internal control can provide absolute assurance against misstatement or loss or eliminate all risk of failure to achieve business objectives. The system of internal control is designed to manage key risks and to provide reasonable assurance that planned objectives and outcomes are achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Association's assets and interests.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls which are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Group and Association is exposed and is consistent with Turnbull principles.

The Board has reviewed the effectiveness of the system of internal control, including the sources of assurance agreed by the Board as being appropriate for that purpose. Based on the evidence provided, it is satisfied that there is sufficient evidence to confirm that adequate systems of internal control existed and operated throughout the year. The Board is also satisfied that those systems were aligned to an ongoing process for the management of the significant risks facing the Association. No weaknesses were identified which would have resulted in material misstatement or loss and which would have required disclosure in the financial statements.

During the year the Board and/or Risk and Audit Committee have received the following evidence to support the effectiveness of the system of internal control:

Identification and Evaluation of Key Risks

Management responsibility has been clearly defined for the identification, evaluation, mitigation and control of significant risks. It is the Board's responsibility to review and assess these risks. During the year, a full review of the layout and content of the Risk register was carried out and the new format approved by Board. Risk and Audit Committee also now do regular 'deep dives' on risks at Committee meetings. The updated risk register includes risks that were highlighted within the RSH Sector Risk profile, though they are not all currently applicable at Thrive Homes, e.g. swaps and financial instruments. The constant review of the Risk Register all helps determine what Internal Audits are conducted during the year.

There is a formal and ongoing process of management review in each area of the Association's activities. The Executive Management Team, Senior Management Team and Risk and Audit Committee regularly consider and receive reports on significant risks facing the Association and all Board and Committee papers include a commentary on risk implications and control. The Risk and Audit Committee has delegated powers to oversee risk management and the operation of the internal control environment.

Control Environment and Procedures

The Board has put in place an organisational structure with clearly defined lines of responsibility and delegations of authority. These are found in detail in the Association's Standing Orders, Financial Regulations, Treasury Management Policy and Operational Risk Management policies and procedures. These delegations and authority levels are reviewed regularly.

The Board retains responsibility for a defined range of issues covering strategic, operational, compliance and financial issues including treasury strategy, new business projects and equality and diversity. Policies and procedures cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud prevention and detection.

The Board has adopted the NHF 2012 Code of Conduct. This informs the Association's policies regarding the quality, integrity and ethics of its employees. It is supported by a framework of policies and procedures with which employees must comply.

The Risk and Audit Committee provide feedback to the Board with regards the results of the Internal Audits conducted as well as the Quality Assurance Programme Thrive undertakes. The Board is satisfied that necessary action is taken by the Association, to address any significant failings or weaknesses identified within these reviews.

The Governance and Financial Viability Standard

The Board confirm that Thrive Homes Limited is compliant with the Governance and Viability Standard issued by the RSH.

National Housing Federation Code of Governance

The Board has adopted the National Housing Federation's 'Code of Governance: Promoting Board Excellence for Housing Associations (2015 edition)' and confirm that the Group comply fully with the Code. An annual review of compliance is performed by the Board annually, with the most recent review in May 2018 demonstrating continued compliance.

Health and Safety

The Board is aware of its responsibilities on all matters relating to Health and Safety. A Health and Safety Policy is in place with a rolling programme of staff training reviewed and delivered annually. The staff Health and Safety Committee meets on a quarterly basis and is chaired by the Resources Director. Activity is then reported to the Executive Management Team. A report on Health and Safety Activity is provided to the Board at each of their meetings.

Information and Financial Reporting Systems

Thrive Homes has a comprehensive system of financial reporting. The Annual Budget and longer- term Business Plan are reviewed and approved by the Board. Management accounts are produced monthly and results are reported against budget headings to each Board and Resources and Development Committee meeting. The current borrowing and investment position is reported at each Board and Resources and Development Committee meeting.

The Board and each Committee meeting regularly review key performance indicators to assess progress in the achievement of key business objectives and targets.

In accordance with regulations, annual financial returns and quarterly funding surveys are submitted to the Regulator for Social Housing, and quarterly financial and non-financial covenant information is returned to the funders. There are regular meetings with managers to review and monitor revenue and capital spending against budget assumptions. Cash flows and borrowing requirements are continually updated.

Both the external and internal auditors review the financial systems and controls for compliance with Thrive's Standing Orders and Financial Regulations, with the external auditors also providing assurance to the accuracy of the accounts by signing the Annual Financial Statements.

Fraud Reporting Systems

The Association aims to prevent fraud and corruption and has in place policies in respect of preventing, detecting and investigating fraud, including a policy on 'Whistleblowing', and the Board is satisfied that these effectively manage the risk of fraud. These policies include:

- Standing orders and financial regulations.
- Anti-fraud and corruption policy.
- Whistleblowing policy.
- Probity policy.
- Code of conduct for staff and Board Members (Thrive has adopted the NHF 2012 Conduct Becoming code).
- Internal audit programmes.

The Board considers that Thrive Homes has robust policies and procedures in place to identify and mitigate the risk of fraud and the Board has reviewed the Risk register. During the year there were no known instances of fraud.

Monitoring and Corrective Action System

An assurance framework including self-assessment and regular management reporting on risk and control issues provides a hierarchy of assurance to successive levels of management, the Risk and Audit Committee and to the Board.

The internal control framework and the risk management process are subject to regular review by an Internal Audit function which advise the Executive Management Team and report to the Risk and Audit Committee. The internal audit plan is agreed annually by the Risk and Audit Committee and is focused on the areas of greatest risk to the Association. Monitoring is also carried out by senior officers and managers. The Risk and Audit Committee considers internal control and risk at each of its meetings during the year and can meet privately with the auditors at each of its meetings.

A process of regular management reporting on control issues provides assurance to senior management and to the Board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those that may have a material impact on the financial statements and the delivery of our services.

The Risk and Audit Committee conducts an annual review of the effectiveness of the system of internal control and takes account of any changes needed to maintain the effectiveness of risk management and control process and reports this to the Board.

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

Statement of Board Members' Responsibilities

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

Housing Association legislation requires the Board to prepare financial statements for each financial year. Under that legislation, the Board has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards including FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and applicable law). Under Housing Association legislation, the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Association and of the surplus or deficit of the Group and Association for that period. In preparing these financial statements, the Board is required to:

- adopt suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and Association will continue its business.

The Board is responsible for making the appropriate arrangements for keeping proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the Group and Association and to enable it to ensure that the financial statements comply with Housing Association Legislation (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). It has responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

Employees

Thrive Homes is committed to promoting equality of opportunity in its employment practices. Applications for employment from persons with black or minority ethnic origin or disability are given full and careful consideration for all vacancies. The Association holds the 'two ticks' disability symbol accreditation, which demonstrates the commitment of Thrive Homes to good practice in employing and retaining disabled people.

In the event of an employee becoming disabled, every effort is made to retain them so that their employment within Thrive Homes can continue. It is the policy of Thrive Homes that training, career development and promotion opportunities should be available to all employees. Thrive Homes considers that employee involvement is essential to its success and uses a variety of methods to inform, consult and involve its employees. This is conducted in several ways including formal consultation with the staff voice group, quarterly all staff briefings, departmental meetings, via 'OneThrive' the internal social media platform of the organisation and through one to one meetings.

Director's Indemnity

The Board confirms that the Association does have Directors and Officers Insurance in place.

Political and Charitable Donations

Thrive Homes did not make any political donations during the year but made donations of £40,014 (2017: £80,014) as part of its Community Grants Programme of which £30,239 (2017: £62,127) was made to charitable organisations. Thrive Homes Finance plc did not make any political or charitable donations during the year.

Events after the Reporting Period

There have not been any material post balance sheet events.

Going Concern

The Group's activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposure to credit, liquidity and cash flow risk are described above.

The Group has considerable financial resources and consequently, the Board believe that the Group is well placed to manage its business risks successfully despite current uncertainties in the social housing sector.

After making all reasonable enquiries, the Board has a reasonable expectation that the Association and the Group have the necessary resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Annual General Meeting

The Annual General Meeting will be held on 24th September 2018.

Disclosure of Information to the Auditor

The Board Members who held office at the date when this report was approved confirm that:

- » So far as each of the Directors is aware, there is no relevant audit information of which the Group and Association's auditor is unaware; and
- » Each of the Directors has taken all the steps that they ought to have taken as a Director to make them aware of any relevant audit information and to establish that the Group and Association's auditor is aware of that information.

External Auditor

Mazars LLP has expressed their willingness to continue in office and a resolution to re-appoint them as auditor will be proposed at the Annual General Meeting.

Statement of Compliance

In preparing this Board Report, the Board has followed the principles set out in the SORP 2014.

BY ORDER OF THE BOARD

A.G.C. Lane.

Ashley Lane

Chair

Date: 16th July 2018


thrive

Independent Auditor's Report to the Members of Thrive Homes Limited

Opinion

We have audited the financial statements of Thrive Homes Limited (the 'parent association') and its subsidiaries (the 'group') for the year ended 31 March 2018 which comprise the Group and the parent association's Statements of Comprehensive Income, the Group and the parent association's Statements of Changes in Reserves, the Group and the parent association's Statements of Financial Position, the Group 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 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 group's and of the parent association's affairs as at 31 March 2018 and of the group's and the parent association's 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 Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, 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 in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

» the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

» the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent 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 Board Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- the parent 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 34, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the group's and the parent 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 group or the parent association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. 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.

Mazars LLP

Mazars LLP
Chartered Accountants and Statutory Auditor
45 Church Street, Birmingham, B3 2RT

Date: 30 July 2018

Consolidated and Association Statement of Comprehensive Income

	Notes	Group		Association	
		2018	2017	**2018**	2017
		£'000	£'000	£'000	£'000
TURNOVER	2a	**26,437**	27,893	**26,801**	27,990
Cost of Sales- Shared Ownership	2a	**(680)**	(2,585)	**(680)**	(2,585)
Operating costs	2a	**(17,508)**	(17,130)	**(17,508)**	(17,130)
OPERATING SURPLUS	2a	**8,249**	8,178	**8,613**	8,275
Gain on disposal of fixed assets	11	**4,464**	134	**4,464**	134
SURPLUS BEFORE INTEREST		**12,713**	8,312	**13,077**	8,409
Interest receivable	3	**130**	221	**151**	218
Interest payable and other finance costs	4	**(5,129)**	(4,232)	**(5,510)**	(4,326)
SURPLUS BEFORE TAX		**7,714**	4,301	**7,718**	4,301
Taxation	8	**-**	-	**-**	-
SURPLUS FOR THE YEAR		**7,714**	4,301	**7,718**	4,301
Actuarial gain/(loss) on pension scheme	21	**481**	(488)	**481**	(488)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		8,195	3,813	8,199	3,813

All the above relate to continuing activities.

The accompanying notes on pages 47 to 77 form part of the financial statements.

Reserves

	Group		Association	
	Income and expenditure reserve	Total	Income and expenditure reserve	Total
	£'000	£'000	£'000	£'000
At 1st April 2017	31,857	31,857	31,857	31,857
Surplus for the year	7,714	7,714	7,718	7,718
Actuarial (loss)/gain on pension scheme	481	481	481	481
At 31st March 2018	40,052	40,052	40,056	40,056

Income and Expenditure Reserve
The Income and Expenditure reserve represents cumulative surpluses and deficits of the Group and Association.
The accompanying notes on pages 47 to 77 form part of the financial statements.

Consolidated and Association Statement of Financial Position

	Notes	Group		Association	
		2018	2017	**2018**	2017
		£'000	£'000	**£'000**	£'000
FIXED ASSETS					
Intangible assets	9	**814**	1,040	**814**	1,040
Housing properties	10	**162,016**	100,864	**157,897**	100,864
Other property, plant and equipment	9a	**149**	289	**149**	289
Refurbishment obligation asset	14	**21,654**	23,628	**21,654**	23,628
TOTAL FIXED ASSETS		**184,633**	125,821	**180,514**	125,821
INVESTMENTS					
Investment in subsidiaries	18	**-**	-	**3,120**	52
TOTAL INVESTMENTS		**-**	-	**3,120**	52
CURRENT ASSETS					
Properties for shared ownership sale	13	**3,057**	458	**3,057**	458
Debtors	14	**4,965**	6,188	**4,965**	6,285
Cash and cash equivalents		**27,365**	41,010	**16,597**	37,537
		35,387	47,656	**24,619**	44,280
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	15	**(10,037)**	(9,602)	**(9,753)**	(9,506)
NET CURRENT ASSETS		**25,350**	38,054	**14,866**	34,774
TOTAL ASSETS LESS CURRENT LIABILITIES		**209,983**	163,875	**198,500**	160,647
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	16	**168,224**	130,025	**156,737**	126,797
PROVISION FOR LIABILITIES	20	**1,061**	1,011	**1,061**	1,011
PROVISION FOR PENSION LIABILITY	21	**646**	982	**646**	982
NET ASSETS		**40,052**	31,857	**40,056**	31,857
CAPITAL AND RESERVES					
Called up share capital	17	**-**	-	**-**	-
Income and expenditure reserve		**40,052**	31,857	**40,056**	31,857
		40,052	31,857	**40,056**	31,857

The accompanying notes on pages 47 to 77 form part of the financial statements.

These financial statements were approved by the Board on 16th July 2018 and were signed on its behalf by:

A.G.C. Lane

Ashley Lane
Chair

Vic Baylis
Vice Chair

Shaun McLean
Company Secretary

Consolidated Statement of Cash Flows

GROUP	Notes	2018		2017	
		£'000	£'000	£'000	£'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	(a)		**13,808**		12,092
CASH FLOWS FROM INVESTING ACTIVITIES					
Software purchased and developed		**(25)**		(393)	
Acquisition and improvement of housing properties, including construction		**(44,272)**		(12,134)	
Net proceeds from sale of properties		**5,780**		773	
Purchase of other PPE		**(133)**		-	
Construction of shared ownership properties for sale		**(17,022)**		(4,325)	
Grants received		**1,150**		-	
Interest received		**130**		221	
			(54,392)		(15,858)
			(40,584)		(3,766)
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest paid		**(5,783)**		(4,680)	
Loan financing costs		**(25)**		(20)	
Retained bond issue (at par)	(b)	**25,000**		-	
Bond premium received		**7,747**		-	
			26,939		(4,700)
DECREASE IN CASH AND CASH EQUIVALENTS	(c)		**(13,645)**		(8,466)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR			**41,010**		49,476
CASH AND CASH EQUIVALENTS AT END OF THE YEAR			**27,365**		41,010

Consolidated Statement of Cash Flows

GROUP

(a) RECONCILIATION OF SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2018	2017
	£'000	£'000
Surplus before interest for the year	**12,713**	8,312
ADD BACK non-cash items:		
Depreciation	**4,234**	3,502
Grant amortisation income	**(103)**	(39)
Surplus on disposal of fixed assets	**(4,464)**	(134)
Decrease/(increase) in < 1-year debtors	**1,223**	(972)
Increase in < 1-year creditors	**37**	765
Increase in Provisions	**50**	550
Pension adjustment	**118**	108
Net cash generated from operating activities	**13,808**	12,092

(b) RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET DEBT

	2018	2017
	£'000	£'000
Decrease in cash in the year	**(13,645)**	(8,466)
Bonds issued	**(25,000)**	-
Change in net debt	**(38,645)**	(8,466)
Net debt brought forward	**(58,990)**	(50,524)
Net debt carried forward	**(97,635)**	(58,990)

(c) ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2017	Cash flow	At 31 March 2018
	£'000	£'000	£'000
Cash on instant access	**28,000**	(14,000)	**14,000**
Cash at bank	**13,010**	355	**13,365**
	41,010	(13,645)	27,365
Debt due after 5 years	(100,000)	(25,000)	(125,000)
Total net debt	(58,990)	(38,645)	(97,635)

Notes to the Financial Statements

1. ACCOUNTING POLICIES

General information

Thrive Homes Limited (the 'Association') is a private limited company incorporated and domiciled in the United Kingdom. The address of the registered office is Building 3, Hatters Lane, Watford, WD18 8YG.

The main activities of the Association and its subsidiaries are the provision of affordable homes for rent for people in housing need.

The consolidated Group financial statements are presented in Pounds Sterling, generally rounded to the nearest thousand.

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

Basis of Consolidation

The consolidated financial statements include the results of Thrive Homes Limited and its subsidiary undertakings Thrive Homes Finance plc and SRJ Homes Limited, whose accounts are prepared to the same accounting date. Thrive OwnHome Limited and Building for Thrive Limited were subsidiaries set up in November 2016, neither of these companies traded during the accounting period to 31st March 2018.

None of these entities have changed name since the end of the preceding reporting period.

The financial year represents the 12 months ended 31st March 2018 (prior year, 12 months ended 31st March 2017).

Basis of accounting

The financial statements have been prepared under the historical cost convention in accordance with FRS102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland" issued by the Financial Reporting Council and comply with the Statement of Recommended Practice for Registered Social Housing Providers 2014 (SORP), the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. Thrive Homes Limited is a public benefit entity, as defined in FRS 102, and applies the relevant paragraphs prefixed 'PBE' in FRS 102.

FRS 102 allows a qualifying entity certain disclosure exemption, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Association's shareholders.

In preparing the Association's individual financial statements, the Association has taken advantage of the following exemptions:

- from disclosing key management personnel compensation, as required by paragraph 7 of Section 33 'Related Party Disclosures';
- from presenting a reconciliation of the number of shares outstanding at the beginning and end of the year, as required by paragraph 12 of Section 4 'Statement of Financial Position'; and
- from presenting a statement of cash flows, as required by Section 7 'Statement of Cash Flows'.

On the basis that equivalent disclosures are given in the consolidated financial statements; the Association has also taken advantage of the exemption not to provide certain disclosures as required by Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues'.

Notes to the Financial Statements CONTINUED

Significant management judgements and key sources of estimation uncertainty

Preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant management judgements

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

Impairment of social housing properties

The Group must make an assessment as to whether an indicator of impairment exists. In making the judgement, management considered the detailed criteria set out in the SORP. No indicators of impairment have been identified as existing at the year end.

Estimation uncertainty

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

Bad and doubtful debts

Provision is made against rent and service charge arrears for both current and former tenants and against sundry debts to the extent that they are considered by management not to be recoverable at their full value. The level of provision is based on historical experience and future expectations.

Economic life of assets

An estimation of the useful economic life of the organisation's assets are determined by management and disclosed within accounting policies. The estimates are based on industry standards adjusted to reflect our own experience, quality of components and maintenance procedures.

Defined benefit pension scheme

The Group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on many factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management uses independent actuaries to advise on suitable estimates for these factors in determining the net pension obligation. The assumptions reflect historical experience and current trends.

Going Concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Board Report. The Group has in place the proceeds of a bond issue which provide adequate resources to finance the growth aspects of the Group's Strategic Plan.

On this basis, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Notes to the Financial Statements CONTINUED

Turnover

Turnover represents rent and service charges receivable in the year (net of rent and service charge losses from voids) and disposal proceeds of current assets such as properties developed for outright sale or shared ownership first tranche sales at completion together with revenue grants from local authorities and Homes England and charitable fees and donations. Service charge income is recognised when expenditure is incurred as this is considered to be the point at which the service has been performed and the revenue recognition criteria met.

Tangible Fixed Assets, Impairment and Depreciation

(a) Housing Properties

Housing properties are principally properties available for rent and are stated at cost less depreciation and reduced by any impairment. Freehold land is not depreciated.

Depreciation of building structure is charged to write down the value of housing properties to their estimated residual value on a straight-line basis over their expected useful economic lives, which are:

Traditional build type	100 years
Non-traditional build type	30 years (as at 31st March 2017 these number 624)

No depreciation is charged on housing properties during construction.

(b) Impairment

For all properties if there are indicators of impairment, then an impairment review is undertaken. Where there is evidence that impairment has occurred, any shortfall between the carrying costs and the higher of value in use or net realisable value is recognised immediately in the surplus or deficit.

The main indicator of housing property impairment is the existence of long term voids.

The reversal of past impairment losses is recognised when the recoverable amount of a tangible fixed asset or investment in a subsidiary has increased because of a change in economic conditions or in the expected use of the asset.

(c) Disposal of Housing Properties

The sale of properties under the 'Right to Buy' legislation is treated as disposals of fixed assets. The surplus or deficit arising on disposal is shown net of the share due to Three Rivers District Council, as determined in the Development Agreement which governed the 2008 stock transfer to Thrive Homes.

Notes to the Financial Statements CONTINUED

(d) Components

Major components are treated as separable assets and depreciated over their expected useful economic lives or the lives of the properties to which they relate, if shorter, at the following annual rates:

Roofs	50 years
Bathrooms	30 years
Central Heating Systems	30 years
Central Heating Boilers	15 years
Windows	25 years
Kitchens	20 years
Electrical works	20 years
Building envelope	20 years

Expenditure on housing properties is capitalised where it results in an increase of the economic benefits of the asset in excess of the performance anticipated when the asset was first acquired. Any works which do not result in an increase to economic benefits, e.g. routine and responsive repairs, are charged to the Statement of Comprehensive Income.

(e) Shared Ownership

Shared ownership properties are valued at the lower of cost and net realisable value. Costs include acquisition and development costs together with interest payable. Net realisable value is based on estimated sales price after allowing for further costs of completion and disposal. Properties are split proportionately between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset until sold. Sales proceeds are then included in turnover. The unsold balance is classed as a fixed asset with any subsequent sale treated as a disposal of the fixed asset.

(f) Capitalisation of Overheads

Overhead costs which are identifiable to and directly attributable to the creation of assets are capitalised. These costs include: legal and professional fees, bought in construction and design services, bought in works programme delivery management and in-house management and administration. With respect to acquisitions, these costs will also include valuation and stock condition survey services.

(g) Other tangible fixed assets

Other tangible fixed assets are stated at cost and are written down to their residual value over their expected useful lives, which are:

Information, technology and communications (ITC) hardware	3 years
Office furniture and equipment and office fixtures and fittings	5 years
Plant, machinery and vehicles	5 years

Social Housing Grant and other Government grants

Government grants are recognised using the accrual model and are classified either as a grant relating to revenue or a grant relating to assets. Grants relating to revenue are recognised in income on a systematic basis over the period in which related costs for which the grant is intended to compensate are recognised. Where a grant is receivable as compensation for expenses or losses already incurred it is recognised as revenue in the period in which it becomes receivable.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Grants received for housing properties are recognised in income over the expected useful life of the housing property structure. Where a grant is received specifically for components of a housing property, the grant is recognised in income over the expected useful life of the component.

Provision for Bad Debts

The provision for tenant bad debts is based on the age and type of arrear. Arrears in respect of former tenants are fully provided for.

Notes to the Financial Statements CONTINUED

The provision for sales ledger bad debts is based on a review of the age and collectability of each debt.

Financial instruments

Financial assets carried at amortised cost

Financial assets comprise rent and service charge arrears, other debtors, prepayments and cash and cash equivalents. Where the effect of discounting is material, financial assets are measured at amortised cost using the effective interest method.

A financial asset is derecognised when the contractual rights to the cash flows expire, or when the financial asset and all substantial risks and reward are transferred.

Financial liabilities carried at amortised cost

Financial liabilities include trade and other creditors and interest-bearing bond issues.

Liabilities which are classed as basic financial instruments are measured at amortised cost using the effective interest method, with interest and related charges recognised as an expense in finance costs in the Statement of Comprehensive Income.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

Bond issue

The amount due to bond holders is stated as at the Statement of Financial Position date as the amount of the issue net of deferred financing costs. Deferred financing costs are written off evenly over the period until the issue is repayable. Further details are set out in Note 16a.

Bond premium

Bond premium is the value above par achieved on bond sales. This is recorded as deferred income and amortised to revenue over the remaining years until the first bond repayment is due. The bond premium resulting from the 2015 and 2017 bond sales are amortised to 2039 using the discounted cash flow method to reduce the balance to nil at this point.

Operating Leases

Rentals payable under operating leases are charged to the Statement of Comprehensive Income as incurred, on the accruals basis.

Interest Payable

Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development if it represents interest on borrowings specifically financing the development programme, after deduction of Social Housing Grant received in advance. Other interest payable is charged to the Statement of Comprehensive Income in the year.

Pension Costs – Defined Benefit Scheme

For defined benefit schemes, the amounts charged to the operating surplus are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in Other Comprehensive Income.

The defined benefit scheme is funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each Statement of Financial Position date. The resulting defined benefit asset or liability is presented separately on the face of the Statement of Financial Position.

Notes to the Financial Statements CONTINUED

Pension Costs – Defined Contribution Scheme

Thrive Homes provides a defined contribution stakeholder type pension scheme for employees. The employee chooses their own contribution rate which is enhanced by the employer in the ratio of £2 for every £1 the employee contributes, up to a maximum employer contribution of 10% of salary. The employer contribution to the scheme is charged to the Statement of Comprehensive Income when paid. The assets of the scheme are kept separately from those of Thrive Homes, and are invested in independently managed funds as chosen by the employee.

Investments

The Association holds investments in Thrive Homes Finance plc, Thrive OwnHome Limited, Building for Thrive Limited and SRJ Homes Limited. These investments are held at cost less any impairment.

Intangible Assets - Software

Software purchased and developed or developed in house, is an intangible asset. Cost is measured initially at acquisition cost or costs incurred to develop the asset. Development expenditure incurred on an individual project is capitalised only if specific criteria are met including that the asset created will probably generate future economic benefits.

Acquired software and Developed software are both amortised over 5 years.

Taxation

Thrive Homes Limited is not subject to corporation tax on its ordinary activities due to its charitable status. Thrive Homes Finance plc does not have charitable status but was established to on-lend the proceeds of a bond issue to Thrive Homes Limited and is not expected to make either a profit or loss. Any profits from SRJ Homes Limited will be gift-aided to Thrive Homes Limited.

Cash and Cash equivalents

Cash and cash equivalents include cash in hand, deposits held with banks, other short-term highly liquid investments with original maturities of three months or less.

VAT

Thrive Homes is VAT registered but a large proportion of its income, namely rental income, is exempt for VAT purposes. This gives rise to a partial exemption VAT recovery calculation on VAT charges incurred on purchases. Expenditure is recorded inclusive of VAT and the input VAT recovered is credited to the Statement of Comprehensive Income or credited against capital additions as appropriate.

As part of the Development Agreement which governed the stock transfer from Three Rivers District Council at Thrive Homes' inception, there is a VAT sharing agreement referencing a VAT shelter arrangement entered into by Thrive Homes and the Council. This enables the full recovery of VAT on costs incurred as Thrive Homes completes qualifying works to the transferred properties. The arrangement requires Thrive Homes to perform works to bring the properties up to an agreed standard for a fixed sum of £70m, equal to the expected cost of the works. The VAT recovered on these qualifying works is shared between the parties as determined in the agreement.

Supporting People Income and Expenditure

Supporting people income and costs for the provision of related services is included in Charges for Support Services in Note 2a.

Notes to the Financial Statements CONTINUED

2a. TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

GROUP	Note	2018				2017	
		Turnover	Cost of sales	Operating Costs	Operating Surplus/ (Deficit)	Turnover	Operating Surplus/ (Deficit)
		£'000	£'000	£'000	£'000	£'000	£'000
Social Housing Lettings	2b	25,226	-	16,517	8,709	23,949	8,425
Other Social Housing Activities							
Charges for support services		38	-	8	30	55	(231)
SO 1st tranche sales		1,173	680	-	493	3,889	1,304
Development		-	-	301	(301)	-	(302)
Other		-	-	682	(682)	-	(1,018)
Total		26,437	680	17,508	8,249	27,893	8,178

Charges for support services income is based on support provided to individuals and is not property based.

'Other' costs relate to the organisational change program within Thrive. Costs in the current year mainly relate to the IT project regarding moving Thrive systems to the 'cloud' and other changes to enable 'agile' working; the 2017 costs included redundancy costs following the restructure of the organisation and reduction in headcount.

ASSOCIATION	Note	2018				2017	
		Turnover	Cost of sales	Operating Costs	Operating Surplus/ (Deficit)	Turnover	Operating Surplus/ (Deficit)
		£000	£000	£000	£000	£000	£000
Social Housing Lettings	2b	25,226	-	16,517	8,709	23,949	8,425
Other Social Housing Activities							
Charges for support services		38	-	8	30	55	(231)
SO 1st tranche sales		1,173	680	-	493	3,889	1,304
Gift Aid received		364	-	-	364	97	97
Development		-	-	301	(301)	-	(302)
Other		-	-	682	(682)	-	(1,018)
Total		26,801	680	17,508	8,613	27,990	8,275

Charges for support services income is based on support provided to individuals and is not property based.

'Other' costs relate to the organisational change program within Thrive. Costs in the current year mainly relate to the IT project regarding moving Thrive systems to the 'cloud' and other changes to enable 'agile' working; the 2017 costs included redundancy costs following the restructure of the organisation and reduction in headcount.

Notes to the Financial Statements CONTINUED

2b. INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

Group and Association	2018				2017		
	General Needs	Housing for Older People	Shared Ownership	Total	General Needs	Housing for Older People	Total
	£000	£000	£'000	£000	£000	£000	£000
Income							
Rents	19,340	3,150	280	22,770	19,012	3,043	22,055
Service charges income	1,680	571	79	2,330	1,332	498	1,830
Amortised government grant	97	-	6	103	39	-	39
Other income	23	-	-	23	25	-	25
Turnover from Lettings	21,140	3,721	365	25,226	20,408	3,541	23,949
Expenditure							
Management	5,362	885	152	6,399	5,352	916	6,268
Service charges costs	1,545	510	70	2,125	1,455	553	2,008
Routine maintenance	2,440	403	-	2,843	2,262	393	2,655
Planned maintenance	1,175	186	-	1,361	1,368	238	1,606
Bad debts	68	11	-	79	60	11	71
Depreciation, Housing Properties	3,197	513	-	3,710	2,490	426	2,916
Operating Costs on Lettings	13,787	2,508	222	16,517	12,987	2,537	15,524
Operating Surplus	7,353	1,213	143	8,709	7,421	1,004	8,425
Memo - Voids	118	19	-	137	51	33	84

Included in Housing for Older People rental income is £11,930 (2017: £12,416) in respect of one market rented property.

3. INTEREST RECEIVABLE

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Interest receivable from bank deposits	130	221	130	218
Interest receivable from subsidiary	-	-	21	-
	130	221	151	218

Notes to the Financial Statements CONTINUED

4. INTEREST PAYABLE AND OTHER FINANCE COSTS

	Group		Association	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Payable to subsidiary	**-**	-	**5,637**	4,680
Payable to bond holders	**5,614**	4,680	**-**	-
Amortised bond premium	**(358)**	(94)	**-**	-
Other finance costs – pension scheme	**27**	15	**27**	15
Other finance costs	**51**	41	**51**	41
	5,334	4,642	**5,715**	4,736
Borrowing costs capitalised	**(205)**	(410)	**(205)**	(410)
	5,129	4,232	**5,510**	4,326

Borrowing costs within the Association have been capitalised using a rate of 4.68% (2017: 4.68%), and at a rate of 5.00% in SRJ Homes Ltd. Borrowing costs are charged to development projects from the date of completion on land acquisition or the date of signing works contracts through to practical build completion of properties.

5. SURPLUS ON ORDINARY ACTIVITIES BEFORE INTEREST

The surplus on ordinary activities before interest is stated after:

	Group		Association	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
- Depreciation of housing properties	**3,710**	2,916	**3,710**	2,916
- Depreciation of other assets	**273**	378	**273**	378
- Amortisation of intangible assets	**251**	208	**251**	208
- Operating lease payments	**516**	627	**516**	627
- Auditor's remuneration (excluding VAT):				
in the capacity of auditor	**25**	21	**21**	17
in respect of other services	**32**	14	**32**	14

Notes to the Financial Statements CONTINUED

6. EMPLOYEE INFORMATION

Group	2018			2017
	Staff No.	Non-Exec No.	Total No.	Total No.
Average number of full time equivalent staff employed during the year (at 37 hours / week)	91	-	91	102
These were categorised as: - Support functions	**37**	**-**	**37**	39
- Development	**3**	**-**	**3**	-
- Housing Management	**16**	**-**	**16**	18
- Property Services (including maintenance)	**35**	**-**	**35**	40
- Sheltered/Domestic support	**-**	**-**	**-**	5

	Staff £'000	Non-Exec £'000	Total £'000	Total £'000
Salaries and other benefits	**3,419**	**48**	**3,467**	3,834
Social security costs	**374**	**2**	**376**	402
Pension costs	**351**	**-**	**351**	443
	4,144	**50**	**4,194**	4,679
Excluded from the above costs are: Compensation for loss of office	**81**	**-**	**81**	404

There was no compensation for loss of office payments made to any of the directors.

The number of full time equivalent staff whose total remuneration was above £60,000 in the year, by pay band (includes employer's contribution to pension schemes).	Staff No.	Non-Exec No.	Total No.	Total No.
£160,000 - £169,999	**1**	**-**	**1**	-
£150,000 - £159,999	**-**	**-**	**-**	1
£140,000 - £149,999	**-**	**-**	**-**	-
£130,000 - £139,999	**1**	**-**	**1**	-
£120,000 - £129,999	**1**	**-**	**1**	2
£110,000 - £119,999	**1**	**-**	**1**	-
£100,000 - £109,999	**1**	**-**	**1**	-
£ 90,000 - £ 99,999	**-**	**-**	**-**	-
£ 80,000 - £ 89,999	**2**	**-**	**2**	2
£ 70,000 - £ 79,999	**1**	**-**	**1**	1
£ 60,000 - £ 69,999	**-**	**-**	**-**	3
	8	**-**	**8**	9

Notes to the Financial Statements CONTINUED

7. DIRECTORS' EMOLUMENTS

Group

Emoluments paid to the Directors of Thrive Homes (the Board of Management, the Chief Executive, Operations Director, Development Director and Resources Director) are shown below. The key management personnel of the group comprise the Executive Management Team and Board members as named on page 9.

Emoluments are defined as salaries paid plus the employer's contributions to pension schemes.

	2018			2017
	Exec	**Non-Exec**	**Total**	Total
	£'000	£'000	£'000	£'000
Total emoluments	**534**	**48**	**582**	462
Emoluments paid to the highest paid director	**160**	**-**	**160**	**157**
Excluding pension contribution	***133***	**-**	***133***	*134*
Total expenses reimbursed to Directors not chargeable to UK income tax	**1**	**5**	**6**	7

The Chief Executive is an ordinary member of Thrive Homes' defined benefit pension scheme. No additional contributions to any pension scheme have been made and there were no special or enhanced terms which applied. The employers' contribution to the pension scheme on behalf of the Chief Executive in the year was £26,854 (2017: £22,538).

Director's emoluments are included in staff costs in Note 6.

During the year remuneration paid to Board Members was:

		Board Meetings Attended	2018 £	2017 £
Richard Laval	Chair of the Board- resigned 12-09-16	-	-	3,494
Ashley Lane	Chair of the Board- appointed 12-09-16	**5/5**	**7,741**	4,077
Vic Baylis	Vice Chair of the Board and Chair of the Remuneration & Governance Committee	**4/5**	**4,400**	4,111
Mick Biles	Chair of the Risk & Audit Committee – resigned 18-09-17	**2/2**	**2,098**	4,111
Ellen Clarke	Resident – resigned 12-09-16	-	-	1,720
Beverley Cook	Resident	**5/5**	**3,562**	3,414
Mike De'Ath	Chair of Development Committee – resigned 06-05-17	**0/1**	**702**	4,111
Geoff Fellows	Resident – resigned 30-03-17	-	-	3,414
Malcom Green		**5/5**	**3,562**	3,389
Yvonne Harrison		**3/5**	**4,400**	3,570
Monique Kozlakidis	Leaseholder – appointed 12-09-16	**5/5**	**3,562**	949
Graham Olive		**5/5**	**3,562**	3,389
Jamie Smith	Chair of Resources & Development Committee	**5/5**	**4,190**	3,389
Tom Vaughan		**4/5**	**3,562**	3,389

Notes to the Financial Statements CONTINUED

7. DIRECTORS' EMOLUMENTS (continued)

During the year remuneration paid to Committee Co-Optees was:

		2018 £	2017 £
Paul Haylock	Chair of the Risk & Audit Committee –appointed Chair 18-9-2017	**3,511**	2,570
Peter Matza	to the Risk & Audit Committee	**2,624**	2,570
Kate Smith	to the Resources Committee –resigned 31-05-17	**437**	2,570

8. TAXATION

Thrive Homes Limited has been granted charitable status and is not liable to corporation tax on ordinary activities.

Thrive Homes Finance plc, Thrive OwnHome Limited, Building for Thrive Limited and SRJ Homes Limited are subject to United Kingdom corporation tax on their ordinary activities, but can take advantage of Gift Aid to donate any taxable profits to Thrive Homes Limited.

9. INTANGIBLE ASSETS

Group and Association

	Note	Internally developed software £'000	Acquired software £'000	Total £'000
Cost				
At 1st April 2017		411	837	1,248
Additions in year		-	25	25
As at 31st March 2018		**411**	**862**	**1,273**
Amortisation				
At 1st April 2017		49	159	208
Charge for the year	5	80	171	251
As at 31st March 2018		**129**	**330**	**459**
NET BOOK VALUE				
As at 31st March 2018		**282**	**532**	**814**
As at 31st March 2017		362	678	1,040

Notes to the Financial Statements CONTINUED

9a. OTHER PROPERTY, PLANT and EQUIPMENT

Group and Association

	Office Equipment, Fixtures & Fittings	Total
	£000	£000
Cost		
At 1st April 2017	3,609	3,609
Additions	133	133
As at 31st March 2018	**3,742**	**3,742**
Depreciation		
At beginning of year	3,320	3,320
Charge for year	273	273
As at 31st March 2018	**3,593**	**3,593**
Net Book Value		
At 31st March 2018	**149**	**149**
At 31st March 2017	289	289

Notes to the Financial Statements CONTINUED

10. HOUSING PROPERTIES

Group

	Housing Properties Under Construction	Housing Properties Completed	Housing Properties Under Construction	Housing Properties Completed	Total
	For letting	*For letting*	*For shared ownership*	*For shared ownership*	
	£000	£000	£000	£000	£000
COST					
At 1st April 2017	2,594	111,758	248	3,810	118,410
Additions in year	11,519	-	7,641	-	19,160
Developments completed	(4,304)	4,304	(1,642)	1,642	-
Works to existing properties	-	4,359	-	-	4,359
Acquisitions	-	36,215	-	7,169	43,384
Transfer from current assets	-	-	-	(160)	(160)
Disposals	-	(1,653)	-	(227)	(1,880)
Component write offs	-	(788)	-	-	(788)
At 31st March 2018	**9,809**	**154,195**	**6,247**	**12,234**	**182,485**
DEPRECIATION					
At beginning of year	-	17,546	-	-	17,546
Charge for year	-	3,710	-	-	3,710
Component write-offs	-	(450)	-	-	(450)
Eliminated on disposal	-	(337)	-	-	(337)
At 31st March 2018	**-**	**20,469**	**-**	**-**	**20,469**
Net Book Value					
At 31st March 2018	**9,809**	**133,726**	**6,247**	**12,234**	**162,016**
At 31st March 2017	2,594	94,212	248	3,810	100,864

Interest of £205k (2017: £410k) and own costs of £200k (2017: £63k) have been capitalised in the year to 31st March 2018

Notes to the Financial Statements CONTINUED

10. HOUSING PROPERTIES

Association

	Housing Properties Under Construction	Housing Properties Completed	Housing Properties Under Construction	Housing Properties Completed	Total
	For letting	*For letting*	*For shared ownership*	*For shared ownership*	
	£000	£000	£000	£000	£000
COST					
At 1st April 2017	2,594	111,758	248	3,810	118,410
Additions in year	11,519	-	7,641	-	19,160
Developments completed	(4,304)	4,304	(1,642)	1,642	-
Works to existing properties	-	4,359	-	-	4,359
Acquisitions	-	32,096	-	7,169	39,265
Transfer from current assets	-	-	-	(160)	(160)
Disposals	-	(1,653)	-	(227)	(1,880)
Component write offs	-	(788)	-	-	(788)
At 31st March 2018	**9,809**	**150,076**	**6,247**	**12,234**	**178,366**
DEPRECIATION					
At beginning of year	-	17,546	-	-	17,546
Charge for year	-	3,710	-	-	3,710
Component write-offs	-	(450)	-	-	(450)
Eliminated on disposal	-	(337)	-	-	(337)
At 31st March 2018	**-**	**20,469**	**-**	**-**	**20,469**
Net Book Value					
At 31st March 2018	**9,809**	**129,607**	**6,247**	**12,234**	**157,897**
At 31st March 2017	2,594	94,212	248	3,810	100,864

Interest of £205k (2017: £410k) and own costs of £200k (2017: £63k) have been capitalised in the year to 31st March 2018.

Notes to the Financial Statements CONTINUED

10. HOUSING PROPERTIES (continued)

Works to existing properties includes costs charged by contractors, external consultants, interest capitalised and related in-house supervision and administration costs which have been capitalised.

Capitalisation of own costs totalled £139k (2017: £178k).

	2018	2017
	£000	£000
Analysis of works to existing properties:		
Capitalised: replacement of components	**4,237**	3,885
Capitalised: improvements (Aids and Adaptations)	**122**	117
	4,359	4,002
Charged to Statement of Comprehensive Income	**1,361**	1,606
	5,720	5,608

Impairment Charge

There is an impairment charge of £502,000 in the brought forward balances being the write down of carrying values (other than land) for 40 properties which are either long term voids unlettable in their current condition or are designated for development.

11. DISPOSAL OF FIXED ASSETS

Group and Association	2018			2017
	Right to Buy	Other	Total	Total
	£000	£000	£000	£000
Proceeds	247	5,578	5,825	781
Costs	(169)	(1,484)	(1,653)	(161)
Transferred to Disposal Proceeds Fund (note 16e)	-	-	-	(507)
Depreciation eliminated on disposal	34	303	337	29
Fees	(13)	(32)	(45)	(8)
	99	**4,365**	**4,464**	134

Included within sales proceeds is the sum of £5.05m for the sale of 123 units to another Housing Association.

Notes to the Financial Statements CONTINUED

12. UNITS IN OWNERSHIP AND MANAGEMENT

	2018	2017
	No.	No.
Social Housing		
Owned – General Needs, let at social rents	**3,204**	3,116
Owned – General Needs, let at affordable rents	**154**	74
Owned – General Needs, let at intermediate rents	**100**	100
Owned – Housing for Older People	**571**	571
Shared Ownership	**98**	45
Leasehold Properties	**491**	496
	4,618	4,402
Non-Social Housing		
Market Rented	**1**	1
	4,619	4,403
The above excludes units taken out of rent debit	*35*	*29*

In the year 11 general needs units were disposed of under Right to Buy legislation with 5 becoming leaseholder owned; the leasehold interest in 27 units and 96 general needs units were disposed. Thrive also purchased 298 properties from another Housing Association.

Units Under Construction

	2018	2017
	No.	No.
Social Housing		
Owned - General Needs, let at affordable rents	**72**	36
Shared Ownership	**46**	12
	118	48
Non-Social Housing		
Market Rented	**19**	-
	137	48

13. PROPERTIES FOR SHARED OWNERSHIP SALE

	Group		Association	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
Properties under construction - Cost	**2,667**	102	**2,667**	102
Completed Shared Ownership Units held for sale	**390**	356	**390**	356
	3,057	458	**3,057**	458

Notes to the Financial Statements CONTINUED

14. DEBTORS

	Group		Association	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Due within one year				
Gross rent and service charges arrears	**1,412**	1,203	**1,412**	1,203
Less: provision for bad debts	**(369)**	(310)	**(369)**	(310)
	1,043	893	**1,043**	893
VAT due from HMRC	**152**	274	**152**	274
Trade debtors less provision for bad debts	**107**	97	**107**	97
Refurbishment obligation	**3,036**	4,292	**3,036**	4,292
Deferred expenditure	**-**	30	**-**	30
Due from Subsidiary undertakings	**-**	-	**-**	97
Other debtors	**27**	-	**27**	-
Prepayments and accrued income	**600**	602	**600**	602
	4,965	6,188	**4,965**	6,285
Due after one year				
Deferred expenditure, refurbishment obligation (note 16d)	**21,654**	23,628	**21,654**	23,628

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Association	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Trade creditors	**962**	600	**962**	600
Rents and service charges received in advance	**624**	430	**624**	430
Due to Three Rivers District Council – VAT sharing agreement	**45**	93	**45**	93
Due to Three Rivers District Council – RTB proceeds share	**1,881**	1,100	**1,881**	1,100
Taxation & social security costs	**34**	101	**34**	101
Other pension creditors	**-**	13	**-**	13
Leaseholder sinking funds	**67**	27	**67**	27
Refurbishment obligation	**3,036**	4,292	**3,036**	4,292
Due to subsidiaries	**-**	-	**174**	92
Interest payable to bond holders	**112**	90	**-**	-
Retentions, due on works to properties	**411**	310	**411**	310
Sundry creditors	**123**	13	**123**	13
Accruals and deferred income	**2,742**	2,533	**2,396**	2,435
	10,037	9,602	**9,753**	9,506

Notes to the Financial Statements CONTINUED

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

	Group		Association	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Housing loans– Bond, Note 16a	**124,148**	99,290	**124,148**	99,290
Deferred Income- Bond Premium, Note 16b	**10,347**	3,228	**-**	-
Deferred Income– Grant, Note 16c	**11,568**	3,372	**10,428**	3,372
Deferred Income– Refurbishment obligation, Note 16d	**21,654**	23,628	**21,654**	23,628
Disposal Proceeds Fund– Note 16e	**507**	507	**507**	507
Total creditors more than one year	**168,224**	130,025	**156,737**	126,797

16a. Housing Loans

- Group

On 24th March 2014 Thrive Homes Finance plc, a subsidiary of Thrive Homes Limited, issued a £125 million fixed rate bond with four equal maturities at 25, 29, 33 and 37 years. The annual coupon rate is 4.68%.

£70 million of the issue was sold to investors on the issue date and a further £30 million was sold on 14th July 2015. A final tranche of £25 million was issued on 26 May 2017 million. When the 2015 and 2017 retained bond issues were made, premiums of £3.5 million and £7.8 million were generated on the issues. These premiums arising, are being amortised to interest expense over the 24-year period to 2039 when the first bond repayment is due.

£31.25 million is therefore repayable on each of 24 March 2039, 24 March 2043, 24 March 2047 and 24 March 2051.

Thrive Homes Finance plc has on lent the £125 million bond proceeds to Thrive Homes Limited under a guarantee and security trust agreement. Thrive Homes Limited provides the underlying asset security and this is held through a Security Trust arrangement with the Prudential Trust Company Limited.

The £125 million debt held by investors is secured by fixed charges over 2,369 Thrive Homes Limited properties (2,196 rented and 173 leasehold) at their Existing Use Value - Social Housing (EUV-SH) of £138.6 million. This includes a revaluation of EUV-SH values completed by Savills during the year, and is net of the disposal of secured properties, e.g. under Right to Buy legislation, since the initial bond issue.

Under the terms of their loan agreement, all Thrive Homes Finance plc costs relating to providing funding services to Thrive Homes Limited are payable by Thrive Homes Limited.

The market value of the instruments, as at 31st March 2018 is estimated as £164.4 million. The debt has not been traded during the year ended on 31 March 2018, and its market value has been calculated against the price of a reference gilt (UKT 3.25% 2044) at 31st March 2018 plus a credit spread appropriate to the Company's A credit rating and size.

Notes to the Financial Statements CONTINUED

- Association

Thrive Homes Limited has a loan from its subsidiary Thrive Homes Finance plc. £70 million was put in place on 24th March 2014 with further £30 million on 14th July 2015, and a final £25 million on 26th May 2017 to total £125 million. The period of the loan is to 2051 at a coupon rate of 4.68%. Interest is payable by Thrive Homes Limited to Thrive Homes Finance plc half yearly, September and March. Any fees and financing costs incurred by Thrive Homes Finance plc regarding bond issuing, bond sales, and on lending to Thrive Homes Limited are payable by Thrive Homes Limited. These are deferred in the accounts of Thrive Homes Limited and written off over the period of the loan.

Amounts repayable by instalments and not wholly repayable within 5 years

	Group		Association	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Long Term Loan – THF plc	**-**	-	**125,000**	100,000
Deferred finance fees – re Bond	**(852)**	(710)	**(852)**	(710)
Bond Issues 24th March 2014 14th July 2015 26 May 2017 4.68% (semi-annual coupon)				
Due to bond holders	**125,000**	100,000	**-**	-
Repayable after 5 years	**124,148**	99,290	**124,148**	99,290

The Statement of Financial Position shows the position net of deferred financing costs.

16b. Deferred Income – Bond Premium

	Group		Association	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
At 1st April	**3,326**	3,420	**-**	-
Additions	**7,748**	-	**-**	-
Amortised in year	**(358)**	(94)	**-**	-
At 31st March	**10,716**	3,326		
Due within one year	**369**	98	**-**	-
Due after one year	**10,347**	3,228	**-**	-
	10,716	3,326	**-**	-

Bond premium is the cash received over and above the bond value, on bond sales. This is amortised to revenue over the remaining years until the first bond repayment is due.

Notes to the Financial Statements CONTINUED

16c. Deferred Income – Grants

	Group		Association	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Original Capital Grant Value	**11,961**	3,534	**11,961**	3,534
At 1st April	**3,411**	3,450	**3,411**	3,450
Grants acquired with stock acquisition	**7,277**	-	**7,277**	-
Grant received	**1,150**		**10**	
Amortisation to Statement of Comprehensive Income	**(103)**	(39)	**(103)**	(39)
At 31st March	**11,735**	3,411	**10,595**	3,411
Due within 1 year, note 15 (included within Accruals and Deferred Income)	**167**	39	**167**	39
Due after 1 year, Note 16	**11,568**	3,372	**10,428**	3,372
	11,735	3,411	**10,595**	3,411

Capital grants received are recorded as deferred income and subsequently amortised to turnover within the Statement of Comprehensive Income. The period of amortisation is the remaining years of useful economic life for the building structure from its date of construction, or at the time of its acquisition by Thrive (if this is later).

16d. Refurbishment Obligation

	Group		Association	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Debtor Balances				
Original Debt, 2008	**70,196**	70,196	**70,196**	70,196
At 1st April	**27,920**	30,856	**27,920**	30,856
LESS works completed in year	**(3,230)**	(2,936)	**(3,230)**	(2,936)
At 31st March	**24,690**	27,920	**24,690**	27,920
Due within 1 year, Note 14	**3,036**	4,292	**3,036**	4,292
Due after 1 year, Note 14	**21,654**	23,628	**21,654**	23,628
	24,690	27,920	**24,690**	27,920

Notes to the Financial Statements CONTINUED

16d. Refurbishment Obligation CONTINUED

	Group		Association	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Creditor Balances				
Original Liability, 2008	**70,196**	70,196	**70,196**	70,196
At 1st April	**27,920**	30,856	**27,920**	30,856
LESS works completed in year	**(3,230)**	(2,936)	**(3,230)**	(2,936)
At 31st March	**24,690**	27,920	**24,690**	27,920
Due within 1 year, Note 15	**3,036**	4,292	**3,036**	4,292
Due after 1 year, Note 16	**21,654**	23,628	**21,654**	23,628
	24,690	27,920	**24,690**	27,920

The Association has an obligation to carry out refurbishment works under the Development Agreement with Three Rivers District Council. This agreement is a sub agreement to the principal 2008 transfer agreement. The value and scope of these works is part of the agreement and the total value was invoiced by the Association to the council in 2008 – the income being deferred. The requirement to carry out the works is a contractual obligation and is therefore treated as a liability. As works are completed the liability is reduced and an equal and opposite movement in the refurbishment obligation asset is recorded. The debtor and creditor balance within 1 year is determined by reference to the Association's 2018/19 budget and asset management plans.

16e. DISPOSAL PROCEEDS FUND

	Group		Association	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
At 1st April	**507**	-	**507**	-
Transferred to fund during year	**-**	507	**-**	507
At 31st March	**507**	507	**507**	507

Notes to the Financial Statements CONTINUED

17. CALLED UP SHARE CAPITAL

Association	2018		2017	
	No.	**£**	No.	£
Issued and fully paid shares of £1 each:				
At beginning of year	**11**	**11**	12	12
Issued during the year	**-**	**-**	2	2
Cancelled during the year	**(2)**	**(2)**	(3)	(3)
At end of the year	**9**	**9**	11	11

The share capital of the Association consists of shares with a nominal value of £1 each, which carry no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. When the shareholder ceases to be a member that person's share is cancelled and the amount paid up thereon becomes the property of the Association. All shareholdings relate to non-equity interests; there are no equity interests in the Association.

No shareholders have any rights in the residual interest in the assets of the Association after deducting all liabilities.

18. INVESTMENT IN SUBSIDIARIES

	Group		Association	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Thrive Finance plc (08902717)	**-**	-	**50**	50
SRJ Homes Limited (08932833)	-	-	3,068	-
Thrive OwnHomes Limited (10471254)	-	-	1	1
Building for Thrive Limited (10471305)	**-**	-	**1**	1
At 31st March	**-**	-	**3,120**	52

19. ACQUISITION OF SUBSIDIARY

On 20 September 2017, Thrive Homes Limited purchased 100% of the share capital of SRJ Homes Limited. SRJ Homes Limited is registered in the United Kingdom and its principal business is the ownership of the freehold interest in a site in Hemel Hempstead. The fair value of the total consideration was £4.1m which was settled in cash. The consideration included a loan to the company of £1.04m to enable the Company pay off its obligation to the Director. Details of the fair value of the asset and liability acquired and purchase consideration are as follows:

Group	Net Book value prior to acquisition	Fair value on acquisition
	(£'000)	(£'000)
Freehold interest acquired	**1,039**	4,107
Net Liabilities acquired	**(1,039)**	-
	-	4,107
Satisfied by purchase of share capital and loan		4,107

During the period between acquisition and 31 March 2018, Thrive Homes Limited has Interest income of £23k receivable from SRJ Homes Limited.

Notes to the Financial Statements CONTINUED

20. PROVISION FOR LIABILITIES

Group and Association	Other	Total
	£'000	£'000
At 1 April 2017	**1,011**	1,011
Movement through Income and Expense	**50**	50
At 31 March 2018	**1,061**	1,061

Other provisions consist of amounts provided in respect of disputes.

21. RETIREMENT BENEFIT SCHEMES

Group and Association

Defined Benefit Scheme

Thrive Homes Limited is an admitted member of the Hertfordshire County Council Pension Fund, which is part of the Local Government Pension Scheme (LGPS) – a funded defined benefit scheme based on final salary. Entry to the scheme for new employees was closed in November 2009. Thrive Homes' contribution rate over the year was 20.3% of pensionable salary (2017: 16.9%).

The most recent actuarial valuations of scheme assets and the present value of the defined obligation were carried out at 31st March 2017. The present value of the defined benefit obligation, related current service cost and past service cost were measured using the projected unit credit method.

The principal assumptions used by the actuaries for FRS102 purposes were:

	2018 %	2017 %
Financial assumptions:		
Pension increase rate	**2.4**	2.4
Salary increase rate	**2.5**	2.5
Discount rate	**2.7**	2.6

Mortality

Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2010 model assuming current rates of improvement have peaked and will converge to a long-term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males years	Females years
Current pensioners	22.5	24.9
Future pensioners	24.1	26.7

Notes to the Financial Statements CONTINUED

Amounts recognised in the Statement of Comprehensive Income in respect of this scheme are as follows:

	2018 £'000	2017 £'000
Current service cost	**(245)**	(258)
Net interest cost	**(27)**	(15)
	(272)	(273)
Actuarial (loss)/gain recognised in other comprehensive income	**481**	(488)
Total gain/(loss) relating to defined benefit scheme	**209**	(761)

The amount included in the Statement of Financial Position arising from the Group's obligations in respect of this scheme is as follows:

	2018 £'000	2017 £'000
Present value of defined benefit obligations	**(14,757)**	(14,601)
Fair value of scheme assets	**14,111**	13,619
Deficit	**(646)**	(982)
Net liability recognised in the Statement of Financial Position	**(646)**	(982)

Movements in the present value of defined benefit obligations are as follows:

	2018 £'000	2017 £'000
At 1st April	**(14,601)**	(12,168)
Service cost	**(245)**	(258)
Interest cost	**(381)**	(428)
Actuarial gains/(losses)	**317**	(1,885)
Contributions from members	**(47)**	(56)
Benefits paid	**200**	194
At 31st March	**(14,757)**	(14,601)

Movements in the fair value of scheme assets are as follows:

	2018 £'000	2017 £'000
At 1st April	**13,619**	11,797
Interest income	**354**	413
Return on plan assets (excluding amounts included in net interest cost)	**164**	1,397
Contributions from the employer	**127**	150
Contributions from members	**47**	56
Benefits paid	**(200)**	(194)
At 31st March	**14,111**	13,619

Notes to the Financial Statements CONTINUED

The analysis of the scheme assets at the Statement of Financial Position date are:

	2018 %	2017 %
Equity instruments	**59**	65
Bonds	**28**	25
Property	**8**	7
Cash	**5**	3
	100	100

The employer contribution rate from 1st April 2018 will be 20.3% (2017: 20.3%).

The pension plan has not invested in any of the Group's own financial instruments or other assets of the Group.

Defined Contribution Scheme

Thrive Homes provides a defined contribution stakeholder type pension scheme for employees which is administered by Royal London (formerly Scottish Life). The assets of the scheme are kept separately from those of Thrive Homes and are invested in independently managed funds chosen by the employee.

The employers' contributions to the scheme charged to the Statement of Comprehensive Income for the year ended 31st March 2018 were £226k (2017: £265k). The amount of pension contributions payable at the 31st March 2018 was £Nil (2017: £Nil).

Thrive Homes' contribution ranges from 6% to 10%, being twice the employee's own personal contribution. The minimum contribution levels are compliant with 'Automatic Enrolment' legislation.

Employee members as at 31st March 2018 were 68 (2017: 65)

22. CAPITAL COMMITMENTS

Group and Association

	2018 £'000	2017 £'000
Capital expenditure contracted for but not provided in the financial statements	**3,844**	3,994
Capital expenditure authorised by the Board but not yet under contract	**16,341**	8,288

The Board expects the expenditure it has authorised to be fully financed by a combination of bond loan finance or from Thrive Homes' own reserves.

Notes to the Financial Statements CONTINUED

23. OTHER FINANCIAL COMMITMENTS

Group and Association

At the reporting date there were outstanding commitments for future minimum lease payments under non-cancellable operating leases falling due as follows:

	Land & buildings 2018 £'000	Office equipment 2018 £'000	Vehicles 2018 £'000	Total 2018 £'000	Land & buildings 2017 £'000	Office Equipment 2017 £'000	Vehicles 2017 £'000	Total 2017 £'000
Expiring:								
Not later than one year	369	5	27	401	455	11	-	466
Later than one year but not later than five years	1,385	5	69	1,459	362	12	-	374
After 5 years	1,913	-	-	1,913	-	-	-	-
	3,667	10	96	3,773	817	23	-	840

24. CONTINGENT LIABILITIES

At the 31st March 2018 Thrive Homes Limited has a contingent liability with respect to the capital grants received that may be repayable should the units that the grants are attached to be disposed or otherwise no longer be properties for social housing letting. This liability is the value of the grant income recognised to date and is the difference between the original grant value and the liability recognised as per note 16(c). The contingent liability at year end is £226,000 (2017: £123,000).

25. LEGISLATIVE PROVISIONS

Thrive Homes is a registered society under the Co-Operative and Community Benefit Societies Act 2014, registered number 30398R.

It is also registered with the Regulator for Social Housing, Number L4520, and subject to its Regulatory Framework.

26. RELATED PARTY TRANSACTIONS

Resident Board Members - Tenants

There is one Tenant Member of the Board as at 31st March 2018, and they were a Board member for the financial year.

Tenant Board member tenancies are on normal terms and they are not able to use their position on the Board to their advantage. During the year, rent and related charges to tenant Board members amounted to £6,362 (2017: £15,201). Arrears charges outstanding at year end, for tenant Board members amounted to £nil (2017: £nil).

Notes to the Financial Statements CONTINUED

26. RELATED PARTY TRANSACTIONS CONTINUED

Resident Board Members - Leaseholders

There was one Leasehold Member of the Board as at 31st March 2018. The leasehold Board member was appointed on 12th September 2016.

During the year, service charge costs charged to leasehold Board members amounted to £811 (2017: £501). Balances outstanding at year end for leasehold Board members, relating to the costs of major works being paid in instalments, amounted to £255 (2017: £2,371), Board members were up to date with their instalment payments.

Development Agreement with Three Rivers District Council

The Development Agreement covers the long-term refurbishment of the housing stock following its transfer to Thrive Homes in 2008, and includes a VAT shelter arrangement whereby 'savings' generated are shared between both parties. The value paid to Three Rivers District Council for the year is £312,553 (2017: £280,375).

The Development Agreement also includes some proceeds sharing agreement when properties are disposed of under the 'Right to Buy' legislation. Annual values can be seen in note 15.

25. SUBSIDIARY UNDERTAKINGS

Thrive Homes Finance plc

Thrive Homes Finance plc is a subsidiary of Thrive Homes Limited. It is 100% owned and controlled by Thrive Homes Limited, who own 50,000 £1 ordinary shares in Thrive Homes Finance plc.

Thrive Homes Finance plc, registered England & Wales 08902717, was incorporated on 19th February 2014.

Its principal activity is to source funds on behalf of Thrive Homes Limited directly from the capital markets and to on-lend the proceeds to Thrive Homes Limited.

Transactions and balances with Thrive Homes Finance plc are as follows:

	2018 £'000	2017 £'000
Statement of Comprehensive Income:		
Interest payable	**5,637**	4,680
Outstanding balances as at 31st March:		
Creditors, less than 1 year, interest payable	**(112)**	(90)
Creditors, greater than 1-year, long term loan	**(125,000)**	(100,000)
Debtors, less than 1 year, Gift Aid	**-**	97

Notes to the Financial Statements CONTINUED

Thrive OwnHome Limited

Thrive OwnHome Limited is a subsidiary of Thrive Homes Limited. It is 100% owned and controlled by Thrive Homes Limited, who own 1,000 £1 ordinary shares in Thrive OwnHome Limited.

Thrive OwnHome Limited, registered England & Wales 10471254, was incorporated on 9th November 2016.

Its principal activity is to carry out commercial landlord and property development activities.

Transactions and balances with Thrive OwnHome Limited are as follows:

	2018 £'000	2017 £'000
Statement of Comprehensive Income:		
Interest payable	**-**	-
Balances as at 31st March:		
Creditors, less than one-year, unpaid share capital	**-**	(1)

Building for Thrive Limited

Building for Thrive Limited is a subsidiary of Thrive Homes Limited. It is 100% owned and controlled by Thrive Homes Limited, who own 1,000 £1 ordinary shares in Building for Thrive Limited.

Building for Thrive Limited, registered England & Wales 10471305, was incorporated on 9th November 2016.

Its principal activity is to carry out design and build activities for Thrive Homes Limited development activities.

Transactions and balances with Building for Thrive Limited are as follows:

	2018 £'000	2017 £'000
Statement of Comprehensive Income:		
Interest payable	**-**	-
Balances as at 31st March:		
Creditors, less than one-year, unpaid share capital	**-**	(1)

Notes to the Financial Statements CONTINUED

SRJ Homes Limited

SRJ Homes Limited is a subsidiary of Thrive Homes Limited. It is 100% owned and controlled by Thrive Homes Limited, who own 4 £1 ordinary shares in SRJ Homes Limited.

SRJ Homes Limited, registered England & Wales 8932833, was incorporated on 11th March 2014.

Its principal objective is the ownership of land with the purpose of then building residential accommodation for sale on the land; subject to planning permission.

Transactions and balances with SRJ Homes Limited are as follows

	2018 £'000	2017 £'000
Statement of Comprehensive Income:		
Interest payable	**23**	-
Balances as at 31st March:		
Creditors, less than one-year, unpaid share capital	**62**	-

28. FINANCIAL INSTRUMENTS

The carrying values of the Group and Association's financial assets and liabilities are summarised by category below:

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Financial assets				
Measured at undiscounted amount receivable				
- Deferred expenditure- refurbishment obligation (note 16d)	**21,654**	23,628	**21,654**	23,628
- Rent arrears and other debtors (note 14)	**4,213**	5,282	**4,213**	5,282
- Amounts due from related undertakings (note 14)	**-**	-	**1,078**	97
	25,867	28,910	**26,945**	29,007
Financial liabilities				
Measured at amortised cost				
- Loans payable (note 16a)	**124,148**	99,290	**124,148**	99,290
- Deferred income (note 16b and 16c)	**21,915**	6,600	**10,428**	3,372
Measured at undiscounted amount payable				
- Refurbishment obligation (note 16d)	21,654	23,628	21,654	23,628
- Trade and other creditors (note 15)	**10,037**	9,602	**9,579**	9,414
- Provision for liabilities (note 20)	**1,061**	1,011	**1,061**	1,011
- Amounts owed to related undertakings (notes 24 & 25)	**-**	-	**174**	92
	178,815	**140,131**	**167,044**	136,807

The Group and Association's income, expense, gains and losses in respect of financial instruments were £nil (2017: £nil).

Notes to the Financial Statements CONTINUED

27. ULTIMATE CONTROLLING PARTY

The ultimate controlling party of Thrive Homes Limited is the Board. These consolidated financial statements are publicly available, copies of which may be obtained from the registered office; Building 3, Hatters Lane, Watford, WD18 8YG.