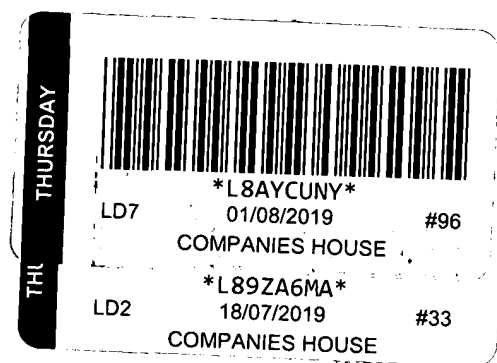


Omega Housing Limited

A company limited by guarantee

Financial Statements

For the year ended 31 December 2018



Company number: 07318252
Regulator of Social Housing: 4635

REPORT AND FINANCIAL STATEMENTS

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COMPANY INFORMATION

Registration number	07318252 (England & Wales) The Regulator of Social Housing number: 4635
Registered office	1390 Montpellier Court Gloucester Business Park Brockworth Gloucester GL3 4AH
Directors	J K Taylor Mears Group PLC B A Cingtho-Taylor R Irwin R J Jarman E Mahmood M A Patterson G D Sims A C M Smith J Taranczuk L J Critchley (appointed 1 July 2018)
Secretary	B Westran
Bankers	Natwest Commercial Banking 2 Gladbeck Way 3 rd Floor, Lough Point Enfield Middlesex EN2 7JA
Solicitors	BPE Solicitors LLP St James' House St James' Square Cheltenham Gloucestershire GL50 3PR
Auditors	Grant Thornton UK LLP Chartered Accountants Registered Auditors 30 Finsbury Square London EC2A 1AG

STRATEGIC REPORT

Business review

The Company is a not-for-profit provider of social housing, registered with the Regulator of Social Housing. The key focus of the business is to procure private rented properties for use as homeless prevention for families in need of housing.

The Company has recorded a 21.8% increase in turnover. Gross margins have deteriorated slightly in the current year, principally due to the loss of three housing portfolios that contributed higher than normal margins in 2017, to be replaced by housing schemes that contribute lower gross margins. 2018 has been a year of consolidation, following the activities undertaken by the Board during the previous year, in which a full review of the property portfolio took place. The Board considered financial and non-financial factors in assessing the sustainability of all landlord relationships. It was concluded that any landlord relationship that did not demonstrate sustainability would be terminated and the effect of this is substantially reflected in the property numbers at 31 December 2018. Having concluded this review, the Board anticipates gross margins in the region of 4.0% to be the norm going forwards.

During the year, Omega has been successful in the following:

- Refreshing its business plan to give a new renewed focus following the property portfolio review
- Achieved satisfaction levels of over 90%
- Reduced relet turnaround times to 19 days
- Kept rent arrears at 5% of the rent roll compared to the target set of 6%
- Rent loss held to significantly less than target

The Directors are pleased to present the below trading results for the year 1 January 2018 to 31 December 2018.

The Directors have identified the following key performance indicators:

	1 January 2018 to 31 December 2018	1 April 2017 to 31 December 2017
Turnover (see note)	£10,929,149	£8,973,373
Gross profit %	4.5%	8.5%
Net profit %	3.0%	4.6%
% increase /(decrease) in turnover on the previous year	21.8%	(48.4%)
Units of accommodation	801	1,060

Strategic and financial review

About Omega

Omega Housing Limited ("Omega") is a company registered with the Homes and Communities Agency (HCA - registration number 4635), now known as the Regulator for Social Housing ("RSH") which supplies accommodation to support the activities of local authorities, housing associations and other relevant agencies in providing homes for those households who are homeless or have a high degree of housing need.

The company was set up in December 2010 as a private not-for-profit Registered Provider (RP) and is incorporated as a company with limited guarantee in England and Wales and hence has no shareholders. Omega Housing was acquired by Mears Group PLC on the 15th October 2014 as part of the Omega Group acquisition.

Our business

The business involves the acquiring of leases from private landlords for relatively short fixed term periods, typically 1-3 years. The properties are then rented via a HALD (Housing Association Leasing Direct) scheme.

Omega Housing uses a unique leasing arrangement with Landlords that does not guarantee the rent and where Omega Housing does not incur any repair and maintenance costs. Hence this is a low risk business model relative to more traditional schemes which generally provide rent guarantees and full repairing leases.

STRATEGIC REPORT continued

Our Mission and our Values

Our Mission is:

"To provide sustainable and affordable temporary and permanent housing solutions for people in housing need and the communities where they live"

Underpinning our Mission are five values which support the ethos of the organisation:

Outstanding Customer Service

Our customers are our first priority and we will ensure that we deliver our services in line with their current and on-going needs. We will listen to them and offer them opportunities to influence the way we work and to monitor our performance. We will invest in our business infrastructure to ensure our service delivery is effective and offers value for money.

Exceptional Service Delivery

We will employ a culture of continuous improvement across all of our service areas to ensure that we deliver exceptional services to our clients who include local authorities, tenants and landlords.

Partnership Working

We will work in partnership with Local Authorities, Registered Providers, the Government and other agencies to assist them in delivering their housing strategies by creating new long term partnerships and look to make a genuine difference in the communities we work in.

Growth

We will look to grow the business in a consistent manner to its past by looking for opportunities within its operating model.

Adaptable

We will deliver innovative solutions to ensure we can continue to procure and invest in sustainable housing to meet local housing need.

Our objectives

At the heart of our Business Plan are four strategic objectives that will help us provide more homes, deliver better services and improve the lives of our customers. Each is supported by a series of operational plans and KPIs designed to ensure we can deliver them over the life of the plan.

Customers

We will carry out a review of how we deliver our services during 2019 to ensure that our core customer offer supports the delivery of sector leading service:

- Listening to our customers to improve what we do
- Improve our customer experience and interactions
- Investment in new technology to make it easier for our customers to do more online
- Maintain the safety of our homes

Financial Sustainability

As a growing business we can work more efficiently and in order to deliver efficiencies we will:

- Drive out waste from our processes and embed a culture of cost awareness, efficiency and value
- Continue to make the most of our assets and housing stock
- Measure our costs and benchmark them against leading sector wide registered providers
- Become financially stronger to secure the future of our services

STRATEGIC REPORT *continued*

Growth

Look to expand our services and respond positively to the challenges around us by:

- Acquiring interests in properties within a sensible operating distance of areas of existing portfolios
- Continuously review our existing portfolio to ensure it fits into our future plans

Organisational Readiness

In order to deliver our objectives and vision we'll ensure that:

- The services provided by Mears are fit for purpose and represent value for money
- The right governance and legal structures are in place to support our vision
- We are fully compliant with all legal & regulatory legislation

Measuring our success

The outcomes we expect to achieve in these areas during the life of this plan are:

Customers

Our core customer offer supports the delivery of sector leading service and means we will work to:

- Increase overall customer satisfaction with their landlord to 85%
- Offer an enhanced online service we will reduce the number of repairs related calls to MEARS 24/7 by 50%
- Increase the number of customers that access services online to 50% by 2022
- Embed all the necessary changes following the review of how we deliver our services

Financial Efficiency

As a growing business we can work more efficiently and in order to deliver efficiencies we will:

- Minimise income lost due to our homes being empty
- Maximise the amount of income that is collected
- Develop a new value for money strategy that sets out ambitious targets to reduce our operating and repairs costs
- Develop a new Asset Management strategy that makes the best use of our assets and keeps our customers safe

Growth

Look to expand our services and respond positively to the challenges around us by:

- Increase the number of homes in management by 50 per annum
- Develop a strategy to create a framework for the acquisition and rationalisation of properties
- Maintain the confidence of our regulator and investors

Organisational Readiness

In order to deliver our objectives and vision we will ensure:

- We have 100% compliance with all health and safety legislation
- We fully comply with our code of governance
- We have demonstrated the benefit of being part of the Mears Group
- We will carry out a further governance review to ensure our governance structure continues to remain fit for purpose

STRATEGIC REPORT continued

Corporate Governance

The Board sets the overall aims and objectives for Omega and ensures that it meets and keeps within its legal and ethical obligations.

The Board meets quarterly and following a review of governance has now set up two committees to consider strategic issues in more detail, and to add value to the work of the Board.

The two committees are:

- Assurance Committee
- Operations Committee

GDPR

The new GDPR legislation came into effect from 25 May 2018. We have been working with our parent Mears Group Plc to ensure we implement the changes required to comply with the legislation. Although we will have made substantial progress towards completion of our detailed action plan, we have further work to undertake in 2019.

Code of governance

During the year we carried out a review of our governance arrangements and assessed our compliance with the European Conference of Directors Association (ECODA) which was adopted during 2016. The Board is pleased to confirm we comply with the code.

RSH governance and viability standard

During the year we carried out a review of our compliance with the RSH governance and viability standard. The Board is pleased to confirm we comply with this standard.

For both the code of governance and RSH governance and viability standard whilst the board is pleased to report compliance, an associated action plan is in place to ensure continuous improvement.

Anti-fraud, money laundering and anti-bribery

The Board has confirmed its zero-tolerance policy to fraud, bribery, money laundering or corruption of any kind. We have adopted Mears Group Plc Anti-Fraud and Bribery Policy and ensure a culture of fraud, bribery and money laundering risk awareness is in place in the organisation, and that employee responsibilities are clear.

A fraud register is maintained. Any fraud or attempted fraud would be reviewed according to the Anti-Fraud and Bribery policy and reported to the Board, with plans and actions for areas sensitive to fraud.

Internal controls assurance

The Board has overall responsibility for the system of internal control and risk management and for reviewing its effectiveness. Our newly formed Assurance Committee is now responsible on behalf of the Board for monitoring this system, and reporting back to Board on its effectiveness.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. It can only provide reasonable, and not absolute, assurance against material misstatement or loss.

Key elements of the Group's internal control framework include:

- Board-approved terms of reference and delegated authorities for Assurance and Operations Committees
- Clearly defined management responsibilities for the identification, evaluation and control of significant risks. The executive directors regularly consider reports on these risks and are responsible for reporting to the Board any significant changes affecting key risks

STRATEGIC REPORT continued

Risks

We recognise that most of our activities are not necessarily following the well-trodden path of almost all other registered providers, with few long-term assets being held in ownership and virtually no government grant to subsidise our business. Our approach, which is different, of course brings an element of risk. But we believe that taking identified, evaluated and managed risks in pursuit of our strategic objectives is acceptable, particularly those that benefit Omega and our customers.

We will continue to identify emerging risks as changes in the operating environment materialise, and take appropriate action to mitigate them. This, supported by our risk maps, appetite, tolerance statements and associated risk management strategy, provides a managed approach to the risks we face.

We also recognise the need to align the skills of Board members and staff delivering this plan to current and emerging strategic risks, including:

- Complying with legislative requirements and regulatory standards
- Remaining viable as an organization
- Effectively managing funding agreements and cash flows
- Dealing with the impact of welfare reform and other housing-related policies
- Effectively and compliantly managing systems & data
- Well managed diversification into new products and markets

The following key business risks were identified by the Assurance Committee:

- Health & Safety
- Independent financial stability
- Value for Money
- Effective Governance
- Relationships

1. Health & Safety

Risk

Major or series of Health & Safety incident(s) causing injury or death event(s).

Overview

We have detailed Health and Safety policies and procedures in place to minimise such risks and these are reviewed and monitored regularly by management.

In addition, Mears has a specialist in-house Health & Safety team operating as a clearly defined second line of defence function, providing advice and guidance and undertaking regular audits to ensure that policies and procedures are complied with in this critical risk area. This service is extended to Omega. This means we have experienced Health & Safety professionals embedded within our in-house maintenance and construction divisions.

STRATEGIC REPORT continued

Current Key Controls

- a) Induction process
- b) Training and awareness programme of H&S managers, plus Safety, Health & Environmental "SHE" training packages for all grades of employees
- c) Accident database to record accidents and near misses to ensure compliance with the Riddor seven-day notification period
- d) Removal of asbestos outsourced to licensed partners. For sub- contractors, PQQ process to ensure relevant licences are held
- e) Site visits/inspections by H&S Managers. Monthly branch inspections which are supported by a report and recommendations as applicable and followed up at next visit
- f) KPIs and monitoring of site visits/inspections performed. Monthly visits are supported by a summary report. KPIs reviewed for compliance
- g) Annual defensibility study. Independent review of recent cases by our insurers
- h) Recommendation for changes to our documentation process are either implemented or risk assessed
- i) OHSAS 18001 External Audits

Sources of Assurance

- a) Review of the annual defensibility study
- b) Accident database reviews
- c) KPI reviews and monitoring
- d) Exec team, SMT and PLC board monitoring and review
- e) Internal audit function carrying out detailed testing and review on all areas of asset compliance, with regular review updates

Additional Actions for Further Control and Audit / Risk Specific Comments

- a) New culpability framework introduced, which will result in higher fines being awarded to 'large' companies.

2. Independent financial sustainability

Risk

Unable to achieve independent financial stability.

Overview

Mears Group PLC is Omega's ultimate parent company. There is a viability risk to the RP in the event that Mears Group fails.

Funding is currently provided through Mears Group facilities, and Omega is dependent on Mears' ability to secure funds. Mears Group also provides a number of services, including a repairs and maintenance service, central to the housing management offering.

Omega remains reliant on the Group for cash flow funding, but as the schemes mature, Omega should be able to operate independently in its own right.

In the event that Mears Group fails, or suffers a catastrophic event that materially affects operations, Omega should have adequate contingency options in place to safeguard its continuity of service and operations.

STRATEGIC REPORT continued

Current Key Controls

The Board must actively seek to safeguard the operations of Omega in the event of Mears Group failing, thus reducing its current reliance on the group.

This includes:

- a) Access to its own funding
- b) Reducing support on parental guarantees
- c) Independent financial growth and strength

The Board plans to consider a number of business continuity measures to ensure independent sustainability.

Sources of Assurance

- a) Stress testing plus trigger reporting to the Board
- b) Financial controls framework in development
- c) Internal audit review (Group Risk function)
- d) Veco, our housing management software package, reporting frameworks with automated reporting function

Additional Actions for Further Control and Audit / Risk Specific Comments

- a) Moving services to a third party in the event of a scenario crystallising.
- b) Consideration of parental guarantees – Mears Group provides a small number of guarantees to secure contracts with local authorities or investors. Omega will consider the impact on service provision, should the value of the guarantee diminish
- c) Financial viability – an action plan to deliver financial independence will be considered, agreed and implemented by the Board.
- d) Business Continuity Planning – The Board and Executive will consider various scenarios which could impact on Omega's ability to operate
- e) Scheme viability and improvement measures – Omega management, with the appropriate monitoring tools and reporting, will consider business improvement or recovery measures on any scheme which is not supporting itself

3. Value for Money

Risk

Failure to achieve adequate value for money for our customers.

Overview

Omega is committed to improving the efficiency of its operations. There are a number of committed projects ongoing at the moment including the building of two frameworks:

- Financial control framework
- Operational performance framework

Omega is guided by its value for money strategy. In addition, there have been two significant operational changes affecting value for money:

1. Repairs, maintenance and housing management provision:

Omega has reviewed its repairs and maintenance and housing management services. The repairs service is now provided by Mears Group plc, market leader for providing housing services.

Housing management is largely provided by Mears Housing Management Limited.

The move to Mears Group aimed to ensure:

- Guaranteed service quality
- Fixed price guaranteed per responsive and void repair (within upper and lower levels)

STRATEGIC REPORT continued

Failure to achieve value for money is driven by poor management of services acquired, inadequate reporting and operating systems and potentially insufficient challenge to non-performance of service level agreements.

2. Full asset management (FRI leases):

Omega, within its strategic objectives, manages more schemes with Full Repairing and Insured leases, which means it takes on full maintenance responsibility.

The asset management strategy now has to take into account this move in maintenance requirements, to ensure that value for money is achieved, and that appropriate business planning over the period of the lease to ensure adequate funds and resources, to ensure all responsive, major and capital works are undertaken are planned.

Current Key Controls

- a) Restructure teams to ensure adequate and appropriate resource to deliver service and implement controls required
- b) Board ownership and oversight
- c) Agreeing team and corporate savings targets
- d) Agreed group service level agreements and reporting requirements

Additional Actions for Further Control and Audit / Risk Specific Comments

- a) The Board must take a commercial view of all service arrangements with Group companies and outsourced organisations, including all suitable performance measures and penalty clauses.
- b) Monthly contract meetings to be planned, minuted and reported to the Board
- c) The Mears Housing Management Senior Management Team (SMT) will review all direct costs, using the OPI framework directly linked to the operating systems (Veco), with appropriate weekly exception and performance reporting
- d) Set targets for achievement, as per the Business Plan, and attainable milestones for the operational teams to achieve. Monitor continually and report to the Board regularly and Operations committee

4. Effective governance

Risk

Failure to meet applicable statutory or regulatory requirements leading to supervision or deregistration.

Current Key Controls

- a) Strong policies and procedures which are based on RSH standards
- b) Good understanding of policies and procedures amongst staff
- c) Internal audit programme to focus on governance and viability, value for money, rents, risk assessments, safeguarding, training and ensuring that policies and procedures are being followed
- d) Critical friends / experienced persons that have been through RSH Id-Depth Assessments (IDAs) in the past and are familiar with best practice and regulatory standards
- e) Financial - Group support and established process and policy
- f) Governance - experienced Board used for strategic input, succession planning and skills audits
- g) Group internal audit function supporting recommendations and continual improvement
- h) External governance review conducted by KPMG and all recommendations completed
- i) Assurance framework in development to test the strength of controls
- j) Yearly training, compliance team guidance and scrutiny / audits, Executive updates

Sources of Assurance

- a) ecoDa Code of Governance annual statement of compliance
- b) RSH Regulatory standards annual review, gap analysis and action plan to achieve compliance
- c) Third party assessment and recommendations
- d) Recruitment of experienced governance leaders to manage change programme
- e) Group internal audit programme and support implementing controls and monitoring mechanisms

STRATEGIC REPORT continued

Additional Actions for Further Control and Audit / Risk Specific Comments

- a) Omega maintains two risk registers – one which encompasses all relevant risks facing the organisation, and one specifically detailing the individual regulatory and statutory risks set out in a legal risk register. All registers are reviewed and reported on, in line with the Risk Management Strategy.
- b) The Risk Registers are reviewed annually at a corporate level, by the Mears Group Risk team, to ensure that all significant risks are included in the Group Risk Register, and consequently included in the annual Group internal control review programme.
- c) Omega has dedicated Risk and Governance personnel to track and monitor all current and emerging risks, and to ensure that all activity, both current and new opportunities, are adequately referenced back to the risk register.
- d) A new business planning tool, currently being developed, will allow for multi-stress testing scenarios to be modelled in the context of Omega' operations as a whole, and other potential new business opportunities.
- e) A 'new business' gateway model has been approved, which tracks all new business opportunities against Omega' golden rules, to ensure appropriate due diligence and review is conducted on new opportunities before they are brought to the Board for approval.

5. Relationship with Group companies

Risk

Omega is not able to sufficiently exert control over the services it receives, which are controlled or managed through group companies.

Omega may be directly affected by poor performance or negative publicity relating to Group companies. This is also the case vice versa, where adverse activity within Omega may impact Mears Group Company, thus influencing share price and future ability to operate in an optimum environment.

Overview

Omega is a standalone, independently regulated entity. It is wholly owned by a Mears Group Plc company, Mears Limited. Ultimately it is wholly owned by Mears Group Plc.

Omega receives a range of services from a number of Mears Group divisions and departments.

Services received:

Service	Entity	Charging mechanism
Repairs and maintenance	Mears National Repairs	Fixed cost or quote for larger works
Asset compliance	Facilities Management	Quoted works or at cost / fixed fee
Housing Management	Mears Housing Management	Management charge or direct recharge
Accounting & treasury support	Central services	Overhead recharge
IT Support	Terraquest Business Solutions	Overhead recharge or direct recharge
Communications, website support, and PR	Central Services	Overhead recharge
Parental guarantees	Mears Group Plc	Overhead recharge

Central services supplied are charged back to Omega via an overhead charge, which applies to all Group companies. Omega' banking and treasury facilities are provided through Mears Group plc.

Current Key Controls

- a) Service level agreements are either currently in place, or in the process of being renegotiated with all group companies currently providing a direct or overhead service
- b) Commercial review frameworks in place to performance manage service provisions
- c) Continual cost review undertaken on costs incurred on a monthly basis
- d) Monthly leadership meetings to monitor services provided with decision makers able to influence future service provision

STRATEGIC REPORT continued

Additional Actions for Further Control and Audit / Risk Specific Comments

- a) Preparation of Business Continuity Plans to take into account scenarios where adverse Mears events would affect the viability of Omega. Scenarios to be presented and discussed with the Board.

Mears leadership updates relating to emerging risks to be communicated to the Board as appropriate in order to ensure plans can be put in place to safeguard the operations of Omega.

Value for money

A new Value for Money (VfM) Standard and Code of Practice was introduced in April 2018. This new Standard has a clear focus on outcomes and sets out expectations that registered providers will agree a strategic approach to achieving value for money in fulfilling their objectives.

The standard now includes a number of requirements for registered providers, in particular the need to demonstrate that:

- overall, optimal benefit is derived from resources and assets in the delivery of their strategic objectives.
- providers undertake a rigorous appraisal of options for improving their VfM performance and have a robust approach to decision making.
- VfM is achieved across all providers' operations and that where investment is made in non-social housing activity, proper consideration is given to whether this activity generates returns that are proportionate to the risks involved.
- providers report on a suite of VfM metrics (these now replace the former requirement to publish a VfM self-assessment) and that they clearly explain plans to address areas of underperformance.

Omega has three key VFM drivers (our business plan, our desire to seek continuous improvement and to be fully regulatory compliant) which support our three VFM pillars:

- Strong governance, scrutiny & performance management
- Ensuring we maximise the return on assets
- Clear measures, evidence and comparisons; including understanding of costs and outcomes

These are underpinned by a strong VfM culture where information is transparently available and accessible to stakeholders. In order to deliver social value we need to be financially sound and make the most of our resources to deliver the services that our customers need. We also need to provide assurance to our freeholders and where necessary their funders.

We have highlighted our key VfM objectives below:

Rent Arrears

Rent arrears have reduced from 8.5% in 2016 down to 5.1% but are still slightly above our benchmarked target of 6.0%. Action plans are in place to reduce rent arrears

Rent Loss

In 2018 the rent loss was 1.4% below our benchmarked target of 2%.

Void Turnover

Void turnover in 2018 was 38.3% for Omega, which compares favourably with our benchmarked target of 40%.

Cost of Repairs

Our Repairs and Maintenance cost per unit for 2018 was £477 which is a significant improvement on the previous year average of £847, and is towards the lower end of our benchmarked target of £450 to £750.

Management Costs

Management costs have fallen to £436 per unit and are forecast to fall further to £413 during 2019. This reflects the costs remaining consistent despite the increase in stock numbers (i.e. achieving more for the same).

STRATEGIC REPORT continued

The Regulator of Social Housing technical measures

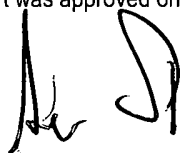
There are seven technical measures, introduced by the RSH in April 2018 to be reported by every Registered Provider, to ensure greater consistency across the sector:

Results for these technical measures are as follows:

Measure	2018	2017	2017 sector average (<2,500 units)
Metric 1 – Reinvestment %	Not applicable	Not applicable	2.7%
Metric 2 – New supply delivered %	0%	0%	0.9%
Metric 3 – Gearing %	2.70%	0%	30.4%
Metric 4 – Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover	67%	280%	248%
Metric 5 – Headline social housing cost per unit	£199	£165	£3,650
Metric 6a – Operating Margin % (social housing lettings only)	2.95%	6.46%	31.5%
Metric 6b – Operating Margin % (overall)	2.63%	5.58%	28.0%
Metric 7 – Return on capital employed (ROCE)	8.40%	32.15%	3.7%

- Sector VfM metrics which apply to Omega (noting that our business model means that not all the regulatory measures are applicable to us) demonstrate the positive progress being made over the past three years by Omega
- The metrics show that there has been a slight reduction in operating margin and a slight increase in the headline social housing cost per unit as 2018 was a year of consolidation for the Company
- The Board will work to ensure all schemes remain on budget and financially viable
- The Board is currently developing a set of metrics linked to the recently approved new business plan, which will be in place for 2019.

This report was approved on 28 June 2018 and signed by order of the Board.



A C M Smith
For and on behalf of Mears Group PLC
Corporate Director

REPORT OF THE BOARD

The Directors presents their report and the financial statements of the Company for the year ended 31 December 2018.

Principal activities

The principal activity of the Company during the year continued to be that of a not-for-profit Registered Provider administered by a management Board and involved in the provision and management of affordable rented accommodation to people with a diversity of needs.

Throughout the report and financial statements, the term "Company" is used to refer to Omega Housing Limited.

Board members

The Company's Directors are set out below. The Board has previously been supplemented by the membership of others which are drawn from a wide background bringing together professional, commercial and local experience. The Board members have responsibilities for implementation of the Company's strategy and for the ongoing management and viability.

The Company is limited by Guarantee and as such, the Board members, including Directors, do not hold any shares in the Company.

Member	Role	Appointment date
John Taylor	Executive	15 October 2014
Roy Irwin	Chair	9 October 2017
Andrew Smith	Executive	9 October 2017
Beatrice Cingtho-Taylor	Non-Executive	9 October 2017
Michelle Patterson	Non-Executive	9 October 2017
Jan Taranczuk	Non-Executive	9 October 2017
Roger Jarman	Non-Executive	9 October 2017
Erfana Mahmood	Non-Executive	9 October 2017
Gary Sims	Non-Executive	9 October 2017
Mears Group PLC	Corporate	15 October 2014
Lucas Critchley	Executive	1 July 2018

Principal Risks and uncertainties

The effective management of risks is a key feature to the continuing success of our Company. Our approach is to identify principal risks and robustly mitigate the impact of these risks through a Group-wide risk management process.

The Company's financial risk management is based upon sound economic objectives and good corporate practice. The Directors have overall responsibility for risk management and internal control within the context of achieving the Company's objectives. The key risks and mitigating factors are set out below.

- *Operational*

The principal risks and uncertainties that the business faces are operational risks, most importantly welfare reforms. As the majority of business is generated through local authority contracts, government public spending cuts may have affected trading had it not been for the Directors prudent approach to income generation.

The company has limited exposure to these risks by negotiating and tendering for council contracts in a variety of different ways, ranging from yearly as well as long term contracts. In addition, other services and revenue streams have been developed in order to limit reliance on one source of income.

- *Financial*

The Company seeks to manage financial risk, to ensure sufficient liquidity is available to meet the identifiable needs of the Company and to invest cash assets safely and profitably.

Risks arise from short term cash flow movements and renewal risk on maturity of facilities. The Company is part of a Group banking facility. During the year, the Group's bank funding facility was extended to service the Group's needs until November 2022.

REPORT OF THE BOARD continued

Both short term and long term liquidity are monitored through the use of various tools including cashflow forecasts and proactive response to variances identified.

The Company does not undertake any trading activity in financial instruments. All activities are transacted in Sterling. The Company does not engage in any hedging activities.

- *Integrity, ethics, anti-bribery and corruption*

There are inherent risks of bribery, fraud and corruption in some of the sectors we work in. It is important that we have an internal control framework and means of communication to be pro-active where any risks materialise.

Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, the Report of the Board and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

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

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

In so far as each of the Directors is aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

Going concern consideration

Mears Group PLC, the parent company, has a centralised treasury arrangement and so shares banking arrangements with its subsidiaries.

After making enquiries, the directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future, and they have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Group to continue as a going concern or its ability to continue with the current banking arrangements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

REPORT OF THE BOARD continued

Auditor

Grant Thornton UK LLP are deemed to be appointed in accordance with an elective resolution made under section 386 of the Companies Act 1985 which continued in force under the Companies Act 2006.

This report was approved by the Board on 28 June 2019 and signed on its behalf.

A handwritten signature in black ink, appearing to be 'A C M Smith', written over a horizontal line.

A C M Smith
For and on behalf of Mears Group PLC
Corporate Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF OMEGA HOUSING LIMITED

Opinion

We have audited the financial statements of Omega Housing Limited (the 'company') for the year ended 31 December 2018, which comprise the Profit and loss account, the Balance sheet, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusion relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the strategic report and report of the directors on pages 2 to 15, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and Report of the Board for the financial period for which the financial statements are prepared is consistent with the financial statements.
- The Strategic Report and Report of the Board has been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF OMEGA HOUSING LIMITED continued

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 14, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Elizabeth Collins
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

28 June 2019

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Year ended 31 December 2018 £	1 April 2017 to 31 December 2017 £
Turnover	4	10,929,149	8,973,373
Cost of sales		(10,432,717)	(8,208,973)
Gross profit		496,432	764,400
Administrative expenses		(172,012)	(263,782)
Operating profit	7	324,420	500,618
Net interest payable / receivable	9	(3,643)	18,590
Profit on ordinary activities before taxation		320,777	519,208
Tax on profit on ordinary activities	11	3,639	(105,238)
Profit for the financial period		324,416	413,970

The Company has no profits or losses other than those included in the income and expenditure account as set out above.

All activities of the Company are classed as continuing.

The accompanying accounting policies and notes form an integral part of these Financial Statements.

BALANCE SHEET AS AT 31 DECEMBER 2018

	Notes	31 December 2018		31 December 2017	
		£	£	£	£
Fixed assets					
Tangible assets	12		651,839		776,538
Current assets					
Debtors	13	2,933,962		7,626,559	
Cash at bank and in hand		423,812		1,596,003	
		<u>3,357,774</u>		<u>9,222,562</u>	
Creditors: amounts falling due within one year	14	(149,655)		(8,441,846)	
Net current assets			<u>3,208,119</u>		<u>780,716</u>
Total assets less current liabilities			<u>3,859,958</u>		<u>1,557,254</u>
Creditors: amounts falling due after more than one year	15	(2,229,014)		(250,726)	
		<u>1,630,944</u>		<u>1,306,528</u>	
Reserves					
Profit and loss account		1,630,944		1,306,528	
		<u>1,630,944</u>		<u>1,306,528</u>	

Approved by the Board on 28 June 2019.



A C M Smith
For and on behalf of Mears Group PLC
Corporate Director

Company number: 07318252

The accompanying accounting policies and notes form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Profit and loss account
	£
At 1 April 2017	892,558
Profit for the period	<u>413,970</u>
At 31 December 2017	<u>1,306,528</u>

	Profit and loss account
	£
At 1 January 2018	1,306,528
Profit for the year	<u>324,416</u>
At 31 December 2018	<u>1,630,944</u>

The accompanying accounting policies and notes form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018

1. LEGAL STATUS

The Company is registered as a limited Company under the Companies Act 2006 and also a not-for-profit social housing provider by the Regulator of Social Housing (RSH).

2. ACCOUNTING POLICIES

Statement of compliance

Omega Housing Limited is a limited liability company incorporated in the United Kingdom. Its registered office is 1390 Montpellier Court, Gloucester Business Park, Brockworth, Gloucester, GL3 4AH.

The Company's financial statements have been prepared in compliance with FRS 101 as it applies to the financial statements of the Company for the year ended 31 December 2018.

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards, including FRS 101, the Companies Act 2006, and the Statement of Recommended Practice: Accounting by Registered Social Landlords Providers Update 2014 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

The Company has transitioned from FRS 102 to FRS 101 for all periods presented. In the transition to FRS 101, the Company has applied IFRS 1 First-time Adoption of International Financial Reporting Standards whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance of the Company is provided in note 20.

The financial statements have been prepared on the historical cost. The financial statements are presented in Sterling (£).

Summary of disclosure exemptions

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2018. The Company has taken advantage of the following disclosure exemptions under FRS 101:

- a) The requirements of IFRS 7 Financial Instruments: Disclosures;
- b) The requirements of IFRS 13 Fair Value Measurement;
- c) The requirements of IFRS 15 Revenue from Contracts with Customers;
- d) The requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1; and
 - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment
- e) The requirements of IAS 1 Presentation of Financial Statements;
- f) The requirements of IAS 7 Statement of Cash Flows;
- g) The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- h) The requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- i) The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- j) The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018

Going concern

Mears Group PLC, the parent company, has a centralised treasury arrangement and so shares banking arrangements with its subsidiaries.

After making enquiries, the Directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future, and they have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Company to continue as a going concern or its ability to continue with the current banking arrangements. In making their enquiries, the Directors considered a period of five years and the forecasts used therefore covered the same period. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Exemption from preparing group accounts

The financial statements contain information about Omega Housing Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Mears Group PLC, a company incorporated in United Kingdom.

New standards, interpretations and amendments effective

The most significant changes in accounting policies from the previous year were the introduction of IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments'. The accounting policies remain otherwise unchanged from the previous year.

The impact of these changes is disclosed in note 21.

Turnover

Turnover comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the company.

The Company recognises revenue as an agent (the net management fee) on a straight-line basis. Where significant initial costs are required to make good the housing to perform Housing Management activities, the costs directly attributable to the initial upgrade will be recognised as costs incurred to fulfil a contract and held within current assets, to the extent that it is determined that costs are recoverable.

Housing properties

As a result of adopting SORP 2014, housing properties have been split between their land and structure costs and a specific set of major components which require periodic replacement. Refurbishment or replacement of such components is capitalised and depreciated over the estimated useful life of the component (excluding land) as follows:

<u>Component</u>		<u>Useful economic life (years)</u>
Land	-	Not depreciated
Structure	-	100
Roof	-	100
Windows	-	30
Heating	-	15
Electrical	-	40
Kitchen	-	20
Bathroom	-	30

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018

Other tangible fixed assets

Other fixed assets are stated at cost less depreciation. Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold property improvements	-	over the life of the lease
Computer equipment	-	25% per annum, reducing balance

Taxation

The tax expense for the year comprises current and deferred tax.

Deferred taxation is the tax expected to be repayable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method.

Deferred taxation liabilities are generally recognised on all taxable temporary differences in full with no discounting. Deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability, unless the related transaction is a business combination or affects tax or accounting profit.

Deferred taxation is calculated using the tax rates and laws that are expected to apply in the period when the liability is settled or the asset is realised, provided they are enacted or substantively enacted at the balance sheet date. The carrying value of deferred taxation assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available against which taxable temporary differences can be utilised. Deferred tax is charged or credited to either the Profit and Loss Account, the Statement of Comprehensive Income or equity to the extent that it relates to items charged or credited. Deferred tax relating to items charged or credited directly to equity is also credited or charged to equity.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade debtors

Trade receivables represent amounts due from customers in respect of invoices. They are initially measured at their transaction price and subsequently remeasured at amortised cost.

Retention assets represent amounts held by customers for a period following payment of invoices, to cover any potential defects in the work. Retention assets are included in trade receivables and are therefore initially measured at their transaction price.

Contract assets

Contract assets are included in trade and other receivables and represent revenue recognised in excess of the total of payments on account and amounts invoiced.

Leases

The economic ownership of a leased asset is transferred to the lessee if they bear substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability, irrespective of whether some of these lease payments are payable upfront at the date of inception of the lease.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018

Leases - continued

Subsequent accounting for assets held under finance lease agreements, i.e. depreciation methods and useful lives, correspond to those applied to comparable acquired assets. The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed to finance costs. Finance charges represent a constant periodic rate of interest on the outstanding balance of the finance lease liability.

All other leases are treated as operating leases. Payment on operating lease agreements is recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Financial instruments

Financial assets and liabilities are recognised in the Balance Sheet when the Company becomes party to the contractual provisions of the instrument. The principal financial assets and liabilities of the Company are as follows:

Financial assets, loans and receivables

From 1 January 2018, the assets generated from goods or services transferred to customers are now presented as either receivables or contract assets, in accordance with IFRS 15. The assessment of impairment of receivables or contract assets from 1 January 2018 is in accordance with IFRS 9 'Financial Instruments'. All cash flows from customers are solely payments of principal and interest, and do not contain a significant financing component. Financial assets generated from all of the Company's revenue streams are therefore initially measured at their fair value, which is considered to be their transaction price (as defined in IFRS 15) and are subsequently remeasured at amortised cost.

Under IFRS 9, the Company will now recognise a loss allowance for expected credit losses (ECL) on financial assets subsequently measured at amortised cost using the 'simplified approach'. Individually significant balances are reviewed separately for impairment based on the credit terms agreed with the customer. Other balances are grouped into credit risk categories and reviewed in aggregate.

Trade receivables, contract assets and cash at bank and in hand are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables and contract assets are initially recorded at fair value net of transaction costs, being invoiced value less any provisional estimate for impairment should this be necessary due to a loss event. Trade receivables are subsequently remeasured at invoiced value, less an updated provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the Profit and Loss Account.

Cash and cash equivalents include cash at bank and in hand and bank deposits available with no notice or less than three months' notice from inception that are subject to an insignificant risk of changes in value. Bank overdrafts are presented as current liabilities to the extent that there is no right of offset with cash balances.

Following initial recognition, financial assets are subsequently remeasured at amortised cost using the effective interest rate method.

Financial liabilities

The Company's financial liabilities are overdrafts, trade and other payables including accrued expenses, and amounts owed to Group companies.

All interest related charges are recognised as an expense in 'Interest payable and similar charges' in the Profit and Loss Account with the exception of those that are directly attributable to the construction of a qualifying asset, which are capitalised as part of that asset.

Bank and other borrowings are initially recognised at fair value net of transaction costs. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognised respectively in finance income and finance costs. Borrowing costs are recognised as an expense in the period in which they are incurred with the exception of those which are directly attributable to the construction of a qualifying asset, which are capitalised as part of that asset.

Trade payables on normal terms are not interest bearing and are stated at their fair value on initial recognition and subsequently at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018

Reserves

Profit and loss account includes all current and prior period retained profits and losses.

Significant judgements and estimates

There were no significant judgements or estimates required in preparing these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018

3. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING PROFIT

	Note	Year ended 31 December 2018			1 April 2017 to 31 December 2017		
		Turnover £	Operating Costs £	Operating Profit £	Turnover £	Operating Costs £	Operating Profit £
Social Housing Lettings	5	10,929,149	(10,606,568)	322,581	8,973,373	(8,394,065)	579,308
Non Social housing activities							
Management fees		-	-	-	-	(3,840)	(3,840)
Fees paid to auditor of the financial statements	7	-	-	-	-	(3,224)	(3,224)
Other accountancy fees		-	-	-	-	-	-
Profit on disposal		-	36,826	36,826	-	-	-
General expenses		-	(34,987)	(34,987)	-	(71,626)	(71,626)
		10,929,149	(10,604,729)	324,420	8,973,373	(8,472,755)	500,618

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018

4. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	Year to 31 December 2018	1 April 2017 to 31 December 2017
	£	£
Income		
Rent receivable net of identifiable service charges	10,929,149	8,973,373
Turnover from social housing lettings	10,929,149	8,973,373
Expenditure		
Rent payable on leased properties	10,335,180	8,065,394
Routine maintenance	137	6,224
Management	133,507	151,231
Legal fees	(1,932)	5,248
Bad debts	(15,821)	36,229
Other direct costs	11,701	11,675
Void losses	143,796	118,064
Operating costs on social housing lettings	10,606,568	8,394,065
Operating profit on social housing lettings	322,581	579,308

5. ACCOMMODATION IN MANAGEMENT

The number of units of accommodation in management at the end of each period for each class of accommodation is as follows:

	Year to 31 December 2018	1 April 2017 to 31 December 2017
	No.	No.
Social Housing		
General needs		
- Social rent	801	1,060

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018

6. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the Company. All turnover is derived from within the United Kingdom.

The Company's revenue disaggregated by pattern of revenue recognition is as follows:

	Year ended 31 December 2018 £	1 April 2017 to 31 December 2017 £
Rental income	<u>10,929,149</u>	<u>8,973,373</u>

Rental income is typically invoiced monthly in advance. Payment terms for revenue invoiced is typically 30 to 60 days from the date of invoice.

7. OPERATING PROFIT

This is arrived at after charging(crediting):

	Year ended 31 December 2018 £	1 April 2017 to 31 December 2017 £
Depreciation of tangible fixed assets	18,506	20,207
Gain on disposal of fixed asset	<u>(36,826)</u>	<u>—</u>

8. AUDITORS' REMUNERATION

	Year ended 31 December 2018 £	1 April 2017 to 31 December 2017 £
Audit of the financial statements	<u>7,500</u>	<u>6,000</u>

Auditors' remuneration was borne by another Group company.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018

9. NET INTEREST

	Year ended 31 December 2018 £	1 April 2017 to 31 December 2017 £
Bank interest payable	–	(1,826)
Interest payable to group companies	(4,412)	–
Other interest paid	(170)	(108)
	(4,582)	(1,934)
Bank interest receivable	579	71
Other interest receivable	360	–
Interest receivable from group companies	–	20,453
Net interest (payable)/receivable	(3,643)	18,590

10. EMPLOYEES

	Year ended 31 December 2018 No.	1 April 2017 to 31 December 2017 No.
Average monthly number of employees (full time equivalents)	10	6
Staff costs:	£	£
Wages and salaries	177,495	130,806
Social security costs	14,955	14,847
Other pension costs	3,136	250
	195,586	145,903

No member of staff had an annual salary above £60,000 (2017: nil).

The average number of employees is derived by dividing the sum of the number of employees employed under contracts of service in each month by the number of months in the financial year.

Total remuneration paid to Board Members in respect of the year was:

	£	£
E Mahmood	2,338	–
G Sims	2,149	–
M Patterson	2,139	–
B Cingtho-Taylor	2,054	–
	8,680	–

The Executive Directors and Non-Executive Directors not listed above received no remuneration during the period and are remunerated by other Group companies.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018

11. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the period was as follows:

	Year ended 31 December 2018 £	1 April 2017 to 31 December 2017 £
Current tax:		
UK corporation tax	–	106,138
Adjustments for prior periods	(3,639)	(900)
	<u>(3,639)</u>	<u>105,238</u>
Tax on profit on ordinary activities	<u>(3,639)</u>	<u>105,238</u>

Factors affecting tax charge for the period

The tax assessed on the profit on ordinary activities for the period is lower than the standard rate of corporation tax in the UK. During the period the average corporation tax rate was 19% (9 months to 31 December 2017: 19%).

	Year ended 31 December 2018 £	1 April 2017 to 31 December 2017 £
Profit for the period before taxation	<u>320,777</u>	<u>519,208</u>
Profit for the period multiplied by standard rate of tax	60,948	98,650
Effects of:		
Other temporary differences	(3,596)	5,977
Group relief	(57,447)	–
Adjustment to tax in respect of prior periods	(3,639)	(900)
Permanent difference and other	95	1,511
Total tax charge for the period	<u>(3,639)</u>	<u>105,238</u>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018

12. TANGIBLE ASSETS

	Freehold property £	Leasehold property improvements £	Computer software & equipment £	Total £
Cost				
At 1 January 2018	677,735	155,000	36,263	868,998
Disposals	(110,382)	–	–	(110,382)
At 31 December 2018	567,353	155,000	36,262	758,616
Depreciation				
At 1 January 2018	19,731	40,042	32,687	92,460
Charge for the year	5,987	11,625	894	18,506
Eliminated on disposal	(4,189)	–	–	(4,189)
At 31 December 2018	21,529	51,667	33,581	106,777
Net book value				
At 31 December 2018	545,824	103,333	2,682	651,839
At 31 December 2017	658,004	114,958	3,576	776,538

13. DEBTORS

	1 Year ended 31 December 2018 £	April 2017 to 31 December 2017 £
Trade debtors	2,931,529	5,734,701
Provision for bad debts	(132,424)	(146,811)
Other debtors	4,832	43,394
Contract asset	12,755	–
Amounts owed by group undertakings	–	1,977,177
Prepayments and accrued income	117,270	18,098
	2,933,962	7,626,559

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1 Year ended 31 December 2018 £	1 April 2017 to 31 December 2017 £
Bank loan	21,804	21,804
Trade creditors	–	11,903
Amounts owed to group undertakings	–	5,437,554
Rental deposits held	–	46,981
Corporation tax	2,498	105,877
Other taxation and social security	785	–
Accruals and deferred income	124,159	2,810,402
Other creditors	409	7,325
	149,655	8,441,846

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018

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

	1 Year ended 31 December 2018 £	1 April 2017 to 31 December 2017 £
Amounts owed to group undertakings	2,030,229	–
Bank loan	198,785	250,726
	<u>2,229,014</u>	<u>250,726</u>

Interest on amounts owed to group companies is charged at a rate of 2.5% and the loans are repayable after more than one year.

Maturity of debt:

	<u>Bank loans</u> 1 Year ended 31 December 2018 £	1 April 2017 to 31 December 2017 £
In one year or less, or on demand	<u>21,804</u>	<u>21,804</u>
In more than one year but not more than two years	21,804	21,804
In more than two years but not more than five years	65,412	65,412
More than five years	<u>111,569</u>	<u>163,510</u>
	<u>198,785</u>	<u>250,726</u>

Interest on bank loans is charged at a variable rate that is based on GBP 3 month LIBOR, throughout the life of the loan. Bank loans are secured on the freehold properties in note 10. The loan is subject to monthly repayments and is repayable in full by September 2024.

16. OPERATING LEASE COMMITMENTS

Rental payments which the Company is committed to making on operating leases for the rental of properties are as follows:

	1 Year ended 31 December 2018 £	1 April 2017 to 31 December 2017 £
Rental commitments payable:		
Within one year	12,555	155,347
Between two and five years	11,677	669,412
After more than five years	–	546,452
	<u>24,232</u>	<u>1,371,211</u>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018

17. COMPANY STATUS

The company is private company limited by guarantee and consequently does not have any share capital. In the event of the company being wound up, the liability of each member is limited to the level of guarantee provided. The sole member of the company is Mears Housing Management Limited.

18. RELATED PARTY TRANSACTIONS

The Group of which the Company is a member has a central treasury arrangement in which all Group companies participate and procures a number of goods and services centrally which are recharged to its subsidiaries at cost. The Directors do not consider it meaningful to set out details of transfers made in respect of this treasury arrangement, nor the recharge of centrally procured goods and services, nor do they consider it meaningful to set out details of interest or dividend payments made within the Group.

19. ULTIMATE CONTROLLING PARTY

The sole member of the Company is Mears Housing Management Limited. The Directors consider that the ultimate parent undertaking and controlling related party of this Company is Mears Group PLC by virtue of its 100% shareholding in Mears Housing Management Limited.

The largest and smallest group of undertakings for which Group accounts have been drawn up is that headed by Mears Group PLC. The accounts are available from The Company Secretary, Mears Group PLC, 1390 Montpellier Court, Gloucester Business Park, Brockworth, Gloucester, GL3 4AH.

20. TRANSITION TO FRS 101

Omega Housing Limited has transitioned to FRS 101 from FRS 102 with no material measurement differences.

21. IMPACT OF NEW ACCOUNTING STANDARDS

As detailed in the principal accounting policies, there have been two significant mandatory accounting changes which apply from 1 January 2018: the adoption of IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments'.

There is no impact as a result of the adoption of IFRS 15.

There is no material impact to the opening reserves for 2018 as a result of the adoption of IFRS 9. The effect of the application of IFRS 9 on the year ended 31 December 2018 is detailed below:

	As would have been reported under old accounting standards	Impact of IFRS 9	As reported under new accounting standards
	£	£	£
Profit and loss account for the year ended 31 December 2018			
Administrative expenses	(10,393,193)	(39,524)	(10,432,717)
Balance sheet as at 31 December 2018			
Trade debtors	2,838,629	(39,524)	2,799,105
Profit and loss account	1,670,468	(39,524)	1,630,944

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018**

21. IMPACT OF NEW ACCOUNTING STANDARDS

Under IFRS 9, the Company will now recognise a loss allowance for expected credit losses (ECL) on financial assets subsequently measured at amortised cost using the 'simplified approach'. Individually significant balances are reviewed separately for impairment based on the credit terms agreed with the customer. Other balances are grouped into credit risk categories and reviewed in aggregate.

Moving forward, this new standard is likely to result in an earlier recognition of credit loss, resulting in an impairment in trade receivables and contract assets. Based on the current activities of the Company, it is unlikely that this impairment would be material in any single year.