Co%ownership

AGM

Annual Report 2019

Chair's Opening Remarks

I am pleased to report that 2018-19 saw Co-Ownership continuing to move forward with its transformation journey. Against a backdrop of uncertainty over funding and Brexit we have pressed ahead to deliver much needed affordable housing to the community whilst also delivering a challenging change programme.

Demand for shared ownership remains high and we are pleased to have the continuing support of our colleagues in the Department for Communities to meet this need.

The organisational changes I have seen during my tenure as Chairman have been very pleasing. In the last year, the pace of change has accelerated. Some highlights from 2018-19 are:

- In 2018 we marked our 40th anniversary with a successful conference, a re-brand and the successful launch of our applicant portal. Offering our service online and the associated product and process changes has totally transformed our customer experience.
- We continued to pilot our Rent to Own product and sought to secure future funding to mainstream it product alongside our core Co-Ownership product.
- We continued to demonstrate our social purpose and commitment to responsible business through our CoRe accreditation and our successful community fund.
- We successfully launched our consumer website Steps to Buy NI which offers information to prospective home-buyers.

None of these changes could have been achieved without our staff. They remain our most valuable asset. We continued to develop them to equip them with the skills necessary to deliver our transformed services. Their enthusiasm, professionalism and commitment to delivering excellent service to customers was recognised with a CIH Customer Service Award.

Sid McDowell

Sid McDowell, CBE. MCIH (Hon) Chairman

Chair's Annual Report to the 2019 Annual General Meeting

PERFORMANCE HIGHLIGHTS

Summary

2018/19 was a landmark year for Co-Ownership as it celebrated 40 years of delivering affordable homeownership across Northern Ireland.

Operational performance was strong during a year which saw the organisation implement some of the most significant digital enhancements in its history; this will ensure Co-Ownership is well placed to face future challenges and meet the growing demand for digital access from a range of customers.

The number of applications received, properties purchased and customers' buying out were all up on the levels recorded during 2017/18. In addition, Co-Ownership welcomed its 28,000th household into homeownership.

In September, Person First was launched which enabled Co-Ownership customers to apply online for the first time. It has significantly improved the user experience for applicants and allows Co-Ownership to provide an approval in principle, typically within 2 working days or less. This has put Co-Ownership customers on a more equal footing in the property market meaning they can apply and get an offer in principle before they find a property.

The creation of a digital solicitors portal has increased the efficiency and speed of correspondence with one of our key stakeholders by enabling solicitors to receive their instructions electronically and guiding them through the home buying process. Our Rent to Own product continues to provide aspiring homeowners with an alternative route to homeownership but who are not yet able to do so due their current employment status or credit issues. By 31st March 2019, there were 49 Rent to Own properties.

Co-Ownership launched a new campaign to educate homebuyers across Northern Ireland about the process of buying a house. Steps to Buy NI is a free to use website which covers a broad range of topics including a step by step guide about deciding your move, budgeting, managing finances and more.

Co-Ownership is a charity with a strong sense of social purpose. We conducted our first Social Impact study in order to measure the social value of our work. The study revealed that for every £1 invested, £10 of social and economic value was generated for customers.

During 2018/19, Co-Ownership raised nearly £5,000 for its chosen charity of the year, Meningitis Now. The fundraising drive will continue with PIPS (Public Initiative for Prevention of Suicide and Self Harm) selected as our chosen charity for 2019/20.

Applications

A total of 2,046 applications were received for Co-Ownership during 2018-19, an increase of 57% when compared to last year.

Thanks to the continued support of the Department for Communities (DfC) and our private funder Bank of Ireland, we dealt with every application received and closed the year with a substantial pipeline of commitments.

Property purchasing activity

A total of 1,152 homes were accepted for purchase on behalf of Co-Ownership customers during 2018-19 and 1015 customers received the keys to their new home. This represents an investment into the housing sector of £128m. This represents a year on year increase of 32% investment, demonstrating the continued levels of demand for affordable homeownership.

In doing so, Co-Ownership achieved the target set within the draft Programme for Government of providing 2,800 affordable homes during a four year period (2015-16 to 2018-19). Co-Ownership ended the year with stock of 8,766 properties with an annual rent roll of almost £12m.

Property acceptances were recorded across all eleven council areas demonstrating the continuing demand for affordable homeownership in both established and emerging housing markets.

New build housing

Whilst remaining short of the current and projected levels required, new build supply in Northern Ireland has improved.

During 2018/19, 42% of property acceptances were new build (2017/18: 36%). Continued investment in new build affordable housing produces a 'local multiplier effect' which stimulates further economic activity including jobs, expenditure and income.

House prices

In year ending 31 March 2019 the average Co-Ownership purchase price was £126,000. This represents a 4% increase from the previous 12-month average price. The average price for new build properties was £137,291 and £120,078 for existing properties. The average purchase price for a property in Northern Ireland currently stands at £134,811[1].

Around three quarters of Co-Ownership properties registered a price of £140,000 or less (71%), demonstrating the continued availability of good quality affordable homes across the majority of housing markets in Northern Ireland.

[1] NISRA House Price Index, Jan – Mar 2019

Property value limit

For the year 2018-19 the property value limit for Co-Ownership was £165,000.

Property type

Semi-detached was the most common property type during 2018-19; two thirds of Co-Ownership customers purchased this property type (66%). This was followed by terraced/townhouse (21%) and detached (9%). Just 4% of properties were apartments.

Detached
9%

Semi-detached
66%

Terrace/Townhouse
21%

Apartment
4%

Buying out

Buying out levels continued an upward trend during 2018/19. 654 customers fully bought out the remaining share in their property. This represents an increase of 19% when compared to 2017/18.

Chart 1 illustrates the incremental rise in customers buying out in full during the last five years:

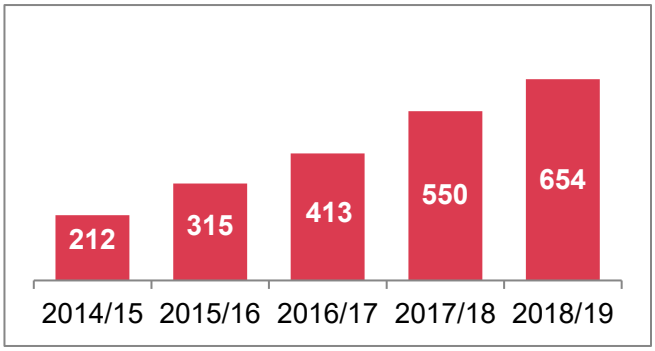

Chart 1: Customers buying out in full, 2014/15 – 2018/19

First time buyers

During 2018-19, 95% of customers were first time buyers. This figure remains unchanged from last year. First time buyers are integral to the continuing housing market recovery in Northern Ireland and Co-Ownership's offering is of vital importance to first time buyers who need a helping hand onto the property ladder.

Returning homeowner demand

Whilst the majority of our customers are first time buyers, Co-Ownership has been, and will continue to be, an important access product for customers seeking a return to homeownership. 5% of Co-Ownership purchasers during 2018-19 were previously a home owner.

Deposit

Raising a deposit is one of, if not, the key barrier to homeownership for first time buyers. The average deposit amount for first time buyers in Northern Ireland stands at a sizeable £18,077[2].

Co-Ownership provides a solution for those unable to raise the necessary deposit amount needed to access homeownership. During 2018/19, almost two thirds of Co-Ownership customers were able to access homeownership without a deposit (64%).

Indeed, of those Co-Ownership customers who were able to raise a deposit, the median amount was £6,000, around one third of the typical amount required by first time buyers accessing homeownership in Northern Ireland.

Earnings

Northern Ireland's low wage economy is preventing many people from affording a mortgage on their own. Co-Ownership offers a route into homeownership for those who would otherwise be unable to access homeownership. During 2018/19, the median gross annual earnings for a Co-Ownership customer was £21,822[3].

[2] Halifax First-Time Buyer Review, Jan – Dec 2018
[3] Head of household

Previous tenure

The Northern Ireland House Condition Survey 2016 noted that the private rented sector has now become the second highest form of tenure having overtaken social housing[4].

Demand for private rented housing will continue to be driven by difficulties accessing the owner occupied sector and the social housing waiting list. Whilst the private rented sector is the tenure of choice of some, it is the only viable option for others.

Co-Ownership provides access to affordable homeownership, typically at a lower cost than those renting privately. For many people, Co-Ownership also provides a sense of security and several health and wellbeing benefits associated with being a home owner. Our Social Impact Study 2018 found that 82% of our customers said that Co-Ownership had allowed them to choose a home which was closer to their friends and family.

Analysis of customers who purchased with Co-Ownership assistance during 2018/19 reveals that almost half moved from the private rented sector (49%). The remainder comprised of customers who had previously been living with friends/family (50%) and those in social housing (1%)[5].

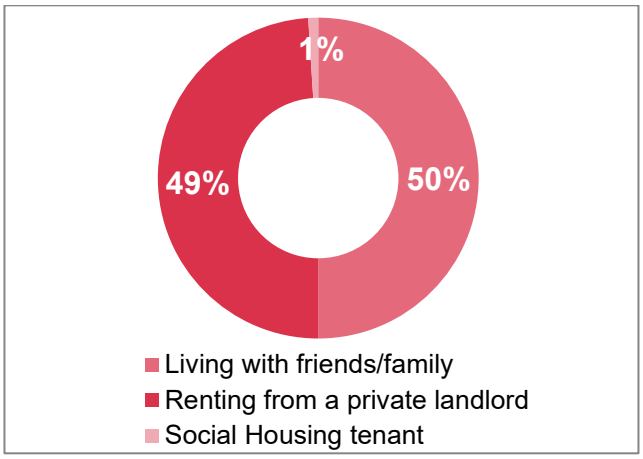

Chart 2: Previous tenure of head of household, 2018-19

[4] Northern Ireland House Condition Survey 2016
[5] Head of household

Household composition

Single persons were the most common Co-Ownership household during 2018/19 (42%). There was a slightly higher proportion of couples with children (29%) in comparison to those couples without children at time of application (21%).

8% of purchasers were single parent households. Co-Ownership provides an opportunity for these customers to access security of tenure for their family in a property and location that meets their requirements when they may not be able to do so otherwise on affordability grounds.

Age

The average age of a new Co-Ownership customer during 2018/19 was 32, remaining unchanged for the third year in succession[6]. The most common age group of new Co-Ownership customers also remains unchanged from last year; those aged 28 to 32 were found to be most likely to access homeownership with Co-Ownership's assistance.

A breakdown of Co-Ownership customers by age group can be found below:

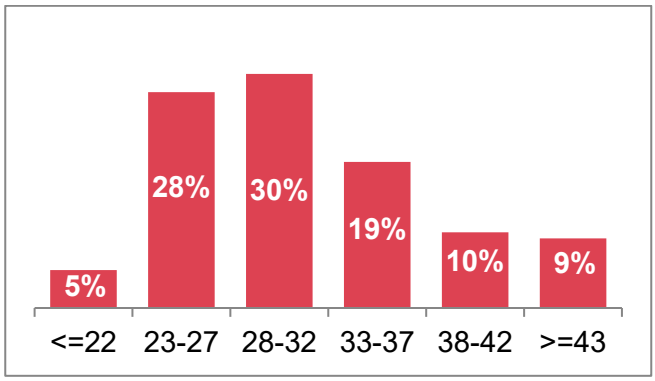

Chart 3: Average age of head of household, 2018-19

Product Development

During the year we completed consumer research on the housing needs and wants of older people. This enabled Co-Ownership to define a shared ownership product for over 55s. In 2019-20 we will engage with external stakeholders and work to develop the product further.

In December 2018 we launched Steps to Buy NI. The aim was to provide an online home ownership education offering that explains who does what in the home buying process and what a buyer needs to do at each stage. The website is designed for all home buyers but particularly aimed at first-time buyers.

Marketing

2018/19 was a milestone year for Co-Ownership as we celebrated our 40th anniversary. Our aim for the year was to use the anniversary to position us as an industry leader for shared ownership in Northern Ireland.

In June we hosted a conference for industry and government partners to discuss the future of affordable housing in Northern Ireland. We had an excellent turnout, speakers and topics were varied and covered what affordable housing is, improving the conveyancing process, and how businesses can use social media to stand out from competitors.

[6] Head of household

To support the launch of digital applications, we delivered a refreshed brand proposition, along with a full suite of new marketing materials and customer website. It is now clearer and easier for customer to find the information they need and apply directly. The new branding has brought a youthful, modern approach to our communications, and has been well received by both customers and stakeholders.

In February 2019, on the eve of our 41st anniversary, our efforts were recognised by Belfast City Council who illuminated Belfast City Hall with the Co-Ownership brand colours. This event demonstrated the significant contribution Co-Ownership has made to the city.

Financial Performance

The financial performance of the combined Co-Ownership and OwnCo Homes was very satisfactory with a surplus income over expenditure of £6m being generated.
The balance sheet remains strong, with net assets having increased to £89m by 31 March 2019.

Once again we received a clean audit from our external auditors, PricewaterhouseCoopers and a satisfactory assurance rating, (the highest possible rating), from our internal auditors, KPMG, following a comprehensive review programme.

Board

All service by Board members is on a voluntary basis, with time and expertise freely donated to the work of Co-Ownership. It is with regret we note the departure of Beverley Wall and Maureen Taggart from the Board. We thank them both for their insight and professionalism during their tenure and wish them every success.

Throughout the year we sought to strengthen our Board through recruitment and we welcomed Derek Wilson to the Board as a co-opted member.

The Board continues to refresh and improves its performance through self-assessment and external evaluation. During the year we were pleased to receive an independent report on Board performance and we implemented best practice recommendations from this report.
The Board also participated in strategic planning events throughout the year in preparation for the launch of our latest strategic plan.

People

We continued to work with external accreditations as business improvement tools and to evidence the strength of our commitment to our social purpose.

We were re-accredited under IIP6 Standard in December 2018 and along with accreditation in the IIP Health & Wellbeing Award. We continue to use the IIP framework for achieving high performance through our people and supporting our Restructuring Programme, through collaboration and team working across the departments

We developed a People Strategy and Workforce plan to support the mission, vision and values of Co-Ownership, recognising that our people are the most valuable asset we have, are at the heart of everything we do, and the services we deliver.

During the year we continued to invest in health & well-being and delivered a range of well-being initiatives for our staff. In recognition of the emphasis we place on health & wellbeing and the ethos of collaboration, I am delighted to report that we were short-listed for the Business in the Community Wellbeing at Work Award and the CIPD Best Health & Wellbeing Initiative.

ICT

The team were integral to the delivery of our digital transformation programme and continued with significant activity in this regard as well as preparing for ISO27001 accreditation and maintaining all business as usual activity. We thank them for their commitment and enthusiasm over what has been a challenging but exciting time.

Governance

We were pleased to achieve re-accreditation by Business in the Community under CORE – the standard for responsible business and Northern Ireland's only Corporate Responsibility Standard. As an organisation with a strong sense of social purpose, we hold this accreditation highly and look forward to continuing our work in this area. Following the launch of our community fund in 2017, we continued this in 2108. The fund aims to support projects that will:

- Help regenerate, rebuild, and revitalise neighbourhoods and communities;
- Support elderly or disabled people; or;
- Provide advice and educational services to promote either financial capability, inclusion, energy efficiency or biodiversity in the community.

BUSINESS IN THE COMMUNITY

The Responsible Business Network

Northern Ireland

In 2018, we awarded a grant to Street Soccer NI for their Homeless World Cup project. They took 16 players who were homeless or had experienced homelessness to take part in the week long tournament to represent Northern Ireland amongst 50 plus nations.

Justin McMinn, Manager and Co-Founder of Street Soccer Northern Ireland said: "This trip was a once in a lifetime opportunity for all the players, a chance to represent your country in an amazing place like Mexico. We've already witnessed the positive impact of the trip with players obtaining housing, jobs and coaching qualifications on their return. Players are now filled with confidence and motivation and believe they can now achieve anything.'

Participating in the Homeless World Cup is a life changing event. Each player receives training and support over a 6 month period. The benefits the players receive are: better physical and mental health, increased confidence and self-esteem, motivation, structure, discipline, breaking out of homelessness, overcoming addictions and gaining employment and education.

We look forward to engaging and supporting other groups through our community fund in the coming year.

Improving Our Services

During the last year much has been achieved on the journey to transform our service offering. Our Customer Services team moved to new roles and undertook bespoke customer services training. We redesigned our application journey end-to-end leveraging a digital application portal and new rebranded, customer focussed website.

We launched Trust Pilot reviews for our customers joining Co-Ownership and after over 100 reviews are achieving a 5 star rating. We are using the feedback from these reviews to improve our service further. Our Local Area Officers have been out on the road supporting customers and their work raising Co-Ownership's profile and understanding has enabled us to support more customers during 2018/19 overall, and in areas outside our normal catchment.

We were delighted to be awarded the CIH Award for Excellence in Customer Services for our Digital Transformation work.

Registered number: IP 200
Charity Registration Number: NIC101435

Northern Ireland Co-Ownership Housing Association Limited

Annual report and financial statements for the year ended 31 March 2019

Northern Ireland Co-Ownership Housing Association Limited

Annual report and financial statements for the year ended 31 March 2019

Contents **Pages**

Board of management and advisers

Board of Management

S McDowell (Chair)
J Hood
A Kilpatrick
M Taggart (resigned 15 January 2019)
P Price
D Little
B Wall (resigned 25 October 2018)
A Coulson
G Greer
D McElholm
S Dickey
L Jackson
N McKeown
D Wilson (co-opted 28 March 2019)

Chief Executive

M Graham

Company secretary

G Hughes

Registered office

Murray House
Murray Street
Belfast
BT1 6DN

Bankers

Bank of Ireland Limited
4 - 10 High Street
Belfast
BT1 2BA

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Waterfront Plaza
8 Laganbank Road
Belfast
BT1 3LR

Strategic report of the Board of Management for the year ended 31 March 2019

The Board of Management presents its annual report and the audited financial statements for the year ended 31 March 2019 for Northern Ireland Co-Ownership Housing Association Limited ("Co-Ownership") and its subsidiary (together the "Group"). The wholly owned subsidiary of Co-Ownership is called Ownco Homes Limited ("Ownco").

Co-Ownership is a registered charity with the Charity Commission for Northern Ireland. The Board of Management of Co-Ownership are the directors of the company and are the trustees of the charity. This report is also known as the Trustees' report for Charity law purposes.

Principal activity

The principal activity of Co-Ownership remains unchanged and is the provision of affordable housing on a shared ownership basis for persons in need thereof. Ownco compliments the Group by providing a route to home ownership when a full mortgage or Co-Ownership are currently unattainable.

Our Mission:
To provide different opportunities for people to get onto the property ladder.

Our Vision:
To be the innovative leader in helping people afford their dream of owning their own home.

Our Values:

- People are at the heart of what we do and we respect people's individual needs and aspirations.
- We are committed to quality and being the leaders at what we do.
- We will work in an atmosphere of integrity and professionalism with the highest standards of leadership and governance.

Gender Analysis:
9 members of the Board of Management are male and 3 are female. The Group has 59 employees of which 39 are female and 20 are male at the end of the year.

Whilst the Group operates on not for profit principles, the generation of an annual surplus is vital to ensure the ongoing investment in new homes, to meet the commitments to lenders, and to generally ensure adequate protection against unforeseen circumstances.

The key strengths of the Group which enable its primary objectives to be met are:

- A commitment to the highest standards of corporate governance;
- A financial position which secures the confidence of funders, facilitating future investment and strategic growth opportunities; and
- Professional and dedicated staff who are committed to the Group's objectives.

Review of business and future developments

During the year the housing property portfolio increased from £382m to £401m with 1,015 (2018: 803) properties added to rent. Staircasing activity was strong with 688 property sales transactions (2018: 590). There were also 122 part purchases compared to 131 in 2018. The level of repossession sales decreased to 34 this year (2018: 40). At 31 March 2019 Co-Ownership had interests in 8,766 homes (2018: 8,439).

In 2016 the Department for Communities (DfC) allocated Co-Ownership £100m of financial transaction capital (FTC) to cover the period from April 2016 to March 2019. This type of funding replaced Housing Association Grant (HAG) as Co-Ownership's main source of Government Funding. These funds have now been fully committed with the target of 2,800 home purchases being met.

The Board of Management is of the view that for the foreseeable future Co-Ownership will continue to generate sufficient income to cover its operating and financing costs. Mindful of ongoing and anticipated developments in the changing landscape of housing in Northern Ireland, the Board continues to explore opportunities for enhancement of its existing scheme and services going forward. In the year ended 31 March 2020, it is anticipated that rental income will increase to over £12m and with the property market continuing to improve property sales prices are expected to increase.

Ownco completed its second full year of trading and purchased 19 houses at a total cost of £2.6m making 49 purchases to date with a total spend to date of £7.1m leaving £5.4m available to be spent.

Results

The surplus for the year amounted to £6.1m (2018: £3.3m). The increase in net surplus is primarily due to the improvement in the deficit on sale of housing properties to a £0.4m surplus (2018: deficit £2.5m).

The Board of Management are satisfied with the underlying financial performance of the Group.

Environment

As an organisation with a social purpose, the Group recognises it's responsibility to carry out it's operations whilst minimizing environmental impact and has a Corporate Social Responsibility Strategy in place for this purpose.

Health and safety

The Group is committed to achieving the highest practicable standards in health and safety management and strives to make its offices a safe environment for both employees and customers alike. As an organisation we have invested in providing information, training, instruction and supervision to all employees and will continue to invest resources in ensuring the office remains a safe work environment.

Human resources

The Group's most important resource is its people; their knowledge and experience is crucial to meeting customer requirements. During the year Co-Ownership was awarded an Investor in People accreditation reflecting the good management of its people.

Financial risk management

The Group's operations expose it to a variety of financial risks that include the effects of changes in credit risk, price risk and interest rate risk. The programme of capital investment is financially dependent on the continued availability of government funding. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group by regular review of activity levels against changing market conditions and adjustment to cashflow projections accordingly. The Group liaises with lenders, financial adviser networks and independent financial advisers on an ongoing basis to keep up to date with other products in the market place.

Credit risk

Levels of rent collectibles are set in line with the corporate plan and cashflow forecasts. Strict procedures are in place and levels of arrears are regularly reviewed, monitored and reported to the Board.

Price risk

The Group is exposed to changes in the housing market. In order to ensure the Group is receiving value for money on the properties it purchases and sells, each property is valued by a professional external valuer prior to entering into a contract. The nature of operations undertaken by the Group exposes it to a number of inherent price risk factors. By rigidly adhering to its procurement policy, in line with public sector tendering requirements, the Group is customarily able to determine and agree favourable prices. Therefore, the risk management strategies and operational processes employed by the Group ensure that such exposure is controlled.

Interest rate risk

The Group has both interest bearing assets and interest bearing liabilities. Interest bearing assets include cash balances which are held on deposit. Interest bearing liabilities consist of bank loans that bear interest at normal commercial rates. In order to manage the impact of interest rate fluctuations The Group has implemented a hedging strategy.

The Board of Management and executive directors

The Board of Management and executive directors of Co-Ownership are listed on page 1.

Each past and present member of the Board of Management holds one non-equity share of £1 in Co-Ownership. The Chief Executive of Co-Ownership holds no interest in the Co-Ownership's share capital and although not having the legal status of director he acts as executive within the authority delegated by the Board.

The Board of Management is a voluntary Committee who have responsibility for the strategic direction, general policy and management of the Group. The day to day management of operations is delegated to the Chief Executive and the Senior Leadership Team.

Group structure

Northern Ireland Co-Ownership Housing Association Limited is the controlling member of the Group. The aim of Ownco Homes Limited is to increase the provision of affordable housing in the province. Note 15 of the financial statements provides details on Northern Ireland Co-Ownership Housing Association Limited's investment in a subsidiary undertaking.

Funding

At the year-end the Group had cash and deposit balances of £38m (2018: £63m), net current assets of £29m (2018: £56m) and total net assets of £90m (2018: £83m). In addition it has undrawn financing facilities of £22m (£65m minus £43m drawn down). The decrease in cash balance is due to properties being purchased. Accordingly, the Board is of the view that the Group will have sufficient finance to fund its ongoing activities whereby it continues to be appropriate to adopt the going concern basis in the preparation of the annual financial statements.

SORP - Accounting for Registered Social Landlords

The Group has continued with the use of FRS102 for the year ended 31 March 2019.

Events after the Balance Sheet date

The Association has no post balance sheet date events to disclose.

Value for Money (VfM)

The focus on VfM continuous improvement remains a key element of our business strategy. The aim is to maximise capacity and better utilise assets and resources to meet the needs of existing and future participants. It is important that the focus is not just about cost savings and financial improvement, but that VfM is integrated into the culture as a matter of course. Value is defined from the perspective of our customers and stakeholders in any service or process.

The approach to VfM is to consider economy, efficiency and effectiveness in everything that we do whilst having regard to quality of service.

Some of the results of using the VfM approach during the year are as follows:

- Helped 1,015 people take the step towards owning their own home.
- Co-Ownership contributed to a total spend of £128m in the Northern Ireland housing market by purchasing 1,015 properties, including 420 new build properties.
- Enabled 654 people to fully purchase outright their own home and 122 people to purchase further equity in their home.
- Developed and implemented a digital platform that allows applicants to apply online.
- Invested £84k in the training and development of our people.

Internal financial control

The Board of Management is responsible for ensuring that the Group has established and maintains an effective system of internal financial control to ensure the reliability of financial information, the maintenance of proper accounting records and the safeguarding of assets against unauthorised use or disposition in accordance with the requirement of the Department for Communities Code of Audit Practice. The operation of internal financial control is delegated to the Senior Executive Officers on a day to day basis; however the Board of Management reviews the operation of those controls in the following ways

The Group has a clearly defined organisational structure based upon a system of delegation and authorisation, which includes the Board of Management where appropriate. The levels of authority are set out in internal policies and similar documents which have been adopted by the Board of Management and are subject to periodic review. These are supported by detailed procedures which seek clearly to define operations, controls and authorisation levels and limitations so as to ensure the completeness, accuracy and reliability of transactions and information.

Experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance.

The Group reviews the effectiveness of the system of internal financial control through participation in the Audit, Risk & Governance Committee. That Committee reviews reports from management, from the internal auditors and from the external auditors and seeks to obtain reasonable assurance that control procedures are in place and are being followed. This includes a review of the major risks facing the Group. The Audit, Risk & Governance Committee approves an annual internal audit plan, considers recommendations and agrees appropriate responses and action with the Senior Executive Officers. The Committee generally meets four times during the year. The internal auditors also attend meetings and they have unrestricted access to the Chairman of the Committee. The Senior Executive Officers attend meetings when required. The minutes of the Committee are formally recorded.

The Board of Management receives the annual report of the internal auditors.

The Group develops and monitors progress against a 3 year strategy. A detailed annual budget and cash flow statement are maintained. The Board of Management reviews these documents in detail and receives regular reports from the Senior Executive Officers, including management accounts and performance indicators, prepared promptly. These are compared with the planning and budgeting documents to monitor key business and financial activities and identify any activities or developments which require intervention or modification.

All new initiatives, major commitments and investment projects are subject to formal appraisal and authorisation procedures by the Board of Management.

The Internal Audit Plan reflects the risk management policy and the risk 'map' it contains so that internal audit resources are directed towards testing the risks and their control mechanisms which the policy identifies. Control is further reinforced by comprehensive measurement of, analysis of, and reporting and acting upon, performance data.

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

The Group is committed to the highest standards of quality, probity, openness and accountability and has in place a confidential reporting system.

Statement of the Board of Management's responsibilities

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

The Co-operative and Community Benefit Societies Act (Northern Ireland) 1969 and registered housing association legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of the Co-Ownership's affairs and of its surplus or deficit for that period. In preparing these statements the Board is required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;

- State whether applicable accounting standards 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 Co-Ownership will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of Co-Ownership and to enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act (Northern Ireland) 1969 and the Registered Housing Associations (Accounting Requirements) Order (Northern Ireland) 1993. It has general responsibility for the taking of reasonable steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Statement of disclosure of information to auditors

So far as each of the members of the Board of Management in office at the date of approval of these financial statements are aware:

- there is no relevant audit information of which the Group's auditors are unaware; and

- it has taken all the steps that it ought to have taken as the Board of Management in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

By order of the Board of Management

J Hood
Director
27 June 2019

Performance in the year ended 31 March 2019 and expected performance in the year ended 31 March 2020

The sections on performance in the year ended 31 March 2019 and expected performance in the year ended 31 March 2020 are included in the strategic report.

Regulation

Co-Ownership's principal regulator is the Department for Communities (DfC). The last regulatory judgement was published in January 2019 with the following ratings being received.

Area of operations:	Rating:
Financial Management	Meets the requirements
Corporate Governance	Meets the requirements
Overall	Meets the requirements

Charitable donations

Donations totalling £14,405 (2018: £11,175) were made by Co-Ownership Housing during the year. No donations for political purposes were made during the year (2018: £Nil).

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution proposing their reappointment will be proposed at the Annual General Meeting.

By order of the Board

J Hood
Director

27 June 2019

Independent auditors' report to Northern Ireland Co-Ownership Housing Association

Report on the audit of the financial statements

Opinion

In our opinion, Northern Ireland Co-Ownership Housing Association Limited's group and parent financial statements ("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 association's income and expenditure, and of the group's cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law);
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act (Northern Ireland) 1969, the Charities Act (Northern Ireland) 2008, the Charities (Accounts and Reports) Regulations (Northern Ireland) 2015 and the Registered Housing Associations (Accounting Requirements) Order (Northern Ireland) 1993.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the consolidated and Co-Ownership statements of financial position as at 31 March 2019, the consolidated and Co-Ownership statements of comprehensive income, the consolidated and Co-Ownership statements of changes in reserves, and the consolidated statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and association's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the association's trade, customers, suppliers and the wider economy.

Independent auditors' report to Northern Ireland Co-Ownership Housing Association (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Trustees' Report

Under the Charities (Accounts and Reports) Regulations (Northern Ireland) 2015 we are required to report to you if, in our opinion the information contained in the financial statements is inconsistent in any material respect with the Trustees' Report. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Responsibilities of the Board for the financial statements

As explained more fully in the Statement of the Board of Management's Responsibilities set out on pages 5 and 6, the Board is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Board is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

We are eligible to act and have been appointed as auditors under section 65(2) of the Charities Act (Northern Ireland) 2008 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the association as a body in accordance with section 43 of the Co-operative and Community Benefit Societies Act (Northern Ireland) 1969, section 65 of the Charities Act (Northern Ireland) 2008, regulations made under section 66 of that Act (Part 4 of the Charities (Accounts and Reports) Regulations (Northern Ireland) 2015), and article 19 of The Housing (Northern Ireland) Order 1992 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report to Northern Ireland Co-Ownership Housing Association (continued)

Other required reporting

Co-operative and Community Benefit Societies Act (Northern Ireland) 1969 exception reporting

Under the Co-operative and Community Benefit Societies Act (Northern Ireland) 1969 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Charities (Accounts and Reports) Regulations (Northern Ireland) 2015 exception reporting

Under the Charities (Accounts and Reports) Regulations (Northern Ireland) 2015 we are required to report to you if, in our opinion:

- sufficient accounting records have not been kept;
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Belfast
27 June 2019

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

	Note	2019 £	2018 £
Turnover	5	**42,941,438**	39,234,623
Cost of sales	5	**(30,406,718)**	(30,015,248)
Operating costs	5	**(5,101,897)**	(4,495,298)
Bad debt write off		**(4,003)**	(59,778)
Release of impairment of housing properties	13	**500,000**	–
Operating surplus	6	**7,928,820**	4,664,299
Loss on disposal of housing properties	9	**(779,095)**	(677,560)
Interest receivable and similar income	10	**196,233**	357,924
Interest payable and similar charges	11	**(1,009,806)**	(839,249)
Other finance expenses	12	**(259,000)**	(217,000)
Surplus before tax		**6,077,152**	3,288,414
Taxation		**(20,572)**	-
Surplus for the financial year		**6,056,580**	3,288,414
Actuarial gain/(deficit) recognised in pension scheme	23	**261,000**	(41,000)
Total comprehensive income for the financial year	26	**6,317,580**	3,247,414

All amounts above relate to the continuing operations of the Group.

Consolidated statement of changes in reserves for the year ended 31 March 2019

	2019 £	2018 £
Surplus for the financial year	**6,056,580**	3,288,414
Actuarial gain/(deficit) recognised in pension scheme (note 23)	**261,000**	(41,000)
New share capital issued	**3**	2
Net movement in capital and reserves	**6,317,583**	3,247,416
Opening total capital and reserves	**83,447,125**	80,199,709
Closing total capital and reserves	**89,764,708**	83,447,125

Co-Ownership statement of comprehensive income for the year ended 31 March 2019

	Note	2019 £	2018 £
Turnover	5	**42,744,391**	39,128,690
Cost of sales	5	**(30,406,718)**	(30,015,248)
Operating costs	5	**(4,997,134)**	(4,419,743)
Bad debt write off		**(4,003)**	(59,778)
Release of impairment of housing properties	13	**500,000**	-
Operating surplus	6	**7,836,536**	4,633,921
Loss on disposal of housing properties	9	**(777,630)**	(677,560)
Interest receivable and similar income	10	**176,876**	345,493
Interest payable and similar charges	11	**(1,009,806)**	(839,249)
Other finance expenses	12	**(259,000)**	(217,000)
Surplus for the financial year		**5,966,976**	3,245,605
Actuarial gain/(deficit) recognised in pension scheme	23	**261,000**	(41,000)
Total comprehensive income for the financial year	26	**6,227,976**	3,204,605

All amounts above relate to the continuing operations of Co-Ownership.

Co-Ownership statement of changes in reserves for the year ended 31 March 2019

	2019 £	2018 £
Surplus for the financial year	**5,966,976**	3,245,605
Actuarial gain/(deficit) recognised in pension scheme (note 23)	**261,000**	(41,000)
New share capital issued	**3**	2
Net movement in capital and reserves	**6,227,979**	3,204,607
Opening total capital and reserves	**83,445,814**	80,241,207
Closing total capital and reserves	**89,673,793**	83,445,814

Consolidated statement of financial position as at 31 March 2019

	Note	2019 £	2018 £
Fixed assets			
Housing properties	13	**407,562,123**	386,188,593
Other tangible assets	16	**678,169**	694,471
		408,240,292	386,883,064
Current assets			
Stock	17	**3,139,916**	2,766,105
Debtors	18	**15,169,186**	1,304,167
Investments	19	**15,322,036**	15,404,419
Cash at bank and in hand		**22,445,418**	47,121,930
		56,076,556	66,596,621
Creditors: amounts falling due within one year	20	**(27,085,050)**	(10,586,954)
Net current assets		**28,991,506**	56,009,667
Total assets less current liabilities		**437,231,798**	442,892,731
Creditors: amounts falling due after more than one year	21	**(343,580,090)**	(355,650,606)
Net assets excluding pension deficit		**93,651,708**	87,242,125
Pension deficit	23	**(3,887,000)**	(3,795,000)
Net assets including pension deficit		**89,764,708**	83,447,125
Capital and reserves			
Called up share capital	24	**56**	**53**
Reserves	25, 26	**89,764,652**	**83,447,072**
Total capital and reserves		**89,764,708**	**83,447,125**

The financial statements on pages 11 to 35 were approved by the Board of Management on 27 June 2019 and were signed on its behalf by:

S McDowell – **Chairman**

M Graham – **Chief Executive**

J Hood – **Board Member**

Registered number: IP 200
Charity Registration Number: NIC101435

Co-Ownership statement of financial position as at 31 March 2019

	Note	2019 £	2018 £
Fixed assets			
Housing properties	13	**400,577,207**	381,684,140
Other tangible assets	16	**678,169**	694,471
Investments	15	**300,001**	300,001
		401,555,377	382,678,612
Current assets			
Stock	17	**3,139,916**	2,766,105
Debtors	18	**15,023,606**	1,266,620
Investments	19	**15,322,036**	15,404,419
Cash at bank and in hand		**16,401,792**	38,698,839
		49,887,350	58,135,983
Creditors: amounts falling due within one year	20	**(26,801,844)**	(10,423,175)
Net current assets		**23,085,506**	47,712,808
Total assets less current liabilities		**424,640,883**	430,391,420
Creditors: amounts falling due after more than one year	21	**(331,080,090)**	(343,150,606)
Net assets excluding pension deficit		**93,560,793**	87,240,814
Pension deficit	23	**(3,887,000)**	(3,795,000)
Net assets including pension deficit		**89,673,793**	83,445,814
Capital and reserves			
Called up share capital	24	**56**	53
Revenue reserves	25, 26	**89,673,737**	83,445,761
Total capital and reserves		**89,673,793**	83,445,814

The financial statements on pages 11 to 35 were approved by the Board of Management on 27 June 2019 and were signed on its behalf by:

S McDowell – **Chairman**

M Graham – **Chief Executive**

J Hood – **Board Member**

Registered number: IP 200
Charity Registration Number: NIC101435

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

	Notes	2019	2018
		£	£
Net cash inflow from operating activities	28	**7,399,161**	6,895,289
Returns on investments and servicing of finance			
Purchase of properties		**(60,353,233)**	(44,430,249)
Housing Association Grant received for purchase of properties		**999,908**	3,981,837
Sale of properties		**39,032,431**	28,943,390
Housing Association Grant repaid on sale of properties		**(20,784,165)**	(17,564,870)
Purchase of other tangible fixed assets		**(239,427)**	(330,680)
Interest received		**196,233**	357,924
Net cash used in investing activities		**(41,148,253)**	(29,042,648)
Cash flows used in financing activities			
New term loans		**10,000,000**	-
Interest paid		**(1,009,806)**	(839,249)
Issue of share capital		**3**	2
Net cash used in financing activities		**8,990,197**	(839,247)
Net decrease in cash and cash equivalents		**(24,758,895)**	(22,986,606)
Cash and cash equivalents at the beginning of the year		**62,526,349**	85,512,955
Cash and cash equivalents at the end of the year	29, 30	**37,767,454**	62,526,349

Notes to the financial statements for the year ended 31 March 2019

1 General information

Co-Ownership's principal activity is the provision of affordable housing on a shared ownership basis for persons in need thereof. Co-Ownership is registered under the Co-operative and Community Benefit Societies Act (Northern Ireland) 1969 and domiciled in the UK. The address of the registered office is Murray House, Murray Street, Belfast, BT1 6DN.

2 Statement of compliance

These financial statements of Northern Ireland Co-Ownership Association Limited have been prepared on the going concern basis in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, ''The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland'' (''FRS 102'') under the historical cost convention, and in accordance with applicable accounting standards in the United Kingdom and Statement of Recommended Practice for Accounting by Registered Social Landlords (updated 2014). The principal accounting policies, which have been applied consistently throughout the year, are set out below. The presentation of the financial statements complies with the Registered Housing Associations (Accounting Requirements) Order (Northern Ireland) 1993.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements.

The significant accounting policies adopted by the company are as follows:

Basis of preparation of financial statements

These consolidated and separate financial statements are prepared on a going concern basis, under the historical cost convention. The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group and Co-Ownership accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

Basis of consolidation

The group income and expenditure account and balance sheet include the financial statements of the group and its subsidiary undertaking made up to 31 March 2019. Intra group transactions, any unrealised profits/losses arising and intercompany balances are eliminated fully on consolidation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the group and Co-Ownership and value added taxes. The group and Co-Ownership bases its estimate of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Where the consideration receivable in cash and cash equivalents is deferred and the arrangement constitutes a financing transaction, the fair value of the consideration is measured at the present value of all future receipts using the imputed rate of interest. The group and Co-Ownership recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the group and Co-Ownership retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow through the group and Co-Ownership and (e) when the specific criteria relating to each of the group and Co-Ownership's sales channels have been met, as described below and in note 5.

Notes to the financial statements for the year ended 31 March 2019

3 Summary of significant accounting policies (continued)

i) Rental income

Income represents rental income receivable.

ii) First tranche equity sales

Proceeds from the first tranche disposals are accounted for as turnover in the Statement of comprehensive income in the period in which the disposal occurs.

iii) Other income

Other income is recognised in the Statement of income and retained earnings when the terms of revenue recognition have been met, including amortisation of grants.

Value added tax

Expenses exclude recoverable value added tax.

Employee benefits

The Group provides a range of benefits to employees, including paid holiday arrangements and defined benefit pension plans.

i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognized as an expense in the period in which the service is received.

ii) Pension funding

Retirement benefits to employees of Co-Ownership are provided by the Northern Ireland Local Government Officers Superannuation Committee (NILGOSC) defined benefit scheme which is externally funded and contracted out of the State Earnings Related Pension Scheme.

In respect of this scheme, Co-Ownership's staff constitutes only a small percentage of the overall membership. Co-Ownership has no influence over the level of contributions.

The assets of the NILGOSC scheme are held separately from those of Co-Ownership. Co-Ownership has adopted FRS 102 section 28 'Employee benefits' in these financial statements. Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term to the liability. The movement in the present value of the liabilities of Co-Ownership's defined benefit pension scheme arising from employee service in the year is charged to the statement of comprehensive income. Under FRS 102, a net interest expense, based on the net defined benefit liability, is recognized in the profit and loss account.

The contributions are determined by qualified actuaries on the basis of quinquennial valuations, using a projected unit method.

Notes to the financial statements for the year ended 31 March 2019

3 Summary of significant accounting policies (continued)

Tangible fixed assets

Housing properties

Housing properties are stated at cost which is purchase price together with any incidental costs of acquisition. These properties are effectively purchased concurrently by Co-Ownership and participants and so are disclosed in fixed assets at the cost to Co-Ownership with the participants' net investment also disclosed in the housing properties note to the financial statements.

Impairment

Any impairment in the value of the housing properties is charged to the statement of comprehensive income in the year in which it is first recognised. A reversal of impairment is recognised in the statement of comprehensive income.

Housing Association Grant and other grants

Housing Association Grant and other grants received are included within 'Creditors: amounts falling due after more than one year' and 'Creditors: amounts falling due within one year' and are amortised to the Statement of comprehensive income as per the turnover policy above. Housing Association Grant received against revenue expenditure is credited to revenue in the period in which the related expenditure is charged.

Such grants, although treated as a grant for accounting purposes, may be repayable under certain circumstances, primarily following the sale of housing property, but any amount repayable would be restricted to the net proceeds of the sale.

Other fixed assets

Other fixed assets are stated at cost.

Other tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. The cost of tangible fixed assets is their historic purchase cost, together with any incidental costs of acquisition. Depreciation is calculated after allowing for grants received, so as to write off the cost of tangible fixed assets on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used are as follows:

	%
Office equipment	25
Fixtures and fittings	10

Derecognition

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of comprehensive income.

Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the Statement of comprehensive income on a straight-line basis over the period of the lease.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of one month or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Notes to the financial statements for the year ended 31 March 2019

3 Summary of significant accounting policies (continued)

Current asset investments

Current asset investments are investments in short-term deposits with an original maturity between one and twelve months.

Impairment of non-financial assets

At each statement of financial position date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use. These cash flows discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the assets.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the Statement of income and retained earnings, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the Statement of income and retained earnings.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the statement of comprehensive income and retained earnings.

i) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligations can be estimated reliably.
Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

ii) Contingencies

Contingent liabilities, arising as a result of past events, are not recognised when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

i) Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances are initially recognised at transaction price, 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. Such assets are subsequently carried at amortised cost using the effective interest method.

Notes to the financial statements for the year ended 31 March 2019

3 Summary of significant accounting policies (continued)

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. 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 Statement of income and retained earnings.

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 Statement of income and retained earnings.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or, (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in statement of income and retained earnings, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow company companies, 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 receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts 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 payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Debtors

Debtors are stated after all known bad debts have been written off and specific provision has been made against all debts considered doubtful for collection.

Housing loans

All borrowings are initially stated at the fair value of the consideration received. Finance costs are charged to the income and expenditure account over the term of the borrowings. Interest payable but not yet paid at the year-end is shown as accrued interest within creditors due within one year.

Notes to the financial statements for the year ended 31 March 2019

3 Summary of significant accounting policies (continued)

Revenue reserves

Co-Ownership's policy is to retain a level of free reserves, which matches its needs at the current time and in the foreseeable future. The reserves required are sufficient to meeting committed running costs for a period equivalent to six months budgeted future expenditure.

Designated reserve – property purchase

All other reserves are treated as designated reserves as they are required to fund Co-Ownership's investment in housing properties and thus are not available for future general use. Amounts so invested during the year (expenditure net of HAG/FTC received and repayable less disposals and net bank finance received) are transferred from this property purchase reserve to revenue reserves. After making such transfers, a further transfer to/from revenue reserves is made representing future proposed property purchases.

4 Critical accounting judgements and estimation uncertainty

Estimates and judgements made in the process of preparing the group financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgement in applying the entity's accounting policies

The following judgement, apart from those involving estimates, made by the directors has had significant effect on the amounts recognised in the financial statements;

Co-Ownership provides housing on a shared ownership basis, and have second charge over properties when the occupier fails to pay the lender, and the property is repossessed. The association has incurred losses on repossessed properties over recent years. As a result it is necessary to recognise an impairment provision for future losses expected on the repossession of such properties. When calculating the provision management consider the historical losses incurred, and current property values based on the Northern Ireland Quarterly House Price Index, and apply an expected loss ratio to the book value of properties acquired at the height of the market.

Notes to the financial statements for the year ended 31 March 2019

5 Lettings and other related

	Group		Co-Ownership	
	2019	2018	**2019**	2018
Turnover	**£**	£	**£**	£
Rents (see below)	**11,925,068**	11,157,757	**11,728,021**	11,051,824
First Tranche Sales (note 9)	**31,016,370**	28,076,866	**31,016,370**	28,076,866
	42,941,438	39,234,623	**42,744,391**	39,128,690
Cost of sales				
Rents	**(95,982)**	(96,992)	**(95,982)**	(96,992)
First Tranche Sales (note 9)	**(30,310,736)**	(29,918,256)	**(30,310,736)**	(29,918,256)
	(30,406,718)	(30,015,248)	**(30,406,718)**	(30,015,248)
Operating costs				
Valuation fees	**(292,914)**	(254,165)	**(292,914)**	(251,981)
Management	**(4,714,077)**	(4,156,133)	**(4,610,220)**	(4,082,762)
Non cash pension costs	**(94,000)**	(85,000)	**(94,000)**	(85,000)
	(5,100,991)	(4,495,298)	**(4,997,134)**	(4,419,743)
Bad Debt Written off	**(4,003)**	(59,778)	**(4,003)**	(59,778)
Release of impairment of housing properties (note 13)	**500,000**	-	**500,000**	-
Operating surplus	**7,929,726**	4,664,299	**7,836,536**	4,633,921
Interest				
Loss on disposal of housing properties (note 9)	**(779,095)**	(677,560)	**(777,630)**	(677,560)
Interest receivable and similar income (note 10)	**196,233**	357,924	**176,876**	345,493
Interest payable and similar charges (note 11)	**(1,009,806)**	(839,249)	**(1,009,806)**	(839,249)
Other finance expenses (note 12)	**(259,000)**	(217,000)	**(259,000)**	(217,000)
Surplus for the year	**6,078,058**	3,288,414	**5,966,976**	3,245,605

	Group		Co-Ownership	
Turnover from lettings	**2019**	2018	**2019**	2018
	£	£	**£**	£
Rents	**11,789,301**	11,048,041	**11,592,254**	10,942,108
Processing fees	**135,767**	109,716	**135,767**	109,716
	11,925,068	11,157,757	**11,728,021**	11,051,824

Analysis of operating costs for the year ended 31 March 2019

5 Analysis of operating costs

	Group		Co-Ownership	
	2019	2018	**2019**	2018
Co-Ownership	**£**	£	**£**	£
Personnel				
Salaries (excluding pensions)	**2,638,216**	2,344,959	**2,599,426**	2,309,413
Pension contributions	**366,939**	299,064	**366,939**	299,064
Other staff costs	**126,746**	165,650	**126,746**	165,650
	3,131,901	2,809,673	**3,093,111**	2,774,127
Non cash pension costs	**94,000**	85,000	**94,000**	85,000
	3,225,901	2,894,673	**3,187,111**	2,859,127
Establishment				
Property costs	**366,636**	346,734	**316,824**	319,274
Telephone	**18,180**	19,262	**18,180**	19,262
Depreciation	**255,729**	224,337	**255,729**	224,337
	640,545	590,333	**590,733**	562,873
Administration				
Administration overheads	**88,412**	96,498	**88,412**	96,498
Computer costs	**154,799**	129,895	**154,799**	129,895
Professional fees	**101,205**	119,996	**88,744**	115,961
Project costs	**251,716**	110,681	**251,716**	110,681
General expenses	**147,349**	193,183	**144,755**	191,181
Repairs	**94,950**	-	**94,950**	-
Marketing	**101,367**	103,282	**101,167**	98,954
Cashco	**1,833**	2,592	**1,833**	2,592
	941,631	756,127	**926,376**	745,762
Total management expenses	**4,808,077**	4,241,133	**4,704,220**	4,167,762
Valuation fees	**292,914**	254,165	**292,914**	251,981
Total operating costs	**5,100,991**	4,495,298	**4,997,134**	4,419,743

Notes to the financial statements for the year ended 31 March 2019

6 Operating surplus

	Group		Co-Ownership	
	2019	2018	**2019**	2018
	£	£	**£**	£
Operating surplus is stated after charging:				
Staff costs, excluding pension (note 7)	**2,638,216**	2,344,959	**2,599,426**	2,309,413
Pension (note 7) – contributions	**366,939**	299,064	**366,939**	299,064
– other pension costs	**94,000**	85,000	**94,000**	85,000
Depreciation of tangible fixed assets				
– owned assets (note 16)	**255,729**	224,337	**255,729**	224,337
Operating lease rentals	**169,921**	194,135	**169,921**	194,135
Fees payable to the group's auditor for the audit of the financial statements	**22,425**	21,525	**18,525**	18,525
Fees payable to the group's auditor for non-audit services	**475**	3,000	**475**	3,000

7 Employee information

	Group		Co- Ownership Housing	
	2019	2018	**2019**	2018
	£	£	**£**	£
Staff costs				
Wages and salaries	**2,441,504**	2,162,464	**2,402,714**	**2,126,918**
Social security costs	**196,712**	182,495	**196,712**	**182,495**
	2,638,216	2,344,959	**2,599,426**	**2,309,413**
Pension contributions	**366,939**	299,064	**366,939**	**299,064**
	3,005,155	2,644,023	**2,966,365**	**2,608,477**
Other pension costs	**94,000**	85,000	**94,000**	**85,000**
	3,099,155	2,729,023	**3,060,365**	**2,693,477**

	2019	2018
	Number	Number
Average monthly number of persons employed by the Group and Co-Ownership (including the Chief Executive and excluding the board members) during the year by activity:		
Administration and finance	**62**	62
- Temporary	**6**	8
- Permanent	**56**	54

Notes to the financial statements for the year ended 31 March 2019

8 Directors' emoluments

The remuneration of directors (defined as the Board of Management and the Chief Executive) of the Group and Co-Ownership during the year was:

	Group		Co-Ownership	
	2019	2018	**2019**	2018
	£	£	**£**	£
Aggregate emoluments	**93,199**	88,373	**93,199**	88,373
Pension contributions to money purchase schemes	**17,708**	16,731	**17,708**	16,731
	110,907	105,104	**110,907**	105,104

Members of the Board of Management serve in a voluntary capacity and none were in receipt of emoluments during the year.

The emoluments to the highest paid Director (currently included within the above table) are as follows:

	Group		Co-Ownership	
	2019	2018	**2019**	2018
	£	£	**£**	£
Aggregate emoluments	**93,199**	88,373	**93,199**	88,373
Pension contributions	**17,708**	16,731	**17,708**	16,731
	110,907	105,104	**110,907**	105,104

9 Deficit on sale of housing properties

	Group		Co-Ownership	
	2019	2018	**2019**	2018
	£	£	**£**	£
Sales – first tranche sales	**31,016,370**	28,076,866	**31,016,370**	28,076,866
Cost of sales – first tranche sales	**(30,310,736)**	(29,918,256)	**(30,310,736)**	(29,918,256)
	705,634	(1,841,390)	**705,634**	(1,841,390)
Loss on disposal of housing properties – second tranche and after	**(779,095)**	(677,560)	**(777,630)**	(677,560)
Release of provision for impairment of housing properties (note 13)	**500,000**	-	**500,000**	-
	426,539	(2,518,950)	**428,004**	(2,518,950)

Comprising:

	£	£	**£**	£
Repossession of properties	**(1,681,985)**	(2,162,161)	**(1,681,985)**	(2,162,161)
Profit/(Loss) on Disposal	**1,608,524**	(356,789)	**1,609,989**	(356,789)
Release of impairment of housing properties	**500,000**	-	**500,000**	-
	426,539	(2,518,950)	**428,004**	(2,518,950)

As at 31 March 2019, there were 26 (2018 : 27) properties remaining in repossession status.

Notes to the financial statements for the year ended 31 March 2019

10 Interest receivable and similar income

	Group		Co-Ownership	
	2019	2018	**2019**	2018
	£	£	**£**	£
Interest receivable	**196,233**	357,924	**176,876**	345,493

11 Interest payable and similar charges

	2019	2018
Group and Co-Ownership	**£**	£
Interest payable and similar charges on bank loans and overdrafts	**1,009,806**	839,249

12 Other finance expenses

	2019	2018
Group and Co-Ownership	**£**	£
Interest on pension scheme	**259,000**	217,000
	259,000	217,000

13 Housing properties

Group	**Cost** £	**Participants' Net Investment** £	**Group Housing Investment** £
At 1 April 2018	878,628,924	(485,568,789)	393,060,135
Transfers of completed schemes and additions in the year less decrease in accrual	130,948,266	(74,161,174)	56,787,092
Disposals	(79,174,794)	42,835,007	(36,339,787)
Transferred to stock (note 17)	(6,882,922)	3,743,006	(3,139,916)
At 31 March 2019	**923,519,474**	**(513,151,950)**	**410,367,524**

Impairment	
At 1 April 2018	(7,500,000)
Release of housing properties impairment	500,000
At 31 March 2019	**(7,000,000)**

Uncompleted schemes and additions	
Balance at 1 April 2018	628,458
Additions	60,353,233
Transfers	(56,787,092)
At 31 March 2019	**4,194,599**

At 31 March 2019	**407,562,123**
At 31 March 2018	386,188,593

Notes to the financial statements for the year ended 31 March 2019

13 Housing properties (continued)

Co-Ownership	Cost £	Participants' net Investment £	Co-Ownership Investment £
At 1 April 2018	874,124,471	(485,568,789)	388,555,682
Transfers of completed schemes and additions in the year less decrease in accrual	128,316,092	(74,161,174)	54,154,918
Disposals	(79,023,083)	42,835,007	(36,188,076)
Transferred to stock (note 17)	(6,882,922)	3,743,006	(3,139,916)
At 31 March 2019	**916,534,558**	**(513,151,950)**	**403,382,608**
Impairment			
At 1 April 2018			(7,500,000)
Release of housing properties impairment			500,000
At 31 March 2019			**(7,000,000)**
Uncompleted schemes and additions			
Balance at 1 April 2018			628,458
Additions			57,721,059
Transfers			(54,154,918)
At 31 March 2019			**4,194,599**
At 31 March 2019			**400,577,207**
At 31 March 2018			381,684,140

The above properties are held subject to ninety-nine year leases to the occupiers. The leases give Co-Ownership power to repossess the properties in the event of non-compliance with any of the conditions set out in the lease. The occupier, known as the participant, must normally contribute a minimum of 50% of the funding of the property.

Capital commitments

The total cost to finalise uncompleted schemes and additions amounts to £20,592,400 of which £8,022,831 represents Co-Ownership's investment (2018: £11,693,580 and £5,271,485 respectively). In addition negotiations are in progress for the purchase of existing property at a total cost of £18,282,506 of which £7,406,328 represents Co-Ownership's investment (2018: £11,381,550 and £5,139,162 respectively).

Notes to the financial statements for the year ended 31 March 2019

14 Housing Association Grant

Group and Co-Ownership	2019 £	2018 £
At 1 April	**210,150,606**	225,452,355
Receivable to March 2019	**554,018**	4,697,792
Repayable - on disposal	**(22,624,534)**	(19,999,541)
At 31 March (note 21)	**188,080,090**	210,150,606

15 Investments - Co-Ownership

	2019 Subsidiary Undertaking £	2018 Subsidiary Undertaking £
Cost	**300,001**	300,001

The investment represents Co-Ownership's holding in a wholly owned subsidiary company, Ownco Homes Limited.

16 Other tangible fixed assets

Group and Co-Ownership	Fixtures and fittings £	Office Equipment £	Total £
Cost			
At 1 April 2018	599,504	655,334	1,254,838
Additions	3,139	236,288	239,427
Disposals	(2,659)	(108,875)	(111,534)
At 31 March 2019	**599,984**	**782,747**	**1,382,731**
Accumulated depreciation			
At 1 April 2018	213,650	346,717	560,367
Charge for the year	59,998	195,731	255,729
Disposals	(2,659)	(108,875)	(111,534)
At 31 March 2019	**270,989**	**433,573**	**704,562**
Net book amount			
At 31 March 2019	**328,995**	**349,174**	**678,169**
At 31 March 2018	385,854	308,617	694,471

Notes to the financial statements for the year ended 31 March 2019

17 Stock

Group and Co-Ownership	2019 £	2018 £
At 31 March	**3,139,916**	2,766,105

This value represents the costs of housing properties held for sale at the year end. Any property that will be staircased or sold has that element of the property moved from housing property to stock.

18 Debtors

Amounts falling due within one year	Group		Co-Ownership	
	2019	2018	**2019**	2018
	£	£	**£**	£
Rent debtors	**454,621**	437,361	**454,621**	437,361
Less: bad debts provision	**(261,212)**	(272,314)	**(261,212)**	(272,314)
	193,409	165,047	**193,409**	165,047
HAG receivable - completed properties	**-**	999,908	**-**	999,908
- firm offers	**14,679,974**	-	**14,679,974**	-
Amounts owed from group undertakings	**-**	-	**38,790**	-
Prepayments and accrued income	**295,803**	139,212	**111,433**	101,665
	15,169,186	1,304,167	**15,023,606**	1,266,620

19 Investments

Group and Co-Ownership	2019 £	2018 £
Short term deposits	**15,322,036**	15,404,419

20 Creditors: amounts falling due within one year

	Group		Co-Ownership	
	2019	2018	**2019**	2018
	£	£	**£**	£
HAG repayable - on disposal	**10,945,290**	9,596,920	**10,945,290**	9,596,920
- firm offers	**14,679,974**	-	**14,679,974**	-
Participants' deposits	**414,313**	261,246	**156,359**	97,467
Other creditors	**581,738**	472,421	**581,738**	472,421
Corporation Tax	**20,572**	-	**-**	-
Accruals and deferred income	**443,163**	256,367	**438,483**	256,367
	27,085,050	10,586,954	**26,801,844**	10,423,175

Notes to the financial statements for the year ended 31 March 2019

21 Creditors: amounts falling due after more than one year

	Group		Co-Ownership	
	2019	2018	**2019**	2018
	£	£	**£**	£
Bank loan (note 22)	**43,000,000**	33,000,000	**43,000,000**	33,000,000
DfC loans (note 22)	**112,500,000**	112,500,000	**100,000,000**	100,000,000
Housing Association Grant (note 14)	**188,080,090**	210,150,606	**188,080,090**	210,150,606
	343,580,090	355,650,606	**331,080,090**	343,150,606

Security

The bank loan is secured by a floating charge over all the assets of Northern Ireland Co-Ownership Association Limited.

22 Loans and other borrowings

	Group		Co-Ownership	
	2019	2018	**2019**	2018
	£	£	**£**	£
Bank loans and overdrafts	**43,000,000**	33,000,000	**43,000,000**	33,000,000
Maturity of financial liabilities:				
In more than one year, but not more than five years	**43,000,000**	33,000,000	**43,000,000**	33,000,000

At 31 March 2019 the cumulative draw down against the facility was £43m (2018: £33m).

	Group		Co-Ownership	
	2019	2018	**2019**	2018
	£	£	**£**	£
Department for Communities loans	**112,500,000**	112,500,000	**100,000,000**	100,000,000
Maturity of financial liabilities:				
In more than one year, but not more than five years	**7,500,000**	7,500,000	**7,500,000**	7,500,000
Greater than five years	**105,000,000**	105,000,000	**92,500,000**	92,500,000
	112,500,000	112,500,000	**100,000,000**	100,000,000

The above loans from DfC relate to Financial Transactions Capital ("FTC").

Notes to the financial statements for the year ended 31 March 2019

23 Pension commitments

The net pension deficit shown below under section 28 of FRS 102 deals with the accounting for employee benefits does not represent a shortfall which requires short term cash funding. The amount shown below is calculated to comply with the Financial Reporting Standard, the specific requirements of which differ from the basis on which pension liabilities are actuarially calculated for the purpose of the ongoing funding of the scheme. The Financial Reporting Standard requires:

(i) actuarial deficiencies to be recognised immediately as a liability in the financial statements rather than being spread forward over employees' remaining service lives; and

(ii) the actuary, in valuing the scheme's liabilities, is required to use a bond yield as the discount rate for valuing future liabilities, rather than a rate that reflects the expected return on the scheme's particular asset portfolio, with the result of an apparent increase in the present value of future longer term liabilities.

The below is in relation to employees and ex-employees who are members of the NILGOSC pension scheme.

NILGOSC pension scheme is considered a related party of Co-Ownership. The most recent valuation was conducted as at 31 March 2019 by a qualified actuary for the purpose of the disclosures below.

The major assumptions used by the actuary were:

Group and Co-Ownership	**2019**	2018	2017
Rate of increase in salaries	**3.70%**	3.60%	3.5%
Rate of increase in pensions in payment	**2.20%**	2.10%	2.0%
Discount rate	**2.40%**	2.60%	2.6%
Inflation assumption	**2.20%**	2.10%	2.0%

The mortality assumptions used were as follows:

Group and Co-Ownership	**2019 Years**	2018 Years	2017 Years
Longevity at age 65 for current pensioners:			
- Men	**22.6**	23.3	23.2
- Women	**24.9**	25.9	25.8
Longevity at age 45 for future pensioners:			
- Men	**24.3**	25.5	25.4
- Women	**26.7**	28.2	28.1

The assets in the scheme and the expected rate of return were:

Group and Co-Ownership	**Value at 31 March 2019 £'000**	Value at 31 March 2018 £'000
Equities	**7,323**	8,075
Property	**1,378**	1,131
Bonds	**2,892**	1,402
Cash	**332**	509
Other	**382**	192
Total market value of assets	**12,307**	11,310
Present value of scheme liabilities	**(16,194)**	(15,105)
Net pension deficit	**(3,887)**	(3,795)

Notes to the financial statements for the year ended 31 March 2019

23 Pension commitments (continued)

Reconciliation of present value of scheme liabilities

Group and Co-Ownership	2019 £'000	2018 £'000
At 1 April	**15,105**	14,119
Current service cost	**651**	537
Interest cost	**390**	364
Member contributions	**134**	114
Actuarial losses	**266**	311
Benefits paid	**(352)**	(340)
At 31 March	**16,194**	15,105

Reconciliation of fair value of scheme assets

Group and Co-Ownership	2019 £'000	2018 £'000
At 1 April	**11,310**	10,667
Interest income on assets	**296**	279
Member contributions	**134**	114
Employer contributions	**392**	320
Remeasurements gains on assets	**527**	270
Benefits paid	**(352)**	(340)
At 31 March	**12,307**	11,310

Analysis of amount charged to income or expenditure are as follows:

Group and Co-Ownership	2019 £'000	2018 £'000
Current service cost	**689**	571
Interest on net defined benefit liabilities	**88**	94
Total cost	**777**	665

Amounts for current and previous four years:

Group and Co-Ownership	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Fair value of employer assets	**12,307**	11,310	10,667	9,565	9,064
Present value of defined benefit obligation	**(16,194)**	(15,105)	(14,119)	(11,093)	(10,894)
Deficit	**(3,887)**	(3,795)	(3,452)	(1,528)	(1,830)

Notes to the financial statements for the year ended 31 March 2019

23 Pension commitments (continued)

Total amount recognised in the statement of changes in reserves

Group and Co-Ownership	**2019** £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Actuarial surplus/(deficit)	**261**	(41)	(1,795)	449	(254)

24 Called up share capital

Each past and present member of the Board of Management holds one non-equity share of £1 in Co-Ownership.

Group and Co-Ownership	**2019** £	2018 £
Allotted, issued and fully paid	**56**	53

25 Revenue reserves

	Group		**Co-Ownership**	
	2019	2018	**2019**	2018
Group and Co-Ownership	**£**	£	**£**	£
Opening reserves	**2,211,183**	2,061,296	**2,209,872**	2,061,296
Net transfer from designated reserves (note 26)	**378,298**	149,887	**288,694**	148,576
Closing reserves	**2,589,481**	2,211,183	**2,498,566**	2,209,872

Revenue reserves represent 6 months committed operating costs.

26 Designated reserves

Property purchase reserve

Group	**2019** £	2018 £
At 1 April	**81,235,889**	78,138,362
Surplus for the year	**6,317,580**	3,247,414
Transfer to revenue reserve (note 25)	**(378,298)**	(149,887)
At 31 March	**87,175,171**	81,235,889

Co-Ownership	**2019** £	2017 £
At 1 April	**81,235,889**	**78,179,860**
Surplus for the year	**6,227,976**	**3,204,605**
Transfer to revenue reserve (25)	**(288,694)**	**(148,576)**
At 31 March	**87,175,171**	**81,235,889**

Designated reserves are the balance of reserves required to fund Co-Ownership's investment in housing properties.

Notes to the financial statements for the year ended 31 March 2019

27 Financial Instruments

The group has the following financial instruments:

	Group		Co-Ownership	
	2019	2018	**2019**	2018
	£	£	**£**	£
Financial assets that are debt instruments measured at amortised cost				
Rental debtor (note 18)	**193,409**	165,047	**193,409**	165,047
HAG receivable (note 18)	**14,679,974**	999,908	**14,679,974**	999,908
Short term deposits (note 19)	**15,322,036**	15,404,419	**15,322,036**	15,404,419
Cash at bank and in hand	**22,445,418**	47,121,930	**16,401,792**	38,698,839
	52,640,837	63,691,304	**46,597,211**	55,268,213
Financial liabilities measured at amortised cost				
DfC loans (note 22)	**112,500,000**	112,500,000	**100,000,000**	100,000,000
Bank loans (note 21)	**43,000,000**	33,000,000	**43,000,000**	33,000,000
Participants' deposits (note 20)	**414,313**	261,246	**156,359**	97,467
Accruals (note 20)	**443,163**	256,367	**438,483**	256,367
	156,357,476	146,017,613	**143,594,842**	133,353,834

28 Reconciliation of operating surplus to net cash inflow from operating activities

	2019	2018
	£	£
Surplus in the financial year	**6,056,580**	3,288,414
Taxation	**20,572**	-
Loss on disposal of housing properties – second tranche and after	**779,095**	677,560
Interest receivable and similar income	**(196,233)**	(357,924)
Interest payable and similar charges	**1,009,806**	839,249
Other finance expenses	**259,000**	217,000
Operating surplus	**7,928,820**	4,664,299
Profit on sale of housing properties	**(2,387,619)**	(320,771)
Repossession of properties	**1,681,985**	2,162,161
Release of impairment of housing properties	**(500,000)**	-
Depreciation charges	**255,729**	224,337
Movement in debtors	**(14,903,717)**	6,229
Movement in creditors	**15,229,963**	74,034
Difference between pension charges and cash contributions	**94,000**	85,000
Cash inflow from operating activities	**7,399,161**	6,895,289

Notes to the financial statements for the year ended 31 March 2019

29 Analysis of net funds

	1 April 2018 £	Cashflow £	**31 March 2019 £**
Cash at bank and in hand	47,121,930	(24,676,512)	**22,445,418**
Short term deposits (note 19)	15,404,419	(82,383)	**15,322,036**
Net funds	62,526,349	(24,758,895)	**37,767,454**

30 Reconciliation of net cash flow to movement in net funds

	2019 £	2018 £
Decrease in cash in the financial year	**(24,676,512)**	(4,389,957)
Movement in deposits	**(82,383)**	(18,596,649)
Movement in net funds in the financial year	**(24,758,895)**	(22,986,606)
Net funds at beginning of financial year	**62,526,349**	85,512,955
Net funds at end of the financial year	**37,767,454**	62,526,349

31 Operating lease commitments

At 31 March Co-Ownership had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Other 2019 £	Other 2018 £	**Land and buildings 2019 £**	Land and buildings 2018 £
Within one year	**9,372**	9,372	**169,921**	169,921
Within two to five years	**19,181**	26,319	**679,683**	679,683
After five years	**-**	-	**169,921**	339,841

32 Legislative provisions

Co-Ownership is incorporated under the Co-operative and Community Benefit Societies Act (Northern Ireland) 1969.

co-ownership.org

Terms & Conditions and criteria apply.

Published July 2019.
© Co-Ownership. Information correct at time of publication but may change without notice.

Co-Own is brought to you by Northern Ireland Co-Ownership Housing Association Limited.

Murray House, Murray Street,
Belfast BT1 6DN

Call 028 9032 7276
Fax 028 9033 0720
Textphone 18001 028 9032 7276
hello@co-ownership.org