

Company Registration No. 09353468 (England and Wales)

FUNDING AFFORDABLE HOMES HOUSING ASSOCIATION LIMITED

(LIMITED BY GUARANTEE)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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FUNDING AFFORDABLE HOMES HOUSING ASSOCIATION LIMITED

COMPANY INFORMATION

Directors	D K Jenkins S D Amos N Mawby D C Walker-Arnott CBE R J McCarthy CBE	(Appointed 1 December 2017)
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Secretary	L D Coopersmith
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Company number	09353468
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Registered office	Langham Hall UK Services LLP 5 Old Bailey London EC4M 7BA
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Auditors	Gerald Edelman 73 Cornhill London EC3V 3QQ
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FUNDING AFFORDABLE HOMES HOUSING ASSOCIATION LIMITED

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FUNDING AFFORDABLE HOMES HOUSING ASSOCIATION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

The directors present their annual report and financial statements for the year ended 30 June 2018.

Principal activities

The association is a registered provider of social housing ("Registered Provider") and as such its principal activities are the provision of accommodation for people who are in housing need and the provision of low-cost residential accommodation for long-term rent, sales under shared ownership arrangements and specialist accommodation where additional support is required. The association intends to own affordable homes but to outsource the management to local Registered Providers.

The association's business plan is in accordance with the financial model shared with the Regulator of Social Housing.

Fair review of the business

The association achieved Investment Partner status with Homes England, enabling it to bid for and obtain government grant. During the year, the association legally completed its first forward funding development project, in Ryde, an extra care development comprising shared ownership and affordable rented units. This achieved legal completion in March 2018 and work immediately commenced on-site. The first such grant drawn down was a £5m grant related to Ryde, £3.8m of which had been drawn down at 30 June 2018. The association earned interest income of £34,842 (2017: £Nil) in relation to the Ryde project and future interest will increase throughout construction in proportion to the balances outstanding on the forward funding loan.

The deficit for the year totalled £363,654 (2017: £310,173 deficit), reflecting the fact that none of the projects under development are yet rental generating. However, during the year the association realised a fair value gain of £1,168,500 in connection with Ryde, meaning that the comprehensive income for the year showed a profit of £606,201.

Development and performance

The association is currently evaluating a number of additional projects and expects to legally complete further projects during the current financial year. All of these potential projects will require government subsidy, be it local authority or Homes England grant and will include social rented, affordable rented and shared ownership properties, with the first shared ownership properties forecast to be sold in early 2019.

Post balance sheet event

On 9 July 2018, the association accepted a temporary assignment of 32 leases, previously managed by First Priority Housing Association. These properties are owned by a sister company within the FAH group and the leases are expected to be assigned to a third party during the current financial year.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

D K Jenkins

S D Amos

N Mawby

Lord D M Triesman

(Resigned 1 December 2017)

D C Walker-Arnott CBE

R J McCarthy CBE

(Appointed 1 December 2017)

Results

The results for the year are set out on page 7.

Auditors

Gerald Edelman were appointed as auditors to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a Board Meeting.

FUNDING AFFORDABLE HOMES HOUSING ASSOCIATION LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements 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 company and of the surplus or deficit of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

Compliance with Regulatory Framework and National Standards

The association is managed by a board of five and has adopted the European Confederation of Directors' Associations Code of Governance. In January 2018 a Code of Governance Self-Assessment was undertaken and presented to the board. This concluded that the association was compliant with the principles of the Code of Governance where applicable. The next self-assessment will be carried out in January 2019.

The board confirms that the association has met the Regulator of Social Housing's regulatory expectations in the Governance and Financial Viability Standard. An annual self-assessment against the Governance & Financial Viability Standard was carried out in October 2017 using a compliance checklist developed by Campbell Tickell. The Executive Team provided the Board with a further overview of compliance in April 2018. In May 2018 Mazars, acting as independent internal auditors, undertook a follow up review of the recommendations made in their Governance, Regulatory Compliance and Financial Viability (January 2017) audit report. This concluded that the relevant recommendations had been or, in the case of one recommendation, were in the progress of being implemented. The board confirms all of the recommendations have now been implemented.

Governance

The association is managed by a board of five and has adopted the European Confederation of Directors' Associations Code of Governance.

The board confirms that the association has met the Regulator of Social Housing regulatory expectations in the Governance and Financial Viability Standard. Mazars, acting as independent internal auditors, performed a detailed, evidence-based assessment against each element of the Standard and Code in preparation for presenting a report of compliance to the Board. The report was presented to the board on 25 July 2018, recommendations and management responses were noted, the Board approved the report and formally certified its compliance with the Standard and Code.

The board is not aware of any non-compliance.

FUNDING AFFORDABLE HOMES HOUSING ASSOCIATION LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

Financial Reporting

The financial reporting and associated narrative have been prepared in accordance with the Accounting Direction for Registered Providers of Social Housing.

Value for Money

In July 2018 the association published an updated Value for Money (VfM) Strategy addressing the Regulator of Social Housing's revised set of requirements set out in the Value for Money Standard 2018. The association's reporting on VfM is to be considered in the context of the following:

- a) the association's funding and delivery model has very different characteristics to the standard financing and management of affordable homes by other registered providers of social housing. A key aspect of the business model is the separation of asset ownership from service provision. The association partners with local managing RPs to ensure that its schemes respond to local social needs. It enters into long-term (20-30 year) leases with the managing RPs who provide a full suite of housing management services including tenancy/lease allocations, rent and service charge setting, and collection and responsive, cyclical and capital maintenance works. This enables the managing RPs to scale up the services they provide which results in cost effective management fees for the association and benefits residents through the delivery of local management, based on local knowledge and experience. The model reduces the association's direct exposure to potential operating risks and losses, which in turn drives financial stability and viability, the baseline for VfM issues.
- b) the association did not own any operational stock in the year ending on 30 June 2018 which means that the seven metrics with which the Regulator seeks to measure economy, efficiency and effectiveness in the sector are not (yet) an appropriate reporting tool. However, it should be noted that the association has sought to incorporate these technical reporting expectations in its VfM Strategy by reference to the relevant business streams to ensure they are given regular and appropriate consideration going forward.

The directors note that because the association did not own any operational properties during this period there are no key outcomes report and the association's VfM Strategy therefore remains largely untested. However:

- a) significant work was undertaken during the year to ensure that the association understands its obligations in relation to the Regulator's 2018 Value for Money Standard, Code of Practice and Metrics and is ready to "hit the ground running"; and
- b) the benefits of an overall approach to VfM within the Funding Affordable Homes group of companies (FAH) mean that the directors are able provide feedback on some of the association's key business streams:
 - Adding social value - the commissioning and publication of the 2018 social impact report, concluded that FAH and FAHHA are delivering on their social objective of increasing the provision of quality, affordable homes for those in social need. For example, the 2018 report noted: that at a strategic level the group has now invested in over 700 affordable homes; and at a more local level it has worked hard to ensure that the shared ownership units within the Landmark Pinnacle scheme are affordable by agreeing to set the rent levels for unsold equity at a reduced 1.75%;
 - Procurement - the process to appoint a panel of legal advisors and the use of bespoke template legal documents to drive VfM, has enabled the association to obtain and compare competitive quotes for new projects from a number of different and appropriately qualified legal services providers. All of the advisors have been fully briefed on and are familiar with the association's business model and preferred transaction structure. The association is already seeing the benefits of this approach; and
 - Financial Management – FAHHA and the wider group regularly benchmarks its cost to ensure the appropriateness of its cost base and identify potential efficiency gains. A good example of this would be the recent cost saving exercise including headcount reductions, which reduced the overall annual cost, within the group, by around 15%. This has helped the cost of the service level agreement between the group and FAHHA to remain at the same level for the past three years. The cost having been previously benchmarked and shown to demonstrate value for money.

FUNDING AFFORDABLE HOMES HOUSING ASSOCIATION LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

Statement of internal controls

Effective internal controls within the Association are provided through the following mechanisms:


- Risk Management, Business Planning and Control Assurance Framework: including annual review of Board performance, risk, internal control systems, VFM delivery and compliance with the HCA Governance & Financial Viability Standards;
- Standing Orders and Financial Regulations: including annual review of board members' interests, board membership, CEO performance and audited accounts; and quarterly reporting on the Association's financial position;
- EcoDa Code of Governance and annual self-assessment;
- Board Member Code of Conduct and annual review;
- Risk register, reviewed quarterly with full annual risk review;
- Assets and Liabilities register reviewed annually; and
- Policies, including Whistleblowing, Probity & Conflict of Interests, Gifts & Hospitality, Anti-bribery and Anti-fraud, all reviewed on a rolling two year basis.

In pursuit of the board's commitment to high quality corporate governance, the board has appointed the Vice Chair to take specific responsibility for oversight of internal controls.

Going concern

Having reviewed the association's financial forecasts and expected future cash flows, the directors have a reasonable expectation that the association has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements for the year ended 30 June 2018.

On behalf of the board



S D Amos

Director

13 December 2018

FUNDING AFFORDABLE HOMES HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FUNDING AFFORDABLE HOMES HOUSING ASSOCIATION LIMITED

Opinion

We have audited the financial statements of Funding Affordable Homes Housing Association Limited (the 'Association') for the year ended 30 June 2018, which comprise the Income and Expenditure Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 30 June 2018 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company 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 directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company'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 directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

FUNDING AFFORDABLE HOMES HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FUNDING AFFORDABLE HOMES HOUSING ASSOCIATION LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemptions from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 directors are responsible for assessing the company'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 directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company'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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Carl Lundberg ACA (Senior Statutory Auditor)
for and on behalf of Gerald Edelman

13 December 2018

Chartered Accountants
Statutory Auditor

73 Cornhill
London
EC3V 3QQ

FUNDING AFFORDABLE HOMES HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2018

		2018	2017
	Notes		
Staff costs	6	(66,559)	(50,491)
Other operating expenses		(328,967)	(259,682)
Operating deficit	4	(395,526)	(310,173)
Interest receivable and similar income	7	34,842	-
Interest payable and similar expenses	8	(2,970)	-
Deficit before taxation		(363,654)	(310,173)
Taxation	9	-	-
Deficit for the financial year		(363,654)	(310,173)
Other comprehensive income			
Revaluation of tangible fixed assets		1,168,500	-
Tax relating to other comprehensive income		(198,645)	-
Total comprehensive income for the year		606,201	(310,173)

FUNDING AFFORDABLE HOMES HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
Deficit for the year	<u>(363,654)</u>	<u>(310,173)</u>
Other comprehensive income		
Revaluation of tangible fixed assets	1,168,500	-
Deferred tax relating to gains on the revaluation of tangible fixed assets	<u>(198,645)</u>	<u>-</u>
Other comprehensive income for the year	<u>969,855</u>	<u>-</u>
Total comprehensive income for the year	<u>606,201</u>	<u>(310,173)</u>

FUNDING AFFORDABLE HOMES HOUSING ASSOCIATION LIMITED

BALANCE SHEET

AS AT 30 JUNE 2018

	Notes	2018	2017
Fixed assets			
Tangible assets	10	3,606,562	-
Investments	11	5	-
		<u>3,606,567</u>	<u>-</u>
Current assets			
Debtors	13	140,498	18,245
Properties held for sale	14	548,104	-
Cash at bank and in hand		3,236,413	67,656
		<u>3,925,015</u>	<u>85,901</u>
Creditors: amounts falling due within one year	15	<u>(3,436,337)</u>	<u>(547,265)</u>
Net current assets/(liabilities)		<u>488,678</u>	<u>(461,364)</u>
Total assets less current liabilities		<u>4,095,245</u>	<u>(461,364)</u>
Creditors: amounts falling due after more than one year	16	(3,751,763)	-
Provisions for liabilities	17	(198,645)	-
Net assets/(liabilities)		<u>144,837</u>	<u>(461,364)</u>
Reserves			
Revaluation reserve		969,855	-
Income and expenditure account		(825,018)	(461,364)
Members' funds		<u>144,837</u>	<u>(461,364)</u>

The financial statements were approved by the board of directors and authorised for issue on 13 December 2018 and are signed on its behalf by:



S D Amos
Director

Company Registration No. 09353468

FUNDING AFFORDABLE HOMES HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	Revaluation Income and reserve expenditure account	Total
Balance at 1 July 2016	- (151,191)	(151,191)
Period ended 30 June 2017:		
Total comprehensive loss for the year	- (310,173)	(310,173)
Balance at 30 June 2017	- (461,364)	(461,364)
Year ended 30 June 2018:		
Total comprehensive loss for the year	- (363,654)	(363,654)
Other comprehensive income:		
Revaluation of tangible fixed assets	1,168,500 -	1,168,500
Deferred tax relating to gains on the revaluation of tangible fixed assets	(198,645) -	(198,645)
Total comprehensive income for the year	969,855 (363,654)	606,201
Balance at 30 June 2018	969,855 (825,018)	144,837

FUNDING AFFORDABLE HOMES HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

		2018	2017
	Notes		
Cash flows from operating activities			
Cash absorbed by operations	22	(355,590)	(13,942)
Investing activities			
Development of housing properties	(2,955,279)	-	-
Net cash used in investing activities		(2,955,279)	-
Financing activities			
Proceeds from government grants	3,751,763	-	-
Proceeds of new intercompany loans	2,727,863	-	-
Net cash generated from/(used in) financing activities		6,479,626	-
Net increase/(decrease) in cash and cash equivalents		3,168,757	(13,942)
Cash and cash equivalents at beginning of year		67,656	81,598
Cash and cash equivalents at end of year		<u>3,236,413</u>	<u>67,656</u>

FUNDING AFFORDABLE HOMES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1 Accounting policies

Company information

Funding Affordable Homes Housing Association Limited is a private company limited by guarantee incorporated in England and Wales. The registered office is Langham Hall UK Services LLP, 5 Old Bailey, London, EC4M 7BA.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest pound.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The company has taken advantage of the exemption under section 399 of the Companies Act 2006 not to prepare consolidated accounts, on the basis that the group of which this is the parent qualifies as a small group. The financial statements present information about the company as an individual entity and not about its group.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Income and expenditure

Income and expenses are included in the financial statements as they become receivable or due.

Expenses include VAT where applicable as the company cannot reclaim it.

1.4 Housing properties

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties include affordable homes, which are principally properties available for rent, as well as properties held for sale under shared-ownership agreements.

Expenditure on shared ownership properties is split proportionally between current and fixed assets, based on the element relating to expected first-tranche sales. The proportion of shared-ownership property costs relating to the first-tranche portion is classified as a current asset. Costs include the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements. Sales proceeds relating to the first-tranche portion of shared-ownership properties will be classified as turnover.

Completed and under-construction affordable homes and the fixed asset element of shared-ownership properties are stated at fair value at the reporting date, less subsequent accumulated depreciation and accumulated impairment losses. Revaluations are made with sufficient regularity to ensure the carrying amount does not materially differ from the fair value of the properties as at the reporting date.

FUNDING AFFORDABLE HOMES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

1 Accounting policies

(Continued)

1.5 Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in surplus or deficit.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.6 Borrowing costs related to fixed assets

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in surplus or deficit in the period in which they are incurred.

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in surplus or deficit, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in surplus or deficit, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

FUNDING AFFORDABLE HOMES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

1 Accounting policies

(Continued)

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets, other than those held at fair value through surplus and deficit, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in surplus or deficit.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in surplus or deficit.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

FUNDING AFFORDABLE HOMES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

FUNDING AFFORDABLE HOMES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

1 Accounting policies

(Continued)

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.14 Government grants

Government grants include grants receivable from Homes England (HE), local authorities, and other government organisations. A grant which does not impose specific future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specific future performance-related conditions on the company is recognised only when these conditions are irreversibly satisfied. A grant received before the revenue recognition criteria are satisfied is recognised as a liability. To the extent that certain decisions by management could result in a clawback of the grants, such as sale of the properties, the Association continues to hold these grants as long-term liabilities, regardless of the intentions of the Association.

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

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

1.15 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Income

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the England and Wales.

FUNDING AFFORDABLE HOMES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

4 Operating deficit

	2018	2017
Operating deficit for the year is stated after charging:		
Exchange losses	-	2,071
Fees payable to the company's auditor for the audit of the company's financial statements	7,500	4,950
	<u>7,500</u>	<u>4,950</u>

5 Directors' remuneration

	2018	2017
Remuneration for qualifying services	52,916	42,500
	<u>52,916</u>	<u>42,500</u>

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2018 Number	2017 Number
Administrative	6	6
	<u>6</u>	<u>6</u>

Their aggregate remuneration comprised:

	2018	2017
Wages and salaries	72,083	43,021
Social security costs	(5,524)	7,470
	<u>66,559</u>	<u>50,491</u>

7 Interest receivable and similar income

	2018	2017
Interest income		
Other interest income	34,842	-
	<u>34,842</u>	<u>-</u>
Investment income includes the following:		
Interest on financial assets not measured at fair value through surplus or deficit	34,842	-
	<u>34,842</u>	<u>-</u>

FUNDING AFFORDABLE HOMES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

8 Interest payable and similar expenses

	2018	2017
Interest on financial liabilities measured at amortised cost:		
Interest payable to group undertakings	2,970	-
	<u>2,970</u>	<u>-</u>
 Borrowing costs excluded from interest payable and included in the cost of assets during the year are as follows:		
Tangible fixed assets	30,887	-
	<u>30,887</u>	<u>-</u>

9 Taxation

	2018	2017
UK corporation tax on profits for the current period	-	-
	<u>-</u>	<u>-</u>
The actual charge for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:		
	2018	2017
Loss before taxation	(363,654)	(310,173)
	<u>(363,654)</u>	<u>(310,173)</u>
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2017: 20.00%)	(69,094)	(58,933)
Tax effect of expenses that are not deductible in determining taxable profit	1,099	-
Unutilised tax losses carried forward not recognised as a deferred tax asset	67,995	58,933
	<u>67,995</u>	<u>58,933</u>
Taxation charge for the year	-	-
	<u>-</u>	<u>-</u>

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2018	2017
Deferred tax arising on:		
Revaluation of property	198,645	-
	<u>198,645</u>	<u>-</u>

FUNDING AFFORDABLE HOMES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

10 Tangible fixed assets

	Affordable Homes	Shared Ownership	Total
Cost			
At 1 July 2017	-	-	-
Additions	774,729	1,632,446	2,407,175
Revaluation	813,397	355,103	1,168,500
Interest	3,623	27,264	30,887
At 30 June 2018	1,591,749	2,014,813	3,606,562
Depreciation and impairment			
At 1 July 2017 and 30 June 2018	-	-	-
Carrying amount			
At 30 June 2018	1,591,749	2,014,813	3,606,562
At 30 June 2017	-	-	-

11 Fixed asset investments

	Notes	2018	2017
Investments in subsidiaries	12	5	-

Movements in fixed asset investments

	Shares in group undertakings
Cost or valuation	
At 1 July 2017	-
Additions	5
At 30 June 2018	5
Carrying amount	
At 30 June 2018	5
At 30 June 2017	-

FUNDING AFFORDABLE HOMES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

12 Subsidiaries

Details of the company's subsidiaries at 30 June 2018 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
FAHHA - Landmark Pinnacle 1 Limited	England & Wales	Dormant company	Ordinary	100
FAHHA - Landmark Pinnacle 2 Limited	England & Wales	Dormant company	Ordinary	100
FAHHA - Highbridge Limited	England & Wales	Property investment	Ordinary	100
FAHHA - Ryde (SO) Limited	England & Wales	Property investment	Ordinary	100
FAHHA - Ryde (EC) Limited	England & Wales	Property investment	Ordinary	100
Ryde Ashey Road Management Company Limited	England & Wales	Property management	Ordinary	100

13 Debtors

	2018	2017
Amounts falling due within one year:		
Other debtors	140,498	18,245

14 Properties held for sale

	2018 £	2017 £
Shared ownership properties:		
Under construction	548,104	-
	548,104	-

15 Creditors: amounts falling due within one year

	2018	2017
Trade creditors	206,800	-
Other taxation and social security	10,977	7,033
Amounts due to related parties	3,202,863	475,000
Other creditors	15,697	-
Accruals and deferred income	-	65,232
	3,436,337	547,265

FUNDING AFFORDABLE HOMES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

16 Creditors: amounts falling due after more than one year

	2018	2017
Government Grant	3,751,763	-

During the year the association received payments from Homes England in respect of a government grant. The grant has attached to it various performance conditions, which the association is committed to meeting. The amount included in liabilities in respect of the grant relates to 75% of the total grant available, the remainder of which is expected to be received upon practical completion of the Ryde project to which it relates.

17 Provisions for liabilities

	Notes	2018	2017
Deferred tax liabilities	18	198,645	-

18 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2018	Liabilities 2017
Balances:		
Investment property	198,645	-
Movements in the year:		2018
Liability at 1 July 2017		-
Charge to other comprehensive income		198,645
Liability at 30 June 2018		198,645

The deferred tax liability set out above relates to revaluation gains in respect of the association's housing properties. The deferred tax liability is expected to reverse in future periods as the association recovers the carrying amount of the building through use over time.

19 Members' liability

The company is limited by guarantee, not having a share capital and consequently the liability of members is limited, subject to an undertaking by each member to contribute to the net assets or liabilities of the company on winding up such amounts as may be required, not exceeding £1.

FUNDING AFFORDABLE HOMES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

20 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2018	2017
Committed construction costs	13,090,321	-
	<u>13,090,321</u>	<u>-</u>

As at 31 March 2018 the company had expenditure contracted for but not provided in the financial statements amounting to £13,090,321 (2017: £nil). These commitments will be financed through loans from connected companies, loans from third party lenders, government grants and future property sales.

21 Related party transactions

The Association's parent company is Funding Affordable Homes Finance Company Sarl and its ultimate controlling party is Funding Affordable Homes SICAV SIF S.A. Both of these entities are incorporated in Luxembourg.

As at 30 June 2018, there was a loan payable to FAH Finance Company S.a.r.l of £3,143,763 (2017: £18,245 receivable).

The company also had a loan payable balance of £59,100 (2017: £nil) due to Funding Affordable Homes Service Company, an entity which acts as a service provider to the Association.

As at 30 June 2018, there was no loan payable to Funding Affordable Homes SICAV SIF S.A. (2017: £475,000).

22 Cash generated from operations

	2018	2017
Deficit for the year after tax	(363,654)	(310,173)
Adjustments for:		
Investment income	(34,842)	-
Movements in working capital:		
(Increase) in debtors	(122,253)	(14,042)
Increase in creditors	165,159	310,273
Cash absorbed by operations	<u>(355,590)</u>	<u>(13,942)</u>