

Report and Financial Statements of Johnnie Johnson Housing Trust Ltd

For the year ended 31 March 2019

Johnnie Johnson Housing Trust Ltd
Registered Social Housing Provider – consolidated and entity
Co-operative and Community Benefit Society (FCA) number: 19198R
Homes England number: L1231



Johnnie Johnson Housing Trust Limited

Report and Financial Statements for the year ended 31 March 2019

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Johnnie Johnson Housing Trust Limited

Executives and advisors for the year ended 31 March 2019

Board of Management	<p>Frances Street (Chair)</p> <p>Tom Miskell OBE (Deputy Chair)</p> <p>John Sandford (Chair Audit & Risk)</p> <p>Andrew Bowden (Chair Astraline Committee)</p> <p>Brian Benneyworth (Chair Nominations and Remuneration Committee)</p> <p>Simon Brooksbank (Chair Performance Committee)</p> <p>Susan Lock</p> <p>Steve Secker (Chair of Johnnie Johnson Developments Ltd)</p> <p>Richard Shenton (appointed 17th July 2018)</p> <p>Naseer Patel (Co-optee appointed 17th July 2018)</p>		
Executive Directors	<p>Chief Executive</p> <p>Executive Director of Finance and Corporate Services and Company Secretary</p> <p>Executive Director of Homes and Services</p>		<p>Yvonne Castle</p> <p>Geoff Clarke</p> <p>Ian Thomson</p>
Registered Office	<p>Astra House</p> <p>Spinners Lane</p> <p>Poynton</p> <p>Cheshire</p> <p>SK12 1GA</p>	Secretary	<p>Geoff Clarke</p> <p>Astra House</p> <p>Spinners Lane</p> <p>Poynton</p> <p>Cheshire</p> <p>SK12 1GA</p>
Auditor	<p>BDO LLP</p> <p>5 Temple Square</p> <p>Temple Street</p> <p>Liverpool L2 5RH</p>		
Solicitor	<p>Trowers & Hamlins LLP</p> <p>55 Princess Street</p> <p>Manchester</p> <p>M2 4EW</p>		
Banker	<p>National Westminster Bank Plc</p> <p>Royal Bank of Scotland</p> <p>Bankside 3</p> <p>90 – 100 Southwark Street</p> <p>London SE1 0SW</p>		

Johnnie Johnson Housing Trust Limited

Chair's statement for the year ended 31 March 2019

We have continued to successfully deliver the milestones in our current Corporate Strategy. This year we have been gearing up to deliver our ambitious development programme. We are balancing this, with ensuring that our existing properties are invested in to make them fit for the future. We have also grown our Astraline business by acquisition.

It has also been a year for us being recognised nationally. We won Finance Team of the Year at the national HANA awards, were shortlisted for the North West Coast Culture for Innovation Award and shortlisted for Older Persons Landlord with the UK Housing Awards. We have also been awarded Platinum status by Customer Service Excellence.

Our Corporate Strategy is categorised under our four main aspirations to deliver Outstanding Homes, Outstanding Services, be Cost Effective and work as One Team.

Outstanding Homes

Our Options Appraisal programme, which aims to ensure that all of our properties are fit for the future and will have an ongoing demand, is on track. We have now sold Catterick House in Rotherham and will be reinvesting the proceeds into our Bedsit Remodelling programme. A study that we commissioned this year confirmed that the majority of our schemes with bedsits are in popular areas and are easy to let. However, to be sure that they have a sustainable future, most schemes would benefit from modernisation or conversion into self-contained flats. In order that we can make informed decisions about the future of each scheme, a sustainability matrix has been produced and this will inform our improvement programme.

We have also commissioned a firm of surveyors to update our Stock Condition and energy data. The surveyors noted that there is clear evidence that there has been significant investment in the stock over recent years and our rolling programme of surveys will ensure it is kept up to date. The energy data will inform our approach to carbon reduction and our aspiration to reduce emissions. The data will inform the design of a suite of standards to ensure our properties are desirable, appropriate and outstanding. In addition to these green initiatives, we led the Housing workstream on the Manchester Climate Change Board and Carbon Reduction agenda for Manchester.

Our new developments are progressing well with the new properties in Doncaster due for completion in May 2019. We have also bid for grant for additional new build properties as part of the Homes England Wave 1 & 2 rounds. We are looking forward to our new development team delivering the 1,000 new properties that are in our Business Plan over the next eight years.

The Spey House 'flagship scheme' remodelling is progressing well. We are happy that this will create an exemplar scheme to demonstrate Dementia Friendly standards that are Market Making. We are looking forward to its completion in the summer.

Fire Safety and compliance have been a real focus for us again this year, and we have given Health & Safety a high profile through our 'Keeping Our People Safe' initiatives as a key aspect of our Corporate Strategy. We have also developed our partnership working with Greater Manchester Fire Service to ensure that they are comfortable with our approach to all of our fire safety measures. To supplement this, our People and Organisational Development Team have developed a Health & Safety Training Matrix that sets out training in a role specific way.

Outstanding Services

Our 'Outstanding' Survey provides real time information to help us develop our plans to drive business improvement. The survey has now been running for over 12 months with over 1000 responses. Where customers express dissatisfaction follow up calls are made to ascertain where we can make improvements. We have worked with our residents groups to define what Outstanding Service means to them. They have said they want us to:-

- Get things right first time
- Keep our residents safe
- Engage well with residents
- Deliver Value for Money and
- Offer high quality services.

Johnnie Johnson Housing Trust Limited

Chair's statement for the year ended 31 March 2019 - continued

We monitor and report on the above as part of our suite of metrics that we use to evaluate whether or not we are delivering Value for Money as well as an Outstanding service.

We have always recognised the fact that Resident Engagement is vitally important to our organisation and that residents have the opportunity to hold us to account. We have empowered residents working on our Scrutiny Panel to choose the topics to scrutinise. They report their findings to the Audit & Risk Committee and we ensure we act on their recommendations. In addition, our Resident Involvement Strategy covers a range of methods of engagement that we have tailored to suit the needs of our customer base.

We have consulted widely with our residents on the Housing Green Paper. All residents in our Independent Living Schemes were invited to meetings to discuss the Paper and 751 attended. We also held three Resident Forums across our three geographical areas of operation which were attended by 61 residents. We supplemented this with telephone surveys of our general let and our shared owners and leaseholders who weren't able to attend meetings in person. The responses have been collated and will inform our approach to service delivery as well as contributing to the national picture.

We support our residents' aspirations to have homes that adapt to their needs as they grow older and are also keen to trial innovations that encourage independence and the ability to live longer and better in our homes. These include the new Invisible Adaptions created by the Adapting with Age team working with the National Housing Federation (NHF) and Technology Enabled Care (TEC) monitored by our social alarm monitoring centre Astraline. We believe that TEC helps people to look, feel and act independently. With telecare and telehealth developments we believe that if this service became a socially prescribed service, by GPs for example, then we could help people live healthier lives and help themselves to stay out of hospital. We believe that everyone should have access to proactive TEC – as opposed to just those who can afford it. We are working with Local Authorities, Health Commissioners and the NHS to help people stay out of hospital – helping to reduce the bed blocking crisis.

The Adapting for Age project has afforded excellent influencing opportunities for us as a result of the national recognition it has received. The Invisible Adaptions were showcased at the NHF annual housing conference (where they were discussed with Theresa May) and were then presented to a panel of experts in housing manufacturing and design in 10 Downing Street.

Our Astraline telecare business has expanded with the acquisition of customers and 12 members of staff from Peaks and Plains. This has allowed Astraline to offer a mobile response and equipment installation service in East Cheshire. We are also establishing Astraline as a 'HUB' where customers, commissioners and selected TEC partners come to source products and services to enable triage through remote monitoring.

One Team

The MyLeadership Programme continues to develop our Leaders using a blended learning approach including the use of 360 Degree Feedback and Personal Development Plans. We have also taken a "Pulse Survey" to gain insight about how people feel about their work. The People and Organisational Development Strategy has been developed during the year along with the People Foundation which are both shaped by and inform our overall business strategy via HR best practice and current thinking.

The action to develop a Safe & Healthy Culture is comprised of activity that raises the profile of Health and Safety and Health awareness and delivers robust training for colleagues. Input from the new Compliance Team has ensured all activities relate to current business requirements. There are also plans to focus on Mental Health in the coming year.

The drive to Develop a Pioneering Culture has built on the work done so far on initiatives such as the establishment of the Pioneer Group for Project Management, the Leadership Programme Visits to non-housing organisations, #MMM's, lunch and learn sessions, innovation within Astraline, and exploring an innovative service offering in our new developments.

Johnnie Johnson Housing Trust Limited

Chair's statement for the year ended 31 March 2019 - continued

We are continuing our Drive for Performance with an extensive range of activities including the promotion of our agreed values, behaviours and culture change initiatives, along with supportive toolkits for Leaders. We are also developing our apprenticeship programme with three new apprentices being recruited in the summer.

Our Investors in People assessment confirmed that we had achieved the Silver accreditation. The assessor found that *'A culture of continuous improvement had been created with people being encouraged to use their initiative and put forward innovative ideas and suggestions to support the business development. The introduction of Lean Thinking reinforced the concept of continuous improvement with teams being empowered and taking ownership of issues raised and seeking solutions. There were many examples provided demonstrating how innovation had been encouraged and embraced in order to achieve the organisation's ambition to be Market Makers in Independent Living.'* Our Investors in People action plan is designed to move us towards a Gold and Platinum rating.

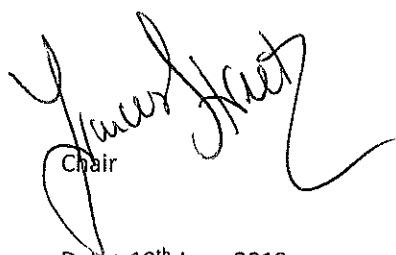
We have strengthened our Committees by recruiting two new members. Naseer Patel has joined our Audit and Risk Committee and Pete Singleton has joined our Astraline Committee.

Cost Effective

Financial performance for the year remains strong delivering total comprehensive income of £1.5m. Surplus before actuarial losses in respect of pensions is £2.8m compared to the equivalent of £3.2 million for 2017/18. This represents an outperformance of the budgeted target for the year of £2.5 million and is a continuation of the strong results of the three previous years.

A number of activities have been completed this year including Mobile Contract Procurement & Analysis, Skype Messenger installed for staff, Shaws audit completed and report with recommendations considered, Papercut installed on printers as a pilot to reduce unnecessary printing and therefore save on paper & ink, Scheme Broadband Review completed and North East Text Messaging potential solution being piloted.

A six month plan for ICT delivery to define priorities and maximise capacity has been developed and will be tracked to provide monthly updates to Executive and quarterly updates to Audit and Risk Committee. We continue to look for ways in which we can forge mutually beneficial partnerships to achieve efficiencies and work in a smarter way. This was particularly evident whilst working with Equity Housing Association in the joint procurement process for the new repairs contract. We believe that there are other partnerships that will help us in the delivery of our Corporate Strategy.



Chair

Date: 19th June 2019

Johnnie Johnson Housing Trust Limited

Report of the Board of Management for the year ended 31 March 2019

The Board presents its report and the audited financial statements for the year ended 31 March 2019 for Johnnie Johnson Housing Trust Limited and the consolidated accounts of the Group.

Johnnie Johnson Housing

Johnnie Johnson Housing Trust Limited (JJH) is a not for profit organisation which operates throughout northern England with a head office in Poynton, Cheshire, and with staff based in Rotherham and the North East. JJH is an exempt charity registered with the Financial Conduct Authority as a Co-operative and Community Benefit Society. It is also a Registered Provider with the Regulator for Social Housing (RSH). It has a subsidiary organisation: Johnnie Johnson Developments Limited. JJH is also a shareholder of Procurement for All, which is an asset management procurement consortium.

VISION AND VALUES

Our vision is simple, it is focussed on 'Living Longer Living Better'. We want to help our residents to age well, live independently and maintain their quality of life for as long as possible.

Objectives

We are focussed on four key objectives:

1. We deliver Outstanding Services
2. We provide Outstanding Homes
3. Cost Effectiveness is at the heart of all we do
4. We work as One Team to achieve results

Values

We relaunched our Values in the year. They are:-



One Team

We 'make it happen' by staying connected and working collaboratively



Pioneering

We are innovative, we share our knowledge and have the drive to succeed

Outstanding

We focus on our customers, balancing a social heart with a business head and are always accountable



Empowering

We are decisive, we take the lead and inspire others



Our values help us 'set out our stall' for what we want JJH and Astraline to be known for and how we work together to help our residents and customers. Our values help us decide on the right course of action, regardless of the challenges we face, and they establish a basis for consistent decision-making by everyone. Our values and their related behaviours are not just words. They are an explicit part of the way we manage our business. They are part of our decision-making process from Board level down.

Johnnie Johnson Housing Trust Limited

Report of the Board of Management for the year ended 31 March 2019 - continued

Value for money

We define Value for Money (VfM) as delivering the best homes and services possible within the resources available, achieving the best combination of cost and quality to fulfil the requirements of residents and deliver on our corporate vision. The Board considers the VfM implications of all decisions made by them, and has a section within each Board report that includes the costs and benefits of every issue that is discussed, with the aim of optimising the financial return on JJH's assets (in line with the new VfM Code of Practice). This includes an analysis of the costs and the expected outputs from decisions.

The Regulator's Standard states that RP's 'have an approach agreed by their board to achieving value for money in meeting these objectives and demonstrate their delivery of value for money to stakeholders'

We have, in line with the Standard, a robust approach to achieving Value for Money (VfM) in all operational areas. The Board regularly considers potential VfM gains and has appropriate targets in place for measuring VfM and for reporting against those targets. The Board is confident that it complies with the Standard and the Code and has systems to ensure compliance with them.

The Board has a clear strategy to control costs, and ensure that services are delivered as efficiently, economically and effectively as possible. The VfM action plan is designed to ensure that JJH makes the best use of its available resources, in the light of the annual rent reduction and other welfare reform pressures, in order that we are able to invest in new and existing homes, and provide a quality service to its residents

The Standard specifies that, through their strategic objectives, RP's should articulate their strategy for delivering homes that meet a range of needs.

The Business Plan includes assumptions for the development of the 102 properties that are included in the approved Homes England bid, along with non-specific aspirational developments to a total of 1,000 properties over the next 8 years. The individual scheme viabilities are assessed by JJDL and approved by the Board when more detailed information on rent levels and build costs are known. The Board has agreed that at least 70% of our new build properties will be for Independent Living and that a proportion of the total will be Shared Ownership properties.

The Standard states that Boards must have a robust approach to achieving value for money – this must include a robust approach to decision making and a rigorous appraisal of potential options for improving performance.

All Board reports now include a section on VfM that details the resource implications of any decision, along with how the costs relate to the opportunity costs of new homes that could be built with any funds that are committed to new projects.

The Standard states that regular and appropriate consideration by the board of potential value for money gains – this must include full consideration of costs and benefits of alternative commercial, organisational and delivery structures.

This was considered by the Board at the Strategy weekend in January 2018 and considered again in January 2019. The Board considered whether the agreed Corporate Objectives could be delivered more effectively and efficiently as part of a group structure with a larger organisation, merged with a similar sized organisation or with a smaller RP. The Board concluded that we should stay as a 'niche' provider and revisit the consideration of alternative structures on an ongoing basis. This is in line with our Mergers and Acquisitions Strategy and the National Housing Federation's Code of Practice.

The Standard specifies that RP's should consider value for money across their whole business and where they invest in non-social housing activity, they should consider whether this generates returns commensurate to the risk involved, and justification where this is not the case.

Johnnie Johnson Housing Trust Limited

Report of the Board of Management for the year ended 31 March 2019 - continued

The Board considers all potential projects in terms of the opportunity cost of how many properties could be built with the investment that is required for the projects. A recent example of this is where the VfM implications were a key consideration in the decision on how much we should pay for new Telecare business. The price to be paid was expressed in terms of new properties that could have been built with the money along with a comparison with the return on the investment. The decision to buy the business was made on the basis that it fits with our Corporate Priorities and the risk adjusted return on the investment was expected to be 14% (compared to the 5% overall target in the Business Plan).

The Standard states that RP's should have appropriate targets in place for measuring performance in achieving value for money in delivering their strategic objectives, and that they regularly monitor and report their performance against these targets.

Targets for savings are set by the Board and monitored by the Performance Committee. The latest business plan reflects the proposed savings for future years. The target for savings for 2018/19 was £174k and we actually achieved £180k. The target for 2019/20 is £200k.

Performance against our value for money targets and any metrics set out by the regulator, and how that performance compares to peers.

Measurable plans to address any areas of underperformance, including clearly stating any areas where improvements would not be appropriate, and the rationale for this

The Regulator's specified metrics, relating to 2018/19, are shown in the table below:-

	2017	2018	2019	Peers
Reinvestment %	3%	3%	4%	4%
New Supply %	0%	0%	0%	1.5%
Gearing (RSH Definition)	49%	46%	43%	27%
EBITDA MRI	180%	222%	166%	86%
Headline cost per unit	£ 3,465	£ 3,480	£ 3,742	£ 10,250
Headline cost per unit (excl service costs)	£ 2,431	£ 2,460	£ 2,696	N/A
Operating Margin Social Housing Lettings %	25%	26%	21%	8%
Operating Margin Overall %	24%	26%	20%	7%
ROCE	4.8%	5.1%	4.7%	1.7%

The figures shown as 'Peers' in the above table relate to the average for the other (as well as us) Registered Providers that have 50% or more properties for older people and are from the Regulator's Value for Money metrics derived from the 2018 Global Accounts.

The reinvestment has increased in the year 2019 as a result of the modernisation works on Spey House and the development expenditure. This brings us in line with the Peers and is expected to increase to 10% in 2020 which reflects the additional investment in new Fire Doors and modernisation works to our Bedsit Properties, along with increased development activity.

The percentage of new supply is at 0% for 2019 as the development programme will 'ramp up' from 2020. This will increase, and be above the Peers by 2021, as we deliver our aspiration of 1,000 new homes over the next 8 years.

Johnnie Johnson Housing Trust Limited

Report of the Board of Management for the year ended 31 March 2019 - continued

Gearing was at 43% in 2019 and is expected to remain at that level over the next few years even though long term debt is projected to rise as our new facilities are drawn down. The Board recognises that gearing headroom is not the limiting factor for increasing borrowing. Our Treasury Strategy for funding borrowing requirements and investing surplus cash includes recommendations as to the mix of fixed, variable and index linked interest rates to apply across our debt portfolio, to maximise financial returns (in line with our Risk Appetite).

The headline cost per unit is considerably lower than the Peers average (as shown in the above table). The Board is aware, that our costs are at that level as a result of the additional front line presence that we provide for our residents. This is an area that has been kept under review after taking account of their concerns at our Resident Forums. We do not provide Care, but many of our sheltered housing residents do require more support with their tenancy than those in general needs housing. The effect of the costs of this additional support can be seen in the table above which shows that excluding chargeable service costs reduces the headline cost per unit to £2,696 in 2018/19.

Our bespoke measures relate to the progress to reach 'Outstanding' satisfaction with our residents. The average of the results of the year's telephone calls are shown below. The figures for customer satisfaction and value for money have deteriorated over the year due to the problems with the maintenance service. A new contractor has been procured (jointly with Equity Housing) and will be mobilised from June 2019.

- Get things right first time 80%
- Keep our residents safe 88%
- Engage well with residents 73%
- Deliver Value for Money 77%
- Offer high quality services 65%

The figures in the table below reflect the costs that are included in the latest Business Plan assumptions. They show that reinvestment and new supply will be higher than the Sector average. The lower than average figures for EBITDA MRI and Operating Margin reflect the additional resources that will be needed to provide the enhanced services to our residents (as described above) as well as the improvements to our Bedsit properties.

The improvements to the Operating Margin reflect the VfM initiatives to reduce Management Costs by £200 per unit over the next six years. These initiatives include further partnership working (such as the joint procurement of the new repairs service).

	2020	2021	2022	2023	2024	2025	Peers
Reinvestment %	10%	7%	13%	14%	14%	12%	4%
New Supply %	1.2%	2.0%	2.0%	2.2%	2.1%	2.0%	1.5%
Gearing (RSH Definition)	42%	41%	41%	41%	41%	41%	27%
EBITDA MRI	206%	118%	139%	159%	160%	155%	86%
Headline cost per unit	£ 4,043	£ 4,181	£ 4,227	£ 4,147	£ 4,052	£ 4,035	£ 10,250
Headline cost per unit (excl Service Costs)	£ 2,924	£ 3,118	£ 3,156	£ 3,079	£ 3,007	£ 2,980	N/A
Operating Margin Social Housing Lettings %	20%	22%	24%	26%	27%	29%	8%
Operating Margin Overall %	19%	21%	21%	23%	24%	25%	7%
ROCE	5.6%	4.0%	4.2%	4.3%	4.1%	4.0%	1.70%

VfM within Strategic Objectives

The VfM standard states that Registered Providers (RP)'s must clearly articulate their strategic objectives. JJH has agreed these in the following themes:-

- Outstanding Services
- Outstanding Homes
- Cost Effective and
- One Team

Johnnie Johnson Housing Trust Limited

Report of the Board of Management for the year ended 31 March 2019 - continued

VFM within our Outstanding Services objective

The Board has a clear strategy to control costs and ensure that services are delivered as efficiently as possible. The Board's aim is for us to provide the desired quality of service at the lowest price. We have bespoke measures that are monitored by the Board that show customers' satisfaction in general and customers' view on whether they consider their rent to be value for money in particular. We have asked residents for specific measures which would demonstrate that we were delivering an outstanding service. The data for these measures is gathered through monthly telephone surveys. The survey includes questions on how we are performing in the following areas:-

- Getting it Right First Time
- Keeping our Residents safe & secure
- Engaging with our residents
- Delivering Value for Money
- Offering quality of service
- Would recommend

We have a Vfm action plan in place that is designed to reduce costs in these areas by the use of Astraline's tailored assistive technology solutions.

The Board are determined to deliver a high quality service at as low a cost as possible. The survey of our residents is monitored closely to ensure that they believe the higher cost services we are considered to be value for money for them.

In addition to the above, we provide apartments for use by the NHS as 'Step up, Step down' beds in order that they can free up hospital beds. We know that this has supported the NHS to save money in the last year. We also estimate that our Astraline TEC team has saved £90k in the last year as their visits have saved ambulance call outs.

Vfm within our Outstanding Homes objective

The Board's aim of optimising the return from its properties is informed by the Asset Management Strategy that is being developed to assess schemes to ensure they have a long term future and fit the Board's Corporate Objectives. An Options Appraisal process is now underway for schemes which will include:-

- A full review of the Net Present Value (NPV) calculations and the financial performance of each site
- A review of Stock condition and investment needs of each site
- Alignment to strategic areas of operation
- Market analysis of each site including supply and demand analysis
- Disposal / retention options
- Redevelopment / alternative solutions for each site
- Striking the balance between investment in new homes, existing stock and services to tenants.

The Business Plan has been revised to include various assumptions on future investment and divestment in assets and the Asset Management Strategy currently in place has an objective to review options for bedsit stock which is underperforming. An Option Appraisal report identified assets which are unlikely to be viable in the future because either:

- The assets produce a negative return, based on stock investment requirements and assumptions on income and other costs
- The assets are located outside our core geographic areas (strategic fit) and transfer to another provider may represent a better value money solution
- The assets may have development potential to enhance their value to us as part of a future disposal

Johnnie Johnson Housing Trust Limited

Report of the Board of Management for the year ended 31 March 2019 - continued

There is also a detailed review of Bedsit Properties underway to ensure that schemes have a sustainable future. Development of new properties will be overseen by the JJDL Board who will review the viability appraisals for each scheme before recommending them to the JJH Board for approval. They will be delivered in the most efficient and effective way possible.

Cost Effective

The Board's drive to reduce costs further and to increase income is a strong theme within the Corporate Strategy to enable us to develop more homes whilst at the same time driving down costs for our residents. The implementation of Lean Foundation is engineering a cultural shift at every level of the organisation. It is a formal mechanism for identifying, measuring and eliminating waste in key processes and has been valuable in the organisation's drive to be more efficient. Lean is also built into induction and training programmes to ensure it reinforces the VfM mindset throughout the organisation.

Efficiencies have been realised in Management and Service Costs in the last few years.

One Team

The Board believes that a strong culture of VfM is crucial to deliver efficiencies. It is only by building a shared understanding and appreciation of VfM in all parts of the organisation that we will be able to improve the effectiveness and efficiency of the services we offer. Embedding VfM throughout the organisation will involve:

- Promoting the objectives and culture of the organisation so that staff and residents continually help us maximise our resources,
- Adopting good practice from both the social housing sector and the private sector
- Having a staffing structure which promotes accountability, by placing power at the point where responsibility is required
- Using appropriate project management methodology which ensures projects are delivered efficiently and effectively
- Ensuring adherence to contract and financial standing orders to ensure that proper practices are followed when tendering and so helping to secure VfM
- Ensuring effective communication and staff development so that the culture and aims of the organisation permeate to, and are identifiable at, all levels within the organisational structure
- Using collaborative/partnership working both internally and externally so that the maximum business benefit can be achieved
- Linking VfM with JJH's values and behaviour to promote excellence in service delivery.

Johnnie Johnson Housing Trust Limited

Report of the Board of Management for the year ended 31 March 2019 - continued

The Standard states that RP's should ensure that optimal benefit is derived from resources and assets and optimise economy, efficiency and effectiveness in the delivery of their strategic objectives.

These are considered as part of the annual budget approval process. All operational and support teams have contributed to the VfM savings targets and these are monitored by the Performance Committee. We also review the financial performance of assets by updating Net Present Value (NPV) calculations each year when new Stock Condition data becomes available. The schemes with the lowest NPV's are included in our Options Appraisal process.

VfM will be integrated into the planning and performance management frameworks through:

- Strong financial management
- Quarterly VfM reviews with managers, within the service improvement plan framework, to flag up risks and opportunities to be reported to the executive team
- Robust performance management structure, with VfM routinely included in performance reports
- Benchmarking with peer groups
- Resident involvement in setting priorities and monitoring performance.
- The targets for VfM savings will be agreed and monitored by the Performance Committee.

VfM will be monitored and reviewed by:

- Using the RSH defined metrics with benchmarking to identify the reasons behind differences in the our running costs and those of other providers and as a result taking steps to improve VfM, or to understand the reasons for any difference
- Measuring service quality against service standards and resident satisfaction
- Regular and robust budget monitoring throughout the business and by the board
- Using KPIs that are VfM focused
- Adopting best practice in procurement
- Achieving efficiency improvements year on year by streamlining processes, but maintaining an awareness of any potential diseconomies
- Working with partners in order to maximise our joint resources.

Regular self-assessment

The adoption of our approved VFM Strategy and the implementation of the action plans will ensure that our VfM plans satisfy both our business needs and the Value for money standard. The development of effective scrutiny arrangements through our governance arrangements are vital elements in delivering VfM.

Performance against the VFM Strategy is regularly reviewed by the Performance Committee and, because of the importance the organisation places on VfM, the strategy is reviewed annually by the Board.

The above VfM initiatives will be developed further by the Board to ensure ongoing compliance with the Code of Practice. The Board will continue to monitor the VfM metrics in the monthly Management Accounts, which include a comparison with other peer organisations for each measure. Any underperformance will be analysed and inform the VfM strategy and targets for further efficiencies.

Johnnie Johnson Housing Trust Limited

Report of the Board of Management for the year ended 31 March 2019 - continued

Going concern

The Board has considered the Business Plan and detailed risk adjusted cash flow projections and, following a review of the assumptions on which they are based, the Board has a reasonable expectation that JJH has adequate resources to continue operating for the foreseeable future. For this reason, it continues to adopt the going concern basis in the financial statements.

Assessment of the effectiveness of internal control

Statement on Internal Controls

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, but not absolute, assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by the Group is ongoing and has been in place throughout the period commencing 1 April 2018 up to the date of approval of the Board report and financial statements.

The key specific forms of assurance are:

- A Risk Management Strategy supported by a comprehensive methodology that identifies risks and provides a structured approach to managing and monitoring risks at all levels of the business. The Board and Executive Team reviewed their general risk appetite towards key business activities at the Strategy Weekend. The risk appetite ranges and the Board and Executive's view on them are detailed in the revised strategy. A risk update report is submitted to every Board and Audit & Risk Committee meeting, with a more detailed review every 6 months.
- The Risk Management Framework that our policies include compliance with relevant law.
- Organisational and management structures, reflecting key business and strategic priorities, which operate within a framework that effectively identifies and manages the risk to achieving those priorities. Risk appetite has been developed in the context of the Group's risk management capability, which is a function of its risk capacity and risk management maturity. All corporate priorities and subsequent material risks have a named owner and are monitored regularly via the Pentana System.
- Appointment of experienced and suitably qualified staff to take responsibility for important business functions. Annual appraisals, and monthly reviews are designed to maintain high standards of performance, and HR processes to address any gaps or failings. Effective recruitment and selection processes in place to ensure suitable people are employed, with senior managers responsible for ensuring that standards of conduct and behaviour are maintained to the highest levels.
- Formal policies and procedures are in place for both financial and operational activities. These include Financial Regulations, Treasury Management Policy, Data Protection Policy, and Procurement Policies. The Scheme of Delegation sets out the levels of financial approvals across the organisation. This protects against unauthorised use of company assets, as well as aiding effective service delivery.
- Financial forecasts and budgets are prepared which allow the Board and the management team to monitor key financial risks and spend in terms of achieving budgets in the short, medium and long term. Monthly management accounts are prepared promptly, and are considered by the Executive Team, including investigation into any significant variances and necessary management action to ensure services and programmes are delivered to budget.

Johnnie Johnson Housing Trust Limited

Report of the Board of Management for the year ended 31 March 2019 – continued

- The Board review the internal and external audit services annually. BDO were reappointed as external auditors and Beever & Struthers are our internal auditors;
- The Board receives annual audit reports from both internal and external auditors, and meet with both without officers present to allow them to raise any concerns.
- An independent internal audit function which reports regularly to members on control issues;
- In line with the Co-Regulatory principles around accountability and tenants being able to hold the organisation to account, we provide opportunities for customers to challenge how things are done, with a focus on key priorities e.g. our tenant scrutiny panel.
- External accreditations e.g. Investors in People, TSA Accreditation, Customer Service Accreditation and subsequent action plans
- A full range of insurances are in place to safeguard assets and these are regularly reviewed to ensure they are fit for purpose.
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures through the Executive Team, the Board, and Committees of the Board. Progress is monitored and reported regularly. Established authorisation and appraisal procedures for all significant new initiatives and commitments, which consider any material risk and control implications;
- A range of surveys e.g. customer satisfaction, employee satisfaction, stock condition – including detailed analysis of the results, and actions to address areas of concern.
- Regular reporting to the Board on key strategic and performance objectives, targets and outcomes;
- Compliance reports issued by the Regulator of Social Housing and other regulatory bodies
- The Financial Regulations specify that the Trust will conduct its affairs to the highest standards of probity. The Chief Executive is responsible for ensuring compliance with the Trust's codes of conduct;
- The Nominations and Remuneration Committee determine policy on staff, Executive and Board remuneration. The Trust complies with the government's policy relating to the National Living Wage;
- All gifts and/or hospitality offered to Board Members or employees of the Trust will be controlled in accordance with the Trust's policy on Declarations of Interest.
- Speak Up and Anti-fraud policies, and a register of all actual or potential fraud identified which is reported to Audit Committee

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Audit & Risk Committee to regularly review the effectiveness of the system of internal control. The Board receives reports and minutes following each meeting of the Audit & Risk Committee.

Beever & Struthers provided substantial assurance in respect of the internal controls in operation within the scope of the work they reviewed during the year to March 2019.

A resolution to re-appoint BDO LLP will be proposed at the AGM on the 10th July 2019

By order of the Board

Chair

Date: 19th June 2019

Johnnie Johnson Housing Trust Limited

Strategic Report for the year ended 31 March 2019

Principal Activities

JJH continues to operate as a provider of good quality social housing with properties across the North of England. In addition, JJH continues to promote its Astraline call centre business, strengthening its management team, to ensure it aligns with JJH's Corporate Strategy.

NHF Code of Governance

JJH confirms compliance with the 2015 NHF Code of Governance. The Board has undertaken a review and confirms compliance with all relevant law.

Holding the Board to Account

The Scrutiny Panel of residents holds the Board to account in key areas of operation. There have been scrutiny reviews that reported to the Audit & Risk Committee in the year on Planned Maintenance; and a new review of Fire Safety by the Panel is underway. The Performance Committee has also challenged the details of the performance in repairs, voids and maintenance. Staff and residents also hold JJH to account through its complaints and whistleblowing policies.

NHF Model Rules

The adoption of the model rules has allowed JJH to demonstrate good practice and also manage a reduction in JJH shareholding over time. This will provide greater value for money in terms of governance communication and also simplify governance arrangements.

Standing Orders Reviewed

The Standing Orders have been reviewed and checked for consistency with the Financial Regulations & Delegated Authorities; and minor housekeeping matters amended. The Standing Orders also allowed for the setting up of Task & Finish Groups for distinct pieces of work.

RSH Regulatory Standards.

The Board of Management has undertaken the annual self-assessment against the suite of RSH Standards. The exercise established that JJH is compliant and helped identify areas where additional activity can be undertaken in the vein of continuous improvement. Compliance with the standards is assessed quarterly by officers to ensure all evidence is captured.

Board Appraisals

The annual Board Appraisal process includes an assessment of skills against an agreed matrix. The outcomes from appraisals and the skills matrices completion have been collated into a Board Training Plan which will be planned for delivery over the year.

Board Recruitment

A recruitment exercise for Board members with specific skills in technology and finance has taken place. The new members will fill the identified gaps in the Board skills matrix.

Johnnie Johnson Housing Trust Limited

Strategic Report for the year ended 31 March 2019 - continued

Risk Management

A substantial amount of work has been undertaken in relation to Risk Management in the year. Use of the Pentana system for recording actions has been maintained to enable more effective and efficient reporting on the full risk matrix or the Top Ten risks and the mitigating actions in place.

To control the increasing risk within the SHPS defined benefit pension scheme we took the decision in September 2018 to withdraw from that scheme to protect against future deficit increases and introduced an enhanced defined contribution scheme for staff.

The quarterly review of the Risk Matrix by the Senior Leadership Team delivers operational input to ensure all mitigating actions are identified.

Recovery plans for the Top Ten Risks have been reviewed and updated where required; additional mitigation actions, where identified, have been assigned to officers with clear timescales for delivery.

The full Risk Register is reported to each meeting of the Executive Team and the Audit & Risk Committee. A Board Assurance framework has been developed, utilising three lines of defence model linked to corporate objectives and key risks.

1 st line of defence	Operational - Functions that own and manage risk	Under the first line of defence, operational management has ownership, responsibility and accountability for directly assessing, controlling and mitigating risks.
2 nd line of defence	Oversight - Functions that oversee risk	The second line of defence consists of activities covered by several components of internal governance (compliance, risk management, quality, IT and other control departments). This line of defence monitors and facilitates the implementation of effective risk management practices by operational management and assists the risk owners in reporting adequate risk related information up and down the organisation.
3 rd line of defence	Independent - Functions that provide independent assurance	Internal audit forms the organisation's third line of defence. The independent internal audit function, through a risk-based approach, provides assurance to JJH board of management and executive. This assurance covers how effectively the organisation assesses and manages its risks and includes assurance on the effectiveness of the first and second lines of defence. It encompasses all elements of JJH risk management framework (from risk identification, risk assessment and response, to communication of risk related information) and all categories of organisational objectives: strategic, ethical, operational, reporting and compliance.

Brexit

The UK will leave the European Union by October 2019, but the method of exit remains uncertain. The Group have assessed the individual risks it faces as a result of 'Brexit' and has concluded that none of those risks will have a significant impact. However it recognises that cumulatively the various scenarios could have unforeseen impacts. Work has been undertaken to stress test those scenarios and ensure that mitigating strategies are in place. Regular reports have been presented to the board to ensure they have been kept up-to-date with the Group's Brexit preparation

Johnnie Johnson Housing Trust Limited

Strategic Report for the year ended 31 March 2019 - continued

Financial Regulations and Delegated Authorities

The Financial Regulations and Delegated Authorities have been reviewed and updated during the year, and approved by Board. Dates included minor housekeeping amendments and the addition of Corporate Criminal Offences (Tax Evasion) (section 11), revision to levels of authority for spending limits to ensure they are appropriate for the posts and are practical for the most efficient running of the organisation; amendment to the Company Seal limit (13.7) for Executive Team from £150k to £500k.

Treasury Management

The Treasury Management Policy (TMP) was reviewed and revised by Savills Financial Services and approved by Board. Savills, having consulted with the RSH, have introduced a new model TMP statement. The policy follows best practice for the housing sector and complies with the principle documents released in respect of Treasury Management for Registered Providers; The Policy has been prepared, having had regard to the following:-

- CIPFA. Treasury Management in the Public Services, Code of Practice and Cross-Sectoral Guidance Notes. 2017 Edition
- Altair. Cosmopolitan Housing Group Lessons Learned June 2014
- HCA: Governance and Financial Viability Standard. April 2015
- HCA. NROSH+ Quarterly Survey (QS) Guide to QS Completion on NROSH+. March 2016

The policy is structured in a series of Treasury Management Practices intended to cover all aspects of JJH's treasury function, together these form the basis for the development of the annual treasury plan along with all aspects of managing and reporting the loans and investments of JJH.

To ensure that JJH has adequate liquidity, the Executive Director of Finance & Corporate Services reviews an 18 month rolling cashflow that is updated every two weeks. Compliance with loan covenants is reviewed and formally reported to the Board at each meeting.

Business Plan

The Business Plan has been approved by Board, having been produced using the Brixx 30 year Model. This was subject to Scenario and Stress Testing in line with RSH expectations, and reviewed by the Board. This testing exercise included agreeing proposed mitigating actions for each scenario and are reflected in JJH's Risk Map.

Financial Returns

All financial returns to the RSH are signed off by the Assistant Director Finance & ICT and Executive Director of Finance & Corporate Services in accordance with the Regulatory Return Policy & associated procedures.

Johnnie Johnson Housing Trust Limited

Strategic Report for the year ended 31 March 2019 - continued

Asset & Liability Register

The register has been reviewed quarterly in accordance with the Assets & Liability Register Policy. The policy has been developed by the Governance Manager to ensure clarity of JJH approach to maintaining a comprehensive, accurate and up-to-date asset and liability register. The Asset & Liability Register has also been subject to an Internal Audit which provided substantial assurance in this area. The Register has been developed in line with the RSH's expectations on the recording of assets and liabilities, for each asset including:

- Details of any loans secured on the properties;
- Any leases to Local Authorities or other bodies;
- Any restrictions on title;
- Valuations;
- Contract details including terms and values
- Stock Condition information.

This is available for all staff via the intranet. The Register is updated at least quarterly by assigned officers, and adherence to the process of checking and updating is reported six-monthly to Audit & Risk Committee, monthly (as part of the Governance Update) to the Executive Team.

Business Continuity

The Corporate Business Continuity Plan was reviewed during the year. The plan establishes a robust response structure for business continuity within JJH, including crisis management planning and the role of incident plans at departmental and functional level. It identifies the Crisis Management Team and establishes communications and reporting structures

Compliance with Governance and Financial Viability Standard

Along with the above, the Board and Executive has undertaken an assessment of compliance with the RSH's Governance and Financial Viability Standard and can confirm that JJH complies with the standard.

Governance Review

In December 2018, external consultants Altair conducted a review of JJH Governance arrangements to review:-

- The effectiveness of governance structure
- Whether the documentation is reflective of the framework and whether it demonstrates good practice
- How the Board hears the 'true voice of the customer'
- Whether the Board is working at the right level - strategic vs. operational and how it undertakes its scrutiny and monitoring role
- Whether the risk and assurance frameworks are robust
- How the Board relates to, and interacts with, employees
- Whether the Board transacts its business effectively
- Board development and succession
- The effectiveness of the board.

The methodology comprised undertaking a document review, interviews with Board and Executive members and Board and Audit Committee observations to observe 'governance in practice'. During the review they examined different areas of governance, identifying whether there are gaps, and whether improvements or changes are needed to continue JJH journey towards 'outstanding governance'.

The review found that governance is effective and that, in general, the governance documentation is appropriate and well written. The engagement model appears to be working well and there has been significant improvement on the previous board effectiveness conclusion (2015). We will be implementing improvements in the next 12 months.

Johnnie Johnson Housing Trust Limited

Strategic Report for the year ended 31 March 2019 - continued

Internal Audit

During 2018/19, all internal audit and assurance work was undertaken by Beever & Struthers. Work carried out under this framework included:

Audit Area	Assurance Level	Audit Committee
Regulatory Returns	Substantial	Apr-18
Anti-Fraud Culture	Substantial	Oct-18
Safeguarding	Full	Oct-18
Tenant Involvement and Empowerment	Full	Oct-18
Business Continuity Planning	Substantial	Oct-18
Contract Management	Substantial	Nov-18
Business Assurance	Full	May-19
Health and Safety	Substantial	Feb-19
Value for Money	Full	May-19
Financial Transactions Data Mining	Substantial	May-19
ICT Strategy	Substantial	May-19

Beever and Struthers advised that in their opinion, based on the work undertaken, *'the Board and Audit & Risk Committee can be provided with **Substantial* Assurance** in respect of the internal controls in operation within the scope of work reviewed. Johnnie Johnson Housing has in place an appropriate framework for identifying, evaluating and managing the significant risks faced by Johnnie Johnson Housing.*

In respect of the areas of activity that we reviewed, and subject to the weaknesses identified and reported in our internal audit reports, Johnnie Johnson Housing has an adequate, effective and reliable framework of internal control that provides reasonable assurance regarding the effective and efficient achievement of the objectives.

Our follow up work for the year 2018/19 has confirmed an overall implementation rate of 100% (2017-18 75%, 2016-17 61%).

Financial performance

The group generated total comprehensive income of £1.5m for the year. Surplus before actuarial losses in respect of pensions is £2.8m compared to the equivalent of £3.2 million for 2017/18.

The pension actuarial impact for the multi-employer defined benefit scheme of £1.3m relates to £1.5m initial recognition and a credit of £226k for the current financial year. This is broken down as follows:

	2019 £'000
As at 01 April 2018	3,856
Loss on initial recognition of SHPS net actuarial liability	1,506
Sub total	5,362
Defined benefit costs recognised in SoCI	107
Total amount recognised in other comprehensive income	(226)
Deficit contributions paid	(596)
As at 31 March 2019	4,647

Johnnie Johnson Housing Trust Limited

Strategic report for the year ended 31 March 2019 - continued

In addition, JJH invested £7.2m (2018: £3.3m) in the development of new and existing properties during the year, £749k of grant was received (2018: £0m). The sale of Catterick House generated income of £850k.

JJH reviewed its bad debt provisions in the year and wrote off a total of £380k in debts. In addition, JJH continues to review its debt and calculates this specific provision in line with FRS 102 requirements.

Impairment

From 1 April 2016, JJH reduced social housing rents by one per cent per annum for its General Let properties and from 1 April 2017 all its properties were affected. This will continue for one further year, in accordance with Welfare Reform and Work Act 2016. Despite cost efficiency savings and other changes to JJH's business, compliance with the new rent regime has resulted in a loss of net income for certain social housing properties. This is a trigger for impairment.

In accordance with paragraphs 14.43 to 14.45 of the Housing SORP 2018, JJH is required to make the following disclosure:

- a) The Cost Generating Unit is defined as an individual property or scheme
- b) The Value In Use-Service Potential (VIU-SP) method has been used to estimate the recoverable amount for each property and the Depreciated Replacement Cost (DRC) has been used as an estimate for VIU-SP (in accordance with the SORP).

Based on this principle, JJH calculated the Depreciated Replacement Cost (DRC) of each social housing property scheme using appropriate construction costs and land prices. The replacement costs of properties have been assessed on the latest estimated construction costs of £110k per unit for General Let properties and £90k per unit for all others. The cost of land is estimated at £10k per unit and the properties are depreciated over 100 years. Comparing this to the carrying amount of each scheme in the JJH's Asset register, there was no impairment of social housing properties in the year 2018/19.

Accounting policies

The Group's principal accounting policies are set out on pages 34 to 41 of the financial statements. The policies that are most critical to the financial results relate to accounting for housing properties and include: capitalisation of interest and development administration costs; deduction of capital grant from the cost of assets; housing property depreciation; and treatment of shared ownership properties.

Housing properties

At 31 March 2019 the Group owned and managed 4,921 housing properties (2018: 4,988). Our investment in housing properties this year was funded through internally generated cash.

During the year JJH disposed of 38 units at Catterick House and converted 3 special needs rooms into one general needs house. We also ended our management agreements with Sheffield Jewish Housing Association and one of our Northumberland contracts, reducing the number of managed units by 27.

Pension costs

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

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

Johnnie Johnson Housing Trust Limited

Strategic report for the year ended 31 March 2019 - continued

The company participates in a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It has been possible this year to obtain sufficient information to enable JJH to account for the scheme as a defined benefit which in previous years has had to be accounted for as a defined contribution scheme. Details can be found within Note 23.

The company also participates in a defined contribution scheme.

Gender Pay Gap Reporting

JJH are below the threshold headcount (250) for compulsory reporting of the gender pay gap. We have however, produced a report of our gender pay gap on data as at 19 April 2018 which compares average salaries for men with salaries for women. The report for JJH shows that on average, men earn 7.01% (2018: 9.28%) more than women. Across the UK men earned 18.4% more than women (data from Inbucon). Further analysis is being undertaken to explore the reasons for this gap and potential actions to be taken. This will be addressed through the People Strategy.

Reserves

The Revenue Reserves of the Group have increased by £1.6m to £28m within the period. The Reserve reconciliation can be seen on page 29.

Payment of creditors

Our policy is to pay purchase invoices within 30 days of receipt, or earlier if agreed with suppliers.

Liquidity

The Group is reporting net current assets of £106k (2018: £2.3m) in its consolidated balance sheet. JJH had deposits of £11.6m, of which £9.8m liquid cash, including £2m in a 100 day notice account and £3m in a 95 day notice account. At the date of signing of these accounts there was £30m undrawn loan facilities available to JJH.

Treasury Policy and Capital structure

The Board have retained Treasury Advisors, Savills, who have developed and will maintain the Treasury Management Policy and strategy for the group. This follows best practice for the housing sector and complies with the principle documents released in respect of Treasury Management for Registered Providers; that being the Chartered Institute of Public Finance and Accountancy's (CIPFA) recommended "Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes" which were issued in 2001 and subsequently revised in 2009 and 2011. The policy also reflects the recommendations of the good practice guide issued by the Tenant Services Authority in May 2009, "Treasury Management for Housing Associations".

The Group repaid loans of £2.9m (2018: £2.7m) during the year. By the year end borrowings amounted to £65m (2018: £68m) of which £2.7m falls due to be paid within the next year as shown below.

Maturity	2019 £m
Within one year	2.7
Between one and two years	2.8
Between two and five years	7.7
After five years	52.0
	<hr/>
	65.2
	<hr/>

Johnnie Johnson Housing Trust Limited

Strategic report for the year ended 31 March 2019 - continued

JJH borrows, principally from banks and building societies, at both fixed and floating rates of interest. JJH's policy is to keep a minimum of 70 per cent of its borrowings at fixed rates of interest. At the year-end, 84% per cent of the Group's borrowings were at fixed rates.

The fixed rates of interest range from 1.22% to 6.59% but averaging 4%. In the current market, where long term fixed rates are below 5.5%, this means that JJH is paying interest at rates in line with market levels. 2,495 of JJH's properties are currently charged as security for the loans.

JJH borrows and lends only in sterling and so is not exposed to currency risk

Grants

Pre FRS102 grants were used as part of covenant calculations. Below shows the pre FRS102 position for grant as at 31st March 2019.

	2019 £'000	2018 £'000
Total Grant at 1st April	111,125	111,574
Grants received (note 19)	749	-
RCGF Staircasing (note 20)	(74)	(449)
RCGF Recycled (note 20)	86	-
Total Grant at 31st March (pre FRS102)	111,886	111,125

Cash flows

Group cash inflows and outflows during the year are shown in the consolidated cash flow statement (page 32).

The cash inflow arising from operating activities was £9.6m (2018: £10.4m).

Interest payments totalled £3m (2018: £3.2m). JJH invested £7.2m (2018: £3.3m) in new and existing housing properties during the year, £749k of grant was received during this period. £30m funding has been secured with Warrington Borough Council (currently undrawn), having repaid £2.9m loans.

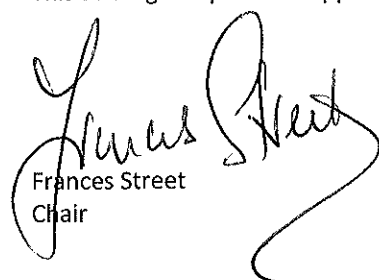
Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- So far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- The director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Approval

This Strategic Report was approved by order of the Board on 19th June 2019


Frances Street
Chair

Johnnie Johnson Housing Trust Limited

Strategic report for the year ended 31 March 2019 - continued

Statement of Compliance

In preparing this report, the Board has followed the principles set out in the SORP 'Accounting by Registered Social Housing Providers 2018'.

Group Highlights for the year ended 31 March	2019	2018	2017	2016	2015
	£'000	£'000	£'000	£'000	£'000
Group Income and Expenditure account					
Total turnover	24,162	25,054	25,317	26,387	26,069
Income due from lettings (excluding voids)	23,073	23,340	23,677	23,930	23,647
Operating surplus	5,949	6,418	6,059	4,764	6,966
<u>(Deficit)/surplus for the year</u>					
Surplus for the year	2,795	3,219	2,461	769	2,882
transferred to reserves	1,515	3,219	2,461	769	2,707
Group Balance Sheet					
Housing properties	122,231	119,826	119,741	119,408	119,066
Other fixed assets	4,205	3,912	4,380	5,084	4,639
Intangible Assets	316	-	-	-	-
Fixed assets	126,752	123,738	124,121	124,492	123,705
Net current (liabilities)/assets	106	2,255	2,258	1,120	7,008
Total assets less current liabilities	126,858	125,993	126,379	125,612	130,713
Creditors (due over one year)	65,074	70,371	73,971	75,561	81,431
Provisions for liabilities	4,647	-	-	-	-
Reserves : Non equity share capital					
: revenue	28,123	26,486	23,136	20,531	19,620
: revaluation	29,014	29,136	29,272	29,520	29,662
: total	57,137	55,622	52,408	50,051	49,282
	126,858	125,993	126,379	125,612	130,713
Accommodation figures					
Total housing stock owned & managed at year end	4,921	4,988	5,031	5,038	5,039
Statistics					
Surplus/(deficit) for the year as % of turnover	11.6%	12.8%	9.7%	2.9%	10.4%
Surplus/(deficit) for the year as % of income from lettings	12.1%	13.8%	10.4%	3.2%	11.4%
Rent losses as % of rent and service charge receivable	1.9%	1.5%	1.4%	1.3%	1.6%
<u>Interest cover</u>					
(Defined as - per lenders covenants)	2.73	2.82	2.41	1.83	2.39
<u>Liquidity</u>					
(Defined as - current assets divided by current liabilities)	1.01	1.19	1.22	1.08	1.12
<u>Gearing</u>					
(Defined as - per lenders covenants)	39%	42%	45%	47%	50%

Frances Street
Chair

Date: 19th June 2019

Geoff Clarke
Company Secretary

Johnnie Johnson Housing Trust Limited

Statement of Board's Responsibilities

The board members are responsible for preparing the strategic report and report of the board and the financial statements in accordance with applicable law and regulations.

Company law and social housing legislation require the board members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors 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 association and of the surplus or deficit of the group and association for that period.

In preparing these financial statements, the board members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers 2014 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The board members are responsible for keeping adequate accounting records that are sufficient to show and explain the group and association's transactions and disclose with reasonable accuracy at any time the financial position of the group and association and enable them to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. They are also responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board members are responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2014.

Financial statements are published on the group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the group's website is the responsibility of the board members. The board members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Johnnie Johnson Housing Trust Limited

Independent auditor's report to the member of JJH

Opinion

We have audited the financial statements of Johnnie Johnson Housing Trust Ltd ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2019 which comprise the consolidated and Association statement of comprehensive income, the consolidated and Association statement of financial position, the consolidated and Association statement of changes in equity, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and 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 members use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The board are responsible for the other information. Other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information 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 including the Strategic Report, Statement of Corporate Governance and Internal Controls 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.

Johnnie Johnson Housing Trust Limited

Independent auditor's report to the member of JJH - continued

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required by the Co-operative or Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the parent Association; or
- a satisfactory system of control has not been maintained over transactions; or
- the parent Association financial statements are not in agreement with the accounting records and returns; 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 board members responsibilities statement set out on page 23, 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 members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Use of our report

This report is made solely to the members of the Association, as a body, in accordance with in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

BDO LLP
Statutory Auditor
Liverpool

Date: 9/07/2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC30512)

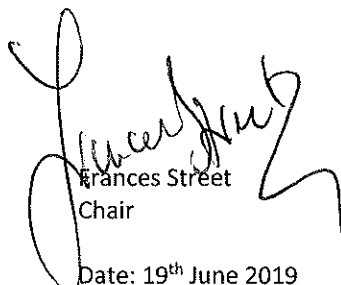
Johnnie Johnson Housing Trust Limited

Consolidated statement of comprehensive income for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Turnover	3	24,162	25,054
Cost of Sales	3	(42)	(491)
Operating Costs	3	(19,226)	(18,092)
Surplus (loss) on disposal of assets	7	1,055	(53)
Operating surplus		5,949	6,418
Interest receivable and other income	8	69	29
Interest payable and similar charges	9	(3,223)	(3,228)
Surplus before tax		2,795	3,219
Tax on surplus on ordinary activities	11	-	-
Surplus for the year after tax		2,795	3,219
Initial recognition of multi-employer defined benefit scheme	23	(1,506)	-
Actuarial gain in respect of pension schemes	23	226	-
Total comprehensive income for the year		1,515	3,219

The notes on pages 33 to 64 form part of these financial statements.

All amounts relate to continuing operations


 Frances Street
 Chair
 Date: 19th June 2019


 Geoff Clarke
 Company Secretary

Johnnie Johnson Housing Trust Limited

JJH statement of comprehensive income for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Turnover	3	24,246	25,054
Cost of Sales	3	(42)	(491)
Operating Costs	3	(19,310)	(18,092)
Surplus (loss) on disposal of assets	7	1,055	(53)
Operating surplus		5,949	6,418
Interest receivable and other income	8	69	29
Interest payable and similar charges	9	(3,223)	(3,228)
Gift Aid			
Surplus before tax		2,795	3,219
Tax on surplus on ordinary activities	11	-	-
Surplus for the year after tax		2,795	3,219
Initial recognition of multi-employer defined benefit scheme	23	(1,506)	-
Actuarial gain in respect of pension schemes	23	226	-
Total comprehensive Income for the year		1,515	3,219

The notes on pages 33 to 64 form part of these financial statements.

All amounts relate to continuing operations

Johnnie Johnson Housing Trust Limited

Statement of changes in reserves for the year ended 31 March 2019

Group

	Income and expenditure reserve £000	Revaluation reserve - Housing Properties £000	Revaluation reserve - Other fixed assets £000	Total £000
Balance as at 31 March 2018	26,486	28,531	605	55,622
Surplus for the year	2,795	-	-	2,795
Transfer to revenue reserve	122	(122)	-	-
Initial recognition of DB scheme	(1,506)	-	-	(1,506)
Actuarial gain in respect of pension schemes	226	-	-	226
Balance as at 31 March 2019	28,123	28,409	605	57,137

JJH

	Income and expenditure reserve £000	Revaluation reserve - Housing Properties £000	Revaluation reserve - Other fixed assets £000	Total £000
Balance as at 31 March 2018	26,486	28,531	605	55,622
Surplus for the year	2,795	-	-	2,795
Transfer to revenue reserve	122	(122)	-	-
Initial recognition of DB scheme	(1,506)	-	-	(1,506)
Actuarial gain in respect of pension schemes	226	-	-	226
Balance as at 31 March 2019	28,123	28,409	605	57,137

Johnnie Johnson Housing Trust Limited

Consolidated Statement of Financial Position as at 31 March 2019

		2019	2018
	Note	£'000	£'000
Fixed Assets			
Housing Properties	12	122,231	119,826
Other fixed Assets	13	4,205	3,912
Intangible Assets	13a	316	-
		<u>126,752</u>	<u>123,738</u>
Current Assets			
Debtors receivable within one year	15	920	1,093
Debtors receivable after one year	15	50	50
Properties held for sale	16	353	42
Cash and cash equivalents		<u>11,552</u>	<u>12,637</u>
		12,875	13,822
Creditors: amounts falling due within one year	17	<u>(12,769)</u>	<u>(11,567)</u>
Net current assets		106	2,255
Total assets less current liabilities		<u>126,858</u>	<u>125,993</u>
Creditors: amounts falling due after one year	18	65,074	70,371
Provisions for liabilities			
Pension – defined benefit liability	23	4,647	-
Total net assets		<u>57,137</u>	<u>55,622</u>
Reserves			
Income and expenditure reserve		28,123	26,486
Revaluation reserve for Housing Properties		28,409	28,531
Revaluation reserve for other fixed assets		605	605
Total reserves		<u>57,137</u>	<u>55,622</u>

The financial statements were approved by the Board of Directors and authorised for issue on 19th June 2019.


 Frances Street
 Chair

Date: 19th June 2019


 Geoff Clarke
 Company Secretary

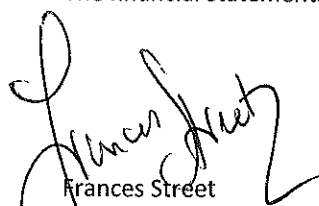
The notes on pages 33 to 64 form part of these financial statements.

Johnnie Johnson Housing Trust Limited

JJH Statement of Financial Position as at 31 March 2019

		2019	2018
	Note	£'000	£'000
Fixed Assets			
Housing Properties	12	122,287	119,826
Other fixed Assets	13	4,205	3,912
Intangible Assets	13a	316	-
		<u>126,808</u>	<u>123,738</u>
Current Assets			
Debtors receivable within one year	15	913	1,093
Debtors receivable after one year	15	50	50
Properties held for sale	16	362	42
Cash and cash equivalents		<u>11,552</u>	<u>12,637</u>
		<u>12,877</u>	<u>13,822</u>
Creditors: amounts falling due within one year	17	<u>(12,827)</u>	<u>(11,567)</u>
Net current assets		50	2,255
Total assets less current liabilities		<u>126,858</u>	<u>125,993</u>
Creditors: amounts falling due after one year	18	65,074	70,371
Provisions for liabilities			
Pension – defined benefit liability	23	4,647	-
Total net assets		<u>57,137</u>	<u>55,622</u>
Reserves			
Income and expenditure reserve		28,123	26,486
Revaluation reserve for Housing Properties		28,409	28,531
Revaluation reserve for other fixed assets		605	605
Total reserves		<u>57,137</u>	<u>55,622</u>

The financial statements were approved by the Board of Directors and authorised for issue on 19th June 2019.


 Frances Street
 Chair
 Date: 19th June 2019


 Geoff Clarke
 Company Secretary

The notes on pages 33 to 64 form part of these financial statements

Johnnie Johnson Housing Trust Limited

Consolidated statement of cash flows for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Cash flow surplus before tax		2,795	3,219
Interest and financing costs			
Operating Surplus for the financial year		2,795	3,219
Adjustments for:			
Depreciation of fixed assets - housing properties	12	2,653	2,610
Depreciation of fixed assets - other	13	752	778
Amortisation of Goodwill	13a	29	-
Difference between net pension expense and cash contribution	23	(489)	(575)
Decrease / (increase) in trade and other debtors	15	173	(110)
(Decrease) / increase in trade and other creditors	17	1,983	917
Movement in assets held for sale	16	(311)	365
Amortised grant	19	(26)	(26)
Surplus on sale of fixed assets	7	(1,055)	53
Movement in recycled Grant	20	5	-
Cash from operations		6,509	7,231
Interest paid		3,154	3,199
Net cash generated from operating activities		9,663	10,430
Cash flows from investing activities			
Proceeds from sale of fixed assets – housing properties	7	1,222	595
Purchase of fixed assets – housing properties	12	(5,145)	(3,312)
Purchases of fixed assets - other	13	(1,051)	(345)
Acquisition of intangible assets	13a	(345)	-
Receipt of grant	19	749	-
Net cash from investing activities		(4,570)	(3,062)
Cash flows from financing activities			
Interest payable and finance costs	9	(3,342)	(3,114)
Interest received	8	69	29
Debt issue costs incurred	22	43	(189)
Repayment of loans - bank	22	(2,948)	(2,747)
Net cash used in financing activities		(6,178)	(6,021)
Net increase / (decrease) in cash and cash equivalents		(1,085)	1,347
Cash and cash equivalents at beginning of year		12,637	11,290
Cash and cash equivalents at end of year		11,552	12,637

The notes on page 33 to 64 form part of these financial statements.

Net debt reconciliation	01-Apr-18 £'000	Cash flows £'000	31-Mar-19 £'000
Cash at bank and in hand	12,637	(1,085)	11,552
Bank loans	(68,187)	2,948	(65,239)
Net debt	(55,550)	1,863	(53,687)

Johnnie Johnson Housing Trust Limited

Notes forming part of the financial statements for the year ended 31 March 2019

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Johnnie Johnson Housing Trust Limited

Notes forming part of the financial statements for the year ended 31 March 2019 - continued

The financial statements have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which for Johnnie Johnson Housing Trust includes the Co-operative and Community Benefit Societies Act 2014 (and related group accounts regulations), the Housing and Regeneration Act 2008, FRS 102 "the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2018, "Accounting by registered social housing providers" 2014, the Accounting Direction for Private Registered Providers of Social Housing 2015.

JJH is a Public Benefit Entity and has applied the provisions for FRS 102 specifically applicable to Public Benefit Entities.

1 Legal status

The association is registered with the Financial Conduct Authority under the Co-operative and Community Benefits Societies Act 2014 and is registered with the Regulator for Social Housing as a social housing provider.

2 Accounting policies

The following principal accounting policies have been applied:

Basis of consolidation

The consolidated financial statements present the results of Johnnie Johnson Housing – Registered provider of social housing and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

Income

Income is measured at the fair value of the consideration received or receivable. The group generates the following material income streams:

- Rental income receivable (after deducting lost rent from void properties available for letting),
- Income from property sales,
- Service charges receivable,
- Revenue grants and proceeds from the sale of land and property
- Sundry income from housing and non-housing services

Supported housing schemes

The grants received in the period as well as costs incurred by the Group in the provision of support services have been included in the Income and Expenditure Account. Any excess of cost over the grant received is borne by the Group where it is not recoverable from tenants.

Service charges

The Group adopts the fixed method for calculating and charging service charges to its tenants and variable charges for leaseholders. Expenditure is recorded when a service is provided and charged to the relevant service charge account or to a sinking fund. Income is recorded based on the fixed and estimated amounts chargeable.

Management of units owned by others

Management fees receivable and reimbursed expenses are shown as income and included in management fees receivable. Costs of carrying out the management contracts and rechargeable expenses are included in operating costs.

Johnnie Johnson Housing Trust Limited

Notes forming part of the financial statements for the year ended 31 March 2019 - continued

2 Accounting policies (continued)

Schemes managed by agents

Income is shown as rent receivable and management fees payable to agents are included in operating costs.

Value Added Tax

The Group charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. Recoverable VAT arises from partially exempt activities and is credited to the Statement of Comprehensive Income.

Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Pension costs

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

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

For the SHPS scheme this year, scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted as appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred tax, is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent that it is recoverable by the Group.

The current service cost and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included net in other finance costs. Actuarial gains and losses are reported in other comprehensive income.

For the SHPS scheme last year, it wasn't possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The income and expenditure charge represents the employer contribution payable to the scheme for the accounting period. The net present value of the Groups future deficit contributions to SHPS are recognised as a liability.

Holiday pay accrual

A liability can be recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date. JJH's liability in relation to this is £46k (2018: £33k).

Tangible fixed assets - Housing Properties

Housing properties are properties available for rent and properties subject to shared ownership leases.

Housing Properties under construction costs includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

JJH capitalises improvements, where improvements result in an incremental future benefit to the property.

Johnnie Johnson Housing Trust Limited

Notes forming part of the financial statements for the year ended 31 March 2019 - continued

2 Accounting policies (continued)

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

Depreciation of housing property

Housing land and property is split between land, structure and other major components that are expected to require replacement over time.

Land is not depreciated on account of its indefinite useful economic life.

Assets in the course of construction are not depreciated until they are completed and ready for use to ensure that they are depreciated only in periods in which economic benefits are expected to be consumed.

The cost of all other housing property (net of accumulated depreciation to date and impairment, where applicable) and components is depreciated over the useful economic lives of the assets on the following basis:

Freehold land is not depreciated.

The Board takes the view that, whilst our properties may well have a physical life of another 125 years or more, given regular repair and maintenance, it is unlikely that their useful life will exceed 100 years for properties built since 1980 and a further 80 years for our early sheltered schemes built before 1980.

Housing properties are split between the structure and the major components which require periodic replacement. The costs of replacement or restoration of these components are capitalised and depreciated over the determined average useful economic life as follows:

Description	Useful Economic life (years)
New build homes and bungalows	100 years
Flats built after 1980	100 years
Flats built prior to 1980	80 years
Refurbished properties	100 years
Listed properties	150 years
Components	
Heating systems	15 years
Kitchens	20 years
Bathrooms	20 years
Windows	30 years
Roof coverings	45 – 60 years

Johnnie Johnson Housing Trust Limited

Notes forming part of the financial statements for the year ended 31 March 2019 - continued

2 Accounting policies (continued)

Shared ownership properties and staircasing

Under low cost home ownership arrangements, the Group disposes of a long lease on low cost home ownership housing units for a share ranging between 25% and 75% of value. The Buyer has the right to purchase further proportions and up to 100% based on the market valuation of the property at the time each purchase transaction is completed.

Low cost home ownership 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 and related sales proceeds included in turnover. The remaining element, "staircasing element", is classed as property, plant and equipment (PPE) and included in completed housing property at cost and any provision for impairment. Sales of subsequent tranches are treated as a part disposal of PPE. Such staircasing sales may result in capital grant being deferred or abated and any abatement is credited in the sale account in arriving at the surplus or deficit.

Low cost home ownership properties are not depreciated on the expectation that the net realisable value at the time of disposal will be in excess of the historical cost.

For shared ownership accommodation that the Group is responsible for, it is the Group's policy to maintain them in a continuous state of sound repair. Maintenance of other shared ownership properties is the responsibility of the shared owner. Any impairment in the value of such properties is charged to the Statement of Comprehensive Income.

Allocation of costs for mixed tenure and shared ownership developments

Costs are allocated to the appropriate tenure where it is possible to specify which tenure the expense relates to. Where it is not possible to relate costs to a specific tenure costs are allocated on a floor area or unit basis depending on the appropriateness for each scheme.

Tangible fixed assets – Other

Other tangible fixed assets, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

JJH adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to JJH. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Johnnie Johnson Housing Trust Limited

Notes forming part of the financial statements for the year ended 31 March 2019 - continued

2 Accounting policies (continued)

Depreciation of other tangible fixed assets

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Description	Economic useful life (%)
Office Furniture and equipment	15% per annum
Computer Equipment	20% per annum
Computer Equipment (desktop)	33.33% per annum
Maintenance Equipment	33.33% per annum
Freehold office property	5.26% pa ex land
Scheme equipment	10% pa (lifts 4% pa)

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income.

Intangible fixed assets

Intangible assets include assets that do not have physical substance, such as goodwill and are stated at cost less accumulated amortisation. Goodwill amortisation is calculated by applying the straight line method to its estimated useful life JJH's policy it to amortise over 5 years.

Government grants

Grants received in relation to assets that are presented at deemed cost at the date of transition have been accounted for using the performance model. In applying this model, such grant has been presented as if it were originally recognised as income within the Statement of Comprehensive Income in the year it was receivable and is therefore included within brought forward reserves.

Grant received since the transition date (1st April 2014) in relation to newly acquired or existing housing properties is accounted for using the accrual model. Grant is carried as deferred income in the balance sheet and released to the income and expenditure account on a systematic basis over the useful economic lives of the asset for which it was received.

Where social housing grant (SHG) funded property is sold, the grant becomes recyclable and is transferred to a recycled capital grant fund until it is reinvested in a replacement property. If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within creditors is released and recognised as income within the income and expenditure account.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once performance related conditions have been met.

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

Johnnie Johnson Housing Trust Limited

Notes forming part of the financial statements for the year ended 31 March 2019 - continued

2 Accounting policies (continued)

Recycled Capital Grant Fund

On the occurrence of certain relevant events, primarily the sale of dwellings, the RSH can direct JJH to recycle capital grants or to make repayments of the recoverable amount. The Group adopts a policy of recycling, for which a separate fund is maintained. If unused within a three year period, it will be repayable to the RSH with interest. Any unused recycled capital grant held within the recycled capital grant fund, which it is anticipated will not be used within one year is disclosed in the balance sheet under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

Disposal Proceeds Fund

Receipts from Right to Acquire (RTA) Sales are required to be retained in a ring fenced fund that can only be used for providing replacement housing. The sales receipts less eligible expenses are credited to the Disposal Proceeds Fund. Any sales receipts less eligible expenses held within disposal proceeds fund, which it is anticipated will not be used within one year is disclosed in the balance sheet under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

Debtors and creditors

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

Recoverable amount of rental and other trade receivables

JJH estimates the recoverable value of rental and other receivables and impairs the debtor by appropriate amounts. When assessing the amount to impair it reviews the age profile of the debt, historical collection rates and the class of debt.

Rent and service charge agreements

The Group has made arrangements with individuals and households for arrears payments of rent and service charges. These arrangements are effectively loans granted at nil interest rate.

Loans, investments and short term deposits

All loans, investments and short term deposits held by JJH are classified as basic financial instruments. These instruments are initially recorded at the transaction price less any transaction costs (historical cost), FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however JJH has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Johnnie Johnson Housing Trust Limited

Notes forming part of the financial statements for the year ended 31 March 2019 - continued

2 Accounting policies (continued)

Cash and cash equivalents

JJH has produced a group cashflow statement and has taken advantage of the Financial Reporting standard exemption not to produce an individual JJH cashflow statement. JJH statement is not materially different to that of the group.

Cash and cash equivalents in JJH's Consolidated Statement of Financial Position consists of cash at bank, in hand, deposits and short term investments with an original maturity of three months or less.

Leasehold Sinking Funds

Unexpended amounts collected from leaseholders for major repairs on leasehold schemes and any interest received are included in creditors

Provision for liabilities

Provisions are measured at the best estimate of the expenditure required to settle the obligation at the balance sheet date.

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

Contingent liabilities

A contingent liability is recognised for a possible obligation, for which it is not yet confirmed that a present obligation exists that could lead to an outflow of resources; or for a present obligation that does not meet the definitions of a provision or a liability as it is not probable that an outflow of resources will be required to settle the obligation or when a sufficiently reliable estimate of the amount cannot be made.

A contingent liability exists on grant repayment which is dependent on the disposal of related property

Reserves

The revaluation reserve is created from surpluses on historical asset revaluation.

Johnnie Johnson Housing Trust Limited

Notes forming part of the financial statements for the year ended 31 March 2019 - continued

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the key judgements have been made in respect of the following:

- Whether there are indicators of impairment of the group's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset. The Board have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on the depreciated replacement cost.
- Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as voids and the repairing obligation are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

For housing property assets, the assets are broken down into components based on management's assessment of the property. Individual useful economic lives are assigned to these components.

- The estimation for receivables relates to the recoverability of the balances outstanding at year end. A review is performed on an individual debtor basis to consider whether each debt is recoverable.
- The assumptions used to calculate the pensions provision have been reviewed and amended by independent third party actuaries to ensure reasonable and appropriate for JJH

Exemptions Policy

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent company would be identical.
- No cashflow statement has been presented for the parent company (JJH).
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole.
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals of the group as a whole.

Johnnie Johnson Housing Trust Limited

Notes forming part of the financial statements for the year ended 31 March 2019 - continued

3 Turnover, cost of sales, operating costs and operating surplus

GROUP – continuing activities		2019			2018	
	Turnover £'000	Cost of Sales £'000	Operating costs £'000	Surplus on disposal of assets £'000	Operating surplus / (deficit) £'000	Operating surplus / (deficit) £'000
Social housing lettings (note 4)	22,644	-	(17,984)	-	4,660	6,026
<u>Other social housing activities</u>						
Development services	-	-	(8)	-	(8)	(80)
First Tranche shared ownership sales	89	(42)	-	-	47	453
Surplus on disposal of assets (note 7)	-	-	-	1,055	1,055	(53)
Other	104	-	(8)	-	96	72
	193	(42)	(16)	1,055	1,190	392
<u>Non social housing activities</u>						
Care and support services	1,325	-	(1,226)	-	99	-
Total	24,162	(42)	(19,226)	1,055	5,949	6,418

JJH - continuing activities		2019			2018	
	Turnover £'000	Cost of Sales £'000	Operating costs £'000	Surplus on disposal of assets £'000	Operating surplus / (deficit) £'000	Operating surplus / (deficit) £'000
Social housing lettings (note 4)	22,644	-	(18,068)	-	4,576	6,026
<u>Other social housing activities</u>						
Development services	84	-	(8)	-	76	(80)
First Tranche shared ownership sales	89	(42)	-	-	47	453
Surplus on disposal of assets (Note 7)	-	-	-	1,055	1,055	(53)
Other	104	-	(8)	-	96	72
	277	(42)	(16)	1,055	1,274	392
<u>Non social housing activities</u>						
Care and support services	1,325	-	(1,226)	-	99	-
Total	24,246	(42)	(19,310)	1,055	5,949	6,418

Johnnie Johnson Housing Trust Limited

Notes forming part of the financial statements for the year ended 31 March 2019 - continued

4 Income and expenditure from social housing lettings

GROUP – continuing activities

	General needs housing	Supported housing and housing for older people	Low cost home ownership	2019	2018
	£'000	£'000	£'000	Total	Total
Rent receivable net of identifiable service charges	6,864	9,859	844	17,567	17,873
Service income	258	4,222	571	5,051	5,102
Net rental income	7,122	14,081	1,415	22,618	22,975
Amortisation of SHG	4	-	22	26	26
Turnover from social housing lettings	7,126	14,081	1,437	22,644	23,001
Management	1,751	3,989	426	6,166	5,287
Services	272	4,402	449	5,123	5,005
Routine maintenance	691	1,190	97	1,978	1,422
Planned maintenance	635	1,366	53	2,054	2,559
Bad debts	3	7	1	11	92
Depreciation of housing properties	819	1,643	190	2,652	2,610
Operating costs on social housing lettings	4,171	12,597	1,216	17,984	16,975
Operating surplus on social housing lettings	2,955	1,484	221	4,660	6,026
Void losses	(63)	(366)	-	(429)	(339)

Johnnie Johnson Housing Trust Limited

Notes forming part of the financial statements for the year ended 31 March 2019 - continued

4 Income and expenditure from social housing lettings (continued)

JJH - continuing activities

	General needs housing	Supported housing and housing for older people	Low cost home ownership	2019	2018
	£'000	£'000	£'000	Total	Total
Rent receivable net of identifiable service charges	6,864	9,859	844	17,567	17,873
Service income	258	4,222	571	5,051	5,102
Net rental income	7,122	14,081	1,415	22,618	22,975
Amortisation of SHG	4	-	22	26	26
Turnover from social housing lettings	7,126	14,081	1,437	22,644	23,001
Management	1,778	4,041	431	6,250	5,287
Services	272	4,402	449	5,123	5,005
Routine maintenance	691	1,190	97	1,978	1,422
Planned maintenance	635	1,366	53	2,054	2,559
Bad debts	3	7	1	11	92
Depreciation of housing properties	819	1,643	190	2,652	2,610
Operating costs on social housing lettings	4,198	12,649	1,221	18,068	16,975
Operating surplus on social housing lettings	2,928	1,432	216	4,576	6,026
Void losses	(63)	(366)	-	(429)	(339)

Johnnie Johnson Housing Trust Limited

Notes forming part of the financial statements for the year ended 31 March 2019 - continued

5 Units of housing stock

	Group		JJH	
	2019	2018	2019	2018
Social housing				
General housing	1,558	1,595	1,558	1,595
Affordable Rents	38	38	38	38
Supported housing and housing for older people	2,567	2,570	2,567	2,570
Shared Ownership	736	736	736	736
Total owned	4,899	4,939	4,899	4,939
Accommodation managed for others	22	49	22	49
Total managed	4,921	4,988	4,921	4,988

6 Operating Surplus

This is arrived at after charging/(crediting):

	Group		JJH	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Depreciation of housing properties				
- annual charge	2,652	2,610	2,652	2,610
Depreciation of other tangible fixed assets	752	778	752	778
Impairment of housing properties	-	-	-	-
Surplus/(loss) on disposal of other tangible fixed assets	(2)	(6)	(2)	(6)
Rent and service charge losses from bad debts	11	92	11	92
Operating lease rentals				
- office equipment and computers	-	-	-	-
- vehicles	10	9	10	9
Auditors' remuneration				
- for audit services	26	22	25	21
- for non-audit services:	13	8	13	8
- tax compliance	-	-	-	-

Johnnie Johnson Housing Trust Limited

Notes forming part of the financial statements for the year ended 31 March 2019 - continued

7 Surplus on sale of fixed assets – housing properties

	Group		JJH	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Proceeds of sales	1,222	595	1,222	595
Less: Costs of sales	(167)	(648)	(167)	(648)
	<u>1,055</u>	<u>(53)</u>	<u>1,055</u>	<u>(53)</u>

8 Interest receivable and other income

	Group		JJH	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Interest receivable and similar income	69	29	69	29
	<u>69</u>	<u>29</u>	<u>69</u>	<u>29</u>

9 Interest payable and similar charges

	Group		JJH	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	3,095	3,174	3,095	3,174
Net interest on net defined benefit liability (Interest expense)	136	54	136	54
	<u>3,231</u>	<u>3,228</u>	<u>3,231</u>	<u>3,228</u>
Interest capitalised on construction of housing properties	(8)	-	(8)	-
	<u>3,223</u>	<u>3,228</u>	<u>3,223</u>	<u>3,228</u>

Johnnie Johnson Housing Trust Limited

Notes forming part of the financial statements for the year ended 31 March 2019 - continued

10 Employees, Directors remuneration and Board costs

	Group		JJH	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Staff costs (including Executive Management Team) consist of:				
Wages and salaries	4,840	4,388	4,840	4,388
Social security costs	393	389	393	389
Cost of defined benefit scheme (see note 23)	-	72	-	72
Cost of defined contribution scheme	152	22	152	22
	<u>5,385</u>	<u>4,871</u>	<u>5,385</u>	<u>4,871</u>

The average number of employees (including Executive Management Team) expressed as full time equivalents (35 hours per week).

	Group		JJH	
	2019	2018	2019	2018
Administration	30	28	30	28
Development	13	12	13	12
Housing, Support and Care	130	129	130	129
	<u>173</u>	<u>169</u>	<u>173</u>	<u>169</u>

Directors and senior Executive remuneration

The directors are defined as the members of the Board of management, the Chief Executive and the Executive management team.

	Group		JJH	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Executive Directors Emoluments	<u>351</u>	<u>333</u>	<u>351</u>	<u>333</u>

The total amount payable to the Chief Executive, who was also the highest paid director, was £124,725 (2018: £127,352). As a member of the SHPS pension scheme, the pension entitlement of the Chief Executive is identical to those of other members of staff and equated to £5,447.

Johnnie Johnson Housing Trust Limited

Notes forming part of the financial statements for the year ended 31 March 2019 - continued

10 Employees, Directors remuneration and Board costs *continued*

The remuneration paid to staff (including Executive Management Team) earning over £60,000 upwards:

	Group 2019 £'000	2018 £'000	JJH 2019 £'000	2018 £'000
£60,000 - £69,999	2	3	2	3
£70,000 - £79,999	1	-	1	-
£80,000 - £89,999	-	-	-	-
£90,000 - £99,999	-	-	-	-
£100,000 - £109,999	1	2	1	2
£110,000 - £119,999	1	-	1	-
£120,000 - £129,999	-	1	-	1
£130,000 - £139,999	1	-	1	-

Board Members

Board Member	Remuneration	JJH Board	JJDL Board	A&R	N&R	Performance	Astraline
Frances Street	10,911	Chair			✓		
John Sandford	6,597	✓		Chair			
Tom Miskell	6,597	Vice Chair	✓		✓		
Brian Benneyworth	5,970	✓		✓	Chair		
Andrew Bowden	6,597	✓				✓	Chair
Simon Brooksbank	5,970	✓				Chair	✓
Anthony Riley	1,523		✓				
Steve Secker	5,970	✓	Chair			✓	✓
Ralph Middlemore	1,523		✓				
Sue Lock	4,448	✓		✓			
Naseer Patel	1,079			✓			
Richard Shenton	3,151	✓					✓
Peter Singleton	635						✓
	60,971						

In addition to the above £8,087 was paid to the Board members in expenses.

Johnnie Johnson Housing Trust Limited

Notes forming part of the financial statements for the year ended 31 March 2019 - continued

11 Tax on surplus on ordinary activities

	Group		JJH	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Current tax reconciliation				
Surplus on ordinary activities before tax	2,795	3,219	2,795	3,219
Theoretical tax at UK corporation tax rate 19% (2018: 19%)	531	612	531	612
- surplus attributable to charitable activities	(531)	(612)	(531)	(612)
Current tax charge	-	-	-	-

12 Tangible Fixed Assets – housing properties

JJH

	Social Housing properties held for letting £'000	Social Housing properties under construction £'000	Completed shared ownership housing properties £'000	Shared ownership properties under construction £'000	Total £'000
Cost					
At 1 April 2018	106,925	-	23,390	-	130,315
Construction - Additions	-	1,596	-	418	2,014
Works to existing properties	924	-	-	-	924
Property Acquisitions In The Year	-	158	-	33	191
Property Disposals In The Year	-	-	(87)	-	(87)
Components	2,072	-	-	-	2,072
At 31 March 2019	109,921	1,754	23,303	451	135,429
Depreciation and impairment					
At 1 April 2018	(9,804)	-	(685)	-	(10,489)
Depreciation charged in the year	(684)	-	(173)	-	(857)
Component Depreciation charged in the year	(1,796)	-	-	-	(1,796)
At 31 March 2019	(12,284)	-	(858)	-	(13,142)
Net Book Value					
At 31 March 2019	97,637	1,754	22,445	451	122,287
At 31 March 2018	97,121	-	22,705	-	119,826

Johnnie Johnson Housing Trust Limited

Notes forming part of the financial statements for the year ended 31 March 2019 – continued

12 Tangible Fixed Assets – housing properties *continued*

Group

	Social Housing properties held for letting £'000	Social Housing properties under construction £'000	Completed shared ownership housing properties £'000	Shared ownership properties under construction £'000	Total £'000
Cost					
At 1 April 2018	106,925	-	23,390	-	130,315
Construction - Additions	-	1,540	-	418	1,958
Works to existing properties	924	-	-	-	924
Property Acquisitions In The Year	-	158	-	33	191
Property Disposals In The Year	-	-	(87)	-	(87)
Components	2,072	-	-	-	2,072
At 31 March 2019	109,921	1,698	23,303	451	135,372
Depreciation and impairment					
At 1 April 2018	(9,804)	-	(685)	-	(10,489)
Depreciation charged in the year	(684)	-	(173)	-	(857)
Component depreciation charged in the year	(1,796)	-	-	-	(1,796)
At 31 March 2019	(12,284)	-	(858)	-	(13,142)
Net Book Value					
At 31 March 2019	97,637	1,698	22,445	451	122,231
At 31 March 2018	97,121	-	22,705	-	119,826

Johnnie Johnson Housing Trust Limited

Notes forming part of the financial statements for the year ended 31 March 2019 - continued

12 Tangible Fixed Assets – housing properties *continued*

The net book value of properties may be further analysed as follows:

	Group		JJH	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Freehold	104,431	101,926	104,487	101,926
Long leasehold	17,800	17,900	17,800	17,900
	122,231	119,826	122,287	119,826

Expenditure on works to existing properties

	Group		JJH	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Amounts capitalised	2,996	2,688	2,996	2,688
Amounts charges to income and expenditure account				
- Routine Maintenance	1,978	1,422	1,978	1,422
- Planned Maintenance	2,054	2,559	2,054	2,559
Total	7,028	6,669	7,028	6,669

Interest Capitalisation

	Group		JJH	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Interest capitalised in the year	8	-	8	-
Cumulative interest capitalised	8	-	8	-
Rate used for capitalisation	3%		3%	

Johnnie Johnson Housing Trust Limited

Notes forming part of the financial statements for the year ended 31 March 2019 - continued

13 Tangible Fixed Assets – other

Group and JJH	Office buildings £'000	Furniture Fixings and Fittings £'000	Computers and Office Equipment £'000	Total £'000
Cost				
As at 01 April 2018	924	12,106	2,200	15,230
Additions	-	313	738	1,051
Disposals	-	(138)	-	(138)
As at 31 March 2019	924	12,281	2,938	16,143
Depreciation				
As at 01 April 2018	(238)	(9,220)	(1,860)	(11,318)
Charge for year	(48)	(577)	(127)	(752)
Disposals	-	132	-	132
As at 31 March 2019	(286)	(9,665)	(1,987)	(11,938)
Net book value				
As at 31 March 2019	638	2,616	951	4,205
As at 01 April 2018	686	2,886	340	3,912

13a Intangible Assets

During the year JJH acquired customers from Peaks and Plains Housing Trust in relation to the mobile response service. The purchase has been recognised as goodwill and capitalised as an intangible asset.

Group and JJH	Goodwill
Cost	
As at 01 April 2018	-
Additions	345
As at 31 March 2019	345
Amortisation	
As at 01 April 2018	-
Charge for year	(29)
As at 31 March 2019	(29)
Net book value	
As at 31 March 2019	316
As at 01 April 2018	-

Johnnie Johnson Housing Trust Limited

Notes forming part of the financial statements for the year ended 31 March 2019 - continued

14 Investment in subsidiaries

The company owns 100% of the shares of its subsidiary company Johnnie Johnson Developments Limited, a Company incorporated in England & Wales, with the same registered office as its parent. At the year end the company had net assets/liabilities of £65k (2018: net assets/liabilities £0). For the period ended 31st March 2019 the company had turnover of £2,257k (2018: £78k) and made a profit of £65k (2018: profit/loss £0). This profit will be gift aided to JJH in the next financial year. The principal activity of the company is property development.

Johnnie Johnson Developments Limited provides housing development services. During the year Johnnie Johnson Developments undertook a small number of projects for Johnnie Johnson Housing Trust Limited and anticipates further projects in 2019/20. Johnnie Johnson Housing Trust Limited holds one £1 share in the company. No other shares have been issued.

15 Debtors

	Group		JJH	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Due within one year				
Rent and service charge arrears	379	802	379	802
Less: Provision for doubtful debts	(248)	(612)	(248)	(612)
	131	190	131	190
Amounts owed by group undertakings	-	-	-	-
Other debtors	648	604	641	604
Prepayments and accrued income	141	299	141	299
	920	1,093	913	1,093
Due after one year				
Prepayments and accrued income	50	50	50	50

16 Properties for Sale

	Group		JJH	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Shared ownership	353	42	362	42

Johnnie Johnson Housing Trust Limited

Notes forming part of the financial statements for the year ended 31 March 2019 - continued

17 Creditors: amounts falling due within one year

	Group		JJH	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Loans and borrowings (note 22)	2,733	2,799	2,733	2,799
Trade creditors	574	557	574	557
Social housing grant in advance	70	70	70	70
Rent and service charges received in advance	800	582	800	582
Amounts owed to group undertakings	-	-	376	37
Taxation and social security	108	97	108	97
Other creditors	637	381	637	381
Deferred capital grant (Note 19)	33	26	33	26
Recycled capital grant fund (Note 20)	506	516	506	516
Accruals and deferred income	5,265	3,904	4,947	3,867
Accrued interest	225	344	225	344
Funds Held on Behalf of Residents	1,818	1,695	1,818	1,695
Pension Deficit due within one year (Note 23)	-	596	-	596
	<u>12,769</u>	<u>11,567</u>	<u>12,827</u>	<u>11,567</u>

18 Creditors: amounts falling due after more than one year

	Group		JJH	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Loans and borrowings (Note 22)	62,505	65,388	62,505	65,388
Less Loan issue costs	(763)	(807)	(763)	(807)
Deferred capital grant (Note 19)	3,273	2,471	3,273	2,471
Disposal proceeds fund (Note 21)	59	59	59	59
Pension Deficit (Note 23)	-	3,260	-	3,260
	<u>65,074</u>	<u>70,371</u>	<u>65,074</u>	<u>70,371</u>

Johnnie Johnson Housing Trust Limited

Notes forming part of the financial statements for the year ended 31 March 2019 *(continued)*

19 Deferred Capital Grant

	Group		JJH	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
As at 01 April 2018	2,497	2,523	2,497	2,523
Grants received during the year	749	-	749	-
Grants recycled from the recycled capital grant fund	86	-	86	-
Released to income during the year	(26)	(26)	(26)	(26)
As at 31 March 2019	3,306	2,497	3,306	2,497

20 Recycled Capital Grant Fund

	Group		JJH	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Funds pertaining to activities within areas covered by:				
As at 01 April 2018	516	66	516	66
Inputs to fund:				
grants recycled	74	449	74	449
interest accrued	2	1	2	1
Recycling of grant:				
- new build	(86)	-	(86)	-
As at 31 March 2019	506	516	506	516
Amounts 3 years or older where repayment may be required	-	25	-	25

Johnnie Johnson Housing Trust Limited

Notes forming part of the financial statements for the year ended 31 March 2019 *(continued)*

21 Disposal Proceeds Fund

	Group		JJH	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
As at 01 April 2018 and 31 March 2019	59	59	59	59

22 Group Loans and Borrowings

	Total 2019 £'000	Total 2018 £'000
In one year or less, or on demand	2,733	2,799
In more than one year but not more than two years	2,770	2,840
In more than two years but not more than five years	7,710	8,139
In more than 5 years	52,026	54,409
Total	65,239	68,187

The loans are repayable at varying rates of interest in instalments.

The loan portfolio is currently structured with 84% of its drawn debt on a fixed rate basis providing a high degree of certainty as to its future interest costs with an average cost of borrowing of 3.9%.

2,495 of JJH's properties are currently charged as security for the loans.

£30m funding has been secured with Warrington Borough Council (currently undrawn).

Johnnie Johnson Housing Trust Limited

Notes forming part of the financial statements for the year ended 31 March 2019 (continued)

23 Pensions

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

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

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

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

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

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

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 01 April 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus at the accounting period start and end dates.

For the SHPS scheme last year, it wasn't possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The income and expenditure charge represents the employer contribution payable to the scheme for the accounting period. The net present value of the Groups future deficit contributions to SHPS are recognised as a liability.

The initial recognition of SHPS accounting on an actuarial basis resulted in a loss being recognised in other comprehensive income this year. The breakdown of this can be seen below

	£'000
SHPS past service deficit creditor due within 1 year at 31 March 2018	596
SHPS past service deficit creditor due after more than 1 year at 31 March 2018	3,260
Total SHPS past service deficit creditor at 31 March 2018	3,856
Opening SHPS net actuarial liability	5,362
Loss recognised in other comprehensive income on initial recognition of SHPS accounting on an actuarial basis	1,506

Johnnie Johnson Housing Trust Limited

Notes forming part of the financial statements for the year ended 31 March 2019 *(continued)*

23 Pensions – *continued*

The following FRS 102 – section 28 accounting disclosures are specific to Johnnie Johnson Housing for the period ending 31 March 2019

PRESENT VALUES OF DEFINED BENEFIT OBLIGATION, FAIR VALUE OF ASSETS AND DEFINED BENEFIT ASSET (LIABILITY)

	31 March 2019	01 April 2018
	(£000s)	(£000s)
Fair value of plan assets	19,959	19,367
Present value of defined benefit obligation	24,606	24,729
Surplus (deficit) in plan	(4,647)	(5,362)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(4,647)	(5,362)

RECONCILIATION OF THE IMPACT OF THE ASSET CEILING

	Period ended 31 March 2019 (£000s)
Impact of asset ceiling at start of period	-
Effect of the asset ceiling included in net interest cost	-
Actuarial losses (gains) on asset ceiling	-
Impact of asset ceiling at end of period	-

Johnnie Johnson Housing Trust Limited

Notes forming part of the financial statements for the year ended 31 March 2019 (continued)

23 Pensions – continued

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Period ended 31 March 2019 (£000s)
Defined benefit obligation at start of period	24,729
Current service cost	(50)
Expenses	21
Interest expense	655
Contributions by plan participants	69
Actuarial losses (gains) due to scheme experience	(1,114)
Actuarial losses (gains) due to changes in demographic assumptions	(376)
Actuarial losses (gains) due to changes in financial assumptions	1,603
Benefits paid and expenses	(931)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at end of period	24,606

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF PLAN ASSETS

	Period ended 31 March 2019 (£000s)
Fair value of plan assets at start of period	19,367
Interest income	519
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	339
Contributions by the employer	596
Contributions by plan participants	69
Benefits paid and expenses	(931)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	19,959

Johnnie Johnson Housing Trust Limited

Notes forming part of the financial statements for the year ended 31 March 2019 (continued)

23 Pensions – continued

DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME (SoCI)

	Period from 31 March 2018 to 31 March 2019 (£000s)
Current service cost	(50)
Expenses	21
Net interest expense	136
Losses (gains) on business combinations	-
Losses (gains) on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Defined benefit costs recognised in statement of comprehensive income (SoCI)	107

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	Period ended 31 March 2019 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	339
Experience gains and losses arising on the plan liabilities - gain (loss)	1,114
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	376
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(1,603)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	226
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in other comprehensive income - gain (loss)	226

Johnnie Johnson Housing Trust Limited

Notes forming part of the financial statements for the year ended 31 March 2019 (continued)

23 Pensions – continued

ASSETS

	31 March 2019 (£000s)	01 April 2018 (£000s)
Global Equity	3,358	3,825
Absolute Return	1,727	2,366
Distressed Opportunities	363	187
Credit Relative Value	365	-
Alternative Risk Premia	1,151	735
Fund of Hedge Funds	90	638
Emerging Markets Debt	689	781
Risk Sharing	603	179
Insurance-Linked Securities	572	509
Property	449	891
Infrastructure	1,047	497
Private Debt	268	172
Corporate Bond Fund	931	795
Long Lease Property	294	-
Secured Income	715	718
Over 15 Year Gilts	-	-
Liability Driven Investment	7,299	7,056
Net Current Assets	38	18
Total assets	19,959	19,367

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

KEY ASSUMPTIONS

	31 March 2019 % per annum	01 April 2018 % per annum
Discount Rate	2.40%	2.70%
Inflation (RPI)	3.10%	3.00%
Inflation (CPI)	2.10%	2.00%
Salary Growth	3.30%	3.20%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

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

	Life expectancy at age 65 (Years)
Male retiring in 2019	21.2
Female retiring in 2019	22.9
Male retiring in 2039	22.6
Female retiring in 2039	24.0

Johnnie Johnson Housing Trust Limited

Notes forming part of the financial statements for the year ended 31 March 2019 *(continued)*

24 Non-equity share capital

Group and JJH	2019 £	2018 £
As at 01 April 2018	24	28
Shares issued in the year	-	-
Shares cancelled in the year	(4)	(4)
As at 31 March 2019	20	24

The share capital of the Group consist 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 a shareholder ceases to be a member, that share is cancelled and the amount paid thereon becomes the property of the Group. Therefore, all shareholdings relate to non-equity interests

25 Contingent Liabilities

Group and JJH

The Group receives grant from Homes England and from Local Authorities, which is used to fund the acquisition and development of housing properties and their components. Grant of £2,488k received in respect of housing properties held at 31 March 2015 was credited to reserves in respect of adoption of 'deemed' cost. The Group has a future obligation to recycle such grant once the properties are disposed of. At 31 March 2019, the value of grant received in respect of these properties that had not been disposed of was £3,306k (net of amortised grant released to the I&E of £26k), (2018: £2,497k). As the timing of any future disposal is uncertain, no provision has been recognised in these financial statements

Johnnie Johnson Housing Trust Limited

Notes forming part of the financial statements for the year ended 31 March 2019 (continued)

26 Financial Instruments

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

	Group		JJH	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Financial assets				
Financial assets measured at historical cost				
- Trade receivables	779	794	772	794
- Cash and cash equivalents	11,552	12,637	11,552	12,637
Total financial assets	12,331	13,431	12,324	13,431
Financial liabilities				
Financial liabilities measured at amortised cost				
- Loans payable	65,239	68,187	65,239	68,187
Financial liabilities measured at historical cost				
- Trade creditors	574	557	574	557
- Other creditors	9,380	11,407	9,062	11,370
- Deferred capital grant	3,306	2,497	3,306	2,497
Total financial liabilities	78,499	82,648	78,181	82,611

27 Operating Leases

Amounts payable as Lessee	Group and JJH	
Motor Vehicles Only	2019	2018
	£'000	£'000
Not later than one year	14	-
one to five years	7	-
Total	21	-

28 Capital Commitments

The group had no capital commitments at the 31 March 2019 except for £1,843k (2018: £152k) contracted but not provided for. This is the remaining spend on the current developments and contracted section 106 scheme Bollin Park. Non contracted commitments were zero.

Johnnie Johnson Housing Trust Limited

Notes forming part of the financial statements for the year ended 31 March 2019 *(continued)*

29 Related Party Disclosures

The below transactions relate to design and build services carried out by Johnnie Johnson Developments Limited

	2019	2018
	£'000	£'000
Development services	2,257	78
	<u>2,257</u>	<u>78</u>

The following Intercompany balances were as at 31 March

Johnnie Johnson Developments Limited	(376)	(37)
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The table below shows the related party transactions in respect of Board Members and Executive Management Team who have made declarations of interest

Organisation	Transactions value 2019	
	Sales £'000	Purchases £'000
Northern Housing Consortium	-	4
Accent Housing	89	4
Cartrefi Conwy	2	-
Edward Mayes Trust Ltd	2	-
	<u>93</u>	<u>8</u>

