HOUSING SOLUTIONS LIMITED

housing
solutions

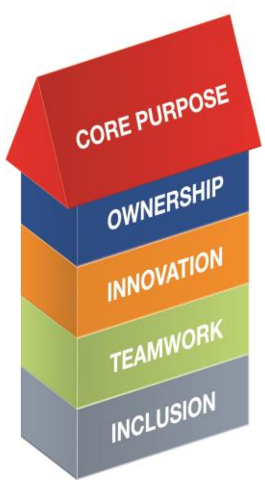
Annual Report and Accounts
for the year ended 31 March 2016

Co-Operative and Community Benefit Societies No. 27876R

HOUSING SOLUTIONS LIMITED

Housing
Solutions
CAPITAL PLC

The Housing Solutions Group	There are three subsidiaries within the Group. They are:
Housing Solutions is a registered housing provider with charitable status dedicated to providing affordable and supported homes. We have a housing stock of over 5,000 properties in the South East of England. We offer affordable homes to rent, shared ownership schemes, key worker housing and specialist accommodation for older people and people who need support and care to live within the community. All our homes are supported by a range of housing services, including our own professional team of maintenance staff who provide a comprehensive repair and maintenance service.	**Housing Solutions Capital** set up to facilitate capital market funding for the Group. **HSG Property Services Limited** provides photo voltaic panels on residents' roofs and other energy saving solutions in order to save utility costs for those residents and at the same time produce revenue for the group through the Feed In Tariff programme. **Housing Solutions Development Limited** set up on 26/02/16 to facilitate the design and building of properties for the group.



Our core purpose is to understand and effectively meet local affordable housing needs by involving our residents and working closely with local authority partners to deliver responsive, value for money services and homes

OWNERSHIP – each of us takes responsibility and will respond to an enquiry, issue or situation to ensure a satisfactory outcome.

INNOVATION – we will understand, value and nurture new ideas and use creative thinking, passion, energy and enthusiasm to achieve practical results.

TEAMWORK – we value each person and their job as much as we value our own. We welcome different points of view and will work co-operatively in teams and across teams to achieve more together than we could alone.

INCLUSION – our relationships with each other, residents and stakeholders are based on trust and respect and we ensure that everyone is able to fully participate in our services and organisation.

CONTENTS

MEMBERS, EXECUTIVES AND ADVISERS

BOARD OF MANAGEMENT

CHAIRMAN	Nigel Cook (Independent)
VICE CHAIRMAN	Mark Pullen (Independent)
BOARD MEMBERS	Hayley Peters (Independent)
	Derek Wilson (Council nominee)
	Val Bagnall (Independent)
	Alice McDonagh (Resident nominee)
	Taslim Gbaja-Biamila (Resident nominee)
	Orla Gallagher (Chief Executive –appointed 07/09/16)
	Valarie Kendall (Independent – appointed 15/09/2015)
	James Measures (independent – appointed 15/09/15)
	Angus McCallum (Independent – appointed 10/10/2015)

EXECUTIVE TEAM

GROUP CHIEF EXECUTIVE	Orla Gallagher (appointed 7/09/16)
GROUP CHIEF EXECUTIVE	John Petitt (resigned 01/09/16)
GROUP DIRECTOR OF FINANCE AND RESOURCES	Andrew Robertson
GROUP BUSINESS DEVELOPMENT DIRECTOR	Jill Caress
GROUP DIRECTOR OF CUSTOMER SERVICES	Peter Hatch
GROUP COMMERCIAL DIRECTOR	John Barnes(resigned 01/07/16)

The Executive Team hold no interest in the association's shares and act within the authority delegated by the Board.

AUDITORS

Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

SOLICITORS

Penningtons Solicitors LLP
da Vinci House
Basing View
Basingstoke
Hampshire
RG21 4EQ

Trowers & Hamlins LLP
3 Bunhill Row
London
EC1Y 8YZ

FUNDERS

Barclays Bank PLC
1 Churchill Place
Canary Wharf
London
E14 5HP

Lloyds TSB PLC
25 Gresham Street
London
EC2V 7HN

M & G Limited
Laurence
Pountney Hill
London
EC4R 0HH

Legal & General Investment Mananagement Ltd
One Coleman Street
London
EC2R 5AA

TREASURY ADVISORS

JC Rathbone Associates Limited
12 St James's Square,
London
SW1Y 4LB

VALUERS

Jones Lang LaSalle
22 Hanover Square
London
W1S 1JA

Registered with the Homes and Communities Agency (HCA) Reg No. L4073
Registered as 0061 Co-Operative and Community Benefit Societies Reg No. 27876R
Registered Office, Crown House, Crown Square, Waldeck Road, Maidenhead, Berkshire SL6 8BY

OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2016

REPORT OF THE BOARD

The Board of Housing Solutions Limited presents its report together with the audited financial statements of Housing Solutions Limited (the association) and Housing Solutions Group (the group) for the year ended 31 March 2016.

The group comprises of the association and its subsidiary undertakings Housing Solutions Capital plc, HSG Property Services Limited and Housing Solutions Development Limited.

Housing Solutions Limited is a Public Benefit Entity.

PRINCIPAL ACTIVITIES

The group's principal activities are the development and management of affordable housing and residential care homes and providing repairs services to its own stock as well as external clients.

The association has charitable status and operates three key business streams:

- housing for rent, primarily for families who are unable to rent or buy at open market rates;
- supported housing and care homes for people who need additional housing-related support or additional care;
- low-cost home ownership, primarily shared ownership whereby residents purchase a share in the equity of their home and pay rent to the association on the remainder;

As well as managing over 5,000 properties, the group develops new affordable housing and is a member of the Sovereign Development Consortium (SDC).

The group also provides a small amount of non-social housing, in particular market rent accommodation.

However, the group's focus remains its social housing activities and these constitute over 80 per cent of the group's activities by turnover.

BOARD MEMBERS AND EXECUTIVE DIRECTORS

The present board members and executive directors of the group are set out on page 2.

The executive directors are the Chief Executive, the Group Director of Finance and Resources; the Group Director of Customer Services; the Group Business Development Director and the Group Commercial Director. All executives work within the authority delegated by the board. Group insurance policies indemnify board members and officers against liability when acting for the group.

EMPLOYMENT CONTRACTS

Excluding the Chief Executive, board members are paid based on a scale reflecting their relative responsibilities to the group. The total amount paid to board members during 2015/16 was £37,982 which represents 0.1 per cent of the group's turnover.

The executive directors were employed on the same terms as other staff, their notice periods ranging from six to twelve months.

PENSIONS

The executive directors are entitled to be members of the Royal County of Berkshire Pension Fund, a defined benefit (Career Average) pension scheme. They participate in the scheme on the same terms as all other eligible staff and the group contributes to the scheme on behalf of its employees. With effect from 1st April 2014 the Royal County of Berkshire Pension Scheme was closed to new employees and a new Group Personal Pension Plan has been set up for new employees. The Executive Directors may participate in this scheme on the same terms as all other eligible staff and Housing Solutions make contributions into the Individual Personal Pensions.

ACCOUNTING POLICIES

The group's principal accounting policies are set out on pages 27 to 33 of the financial statements. The policies that are most critical to the financial results relate to accounting for housing properties and include: capitalisation of costs; deduction of capital grant from the cost of assets; housing property depreciation; and treatment of shared ownership properties.

The group has prepared the accounts in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014:Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

HOUSING PROPERTIES

At 31 March 2016 the group owned 5,314 housing properties (2015: 5,148).

The board appointed external professional valuers to undertake the annual valuation of the group's housing properties as at 31 March 2016. The value of the properties, on an existing use for social housing basis, was £395.6 million and this has been reflected in the valuation of properties in the financial statements.

Our investment in housing properties this year was funded through a mixture of loan finance and working capital where we continue to show a strong current asset balance, an important indicator of liquidity

REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2016

PENSION COSTS

The group participates in the Royal County of Berkshire Pension Fund (RCBPF), a Local Government Pension Scheme. This is an average salary scheme, offering good benefits for our staff. The group has contributed to the scheme in accordance with levels, set by the actuaries, at 19.2 per cent.

The latest actuarial valuation of the RCBPF as at 31 March 2013 has been rolled forward allowing for the different financial assumptions required under IAS19/FRS102 to calculate the funding valuation at 31 March 2016.

CASH FLOWS

Cash inflows and outflows during the year are shown in the consolidated statement of cash flows (page 26).

GROUP DEBT

The group borrowed a further £30.0 million during the year, to develop general needs, supported housing and affordable home ownership properties.

By the year end group borrowings amounted to £305million. Gearing, calculated as total loans as a percentage of the balance sheet value of completed housing property, had increased to 66.7% by 31 March 2016 (2015: 62.8%). This increase was due to the value of completed properties decreasing as a result of the change in the rent regime to minus 1% per annum to 2020. This rent decrease is applicable to around 80 % of our stock. Cash held at 31 March 2016 was £67.3m compared to £46.8m at 31 March 2015.

The group is borrowing principally from banks and through the bond market, at both fixed and floating rates of interest. Interest rate swaps are used to generate the desired interest profile and to manage the group's exposure to interest rate fluctuations. The group's policy is to keep between 65 per cent and 90 per cent of its borrowings at fixed rates of interest and to maintain an average duration within a range of 7 to 13 years with a target of 10 years.

At the year-end, 82 per cent of the group's borrowings were at fixed rates after taking account of interest rate swaps (2015: 82 per cent). The fixed rates of interest range from 1.5 per cent to 5.5 per cent. Our all-in average cost of funds was 4.1 per cent.

The group's lending agreements require compliance with a number of financial and non-financial covenants. The group's position is monitored on an on-going basis and reported to the board at each meeting. The group funding committee regularly reviews the group's treasury position including requirements for new loan facilities. Recent reports confirmed that the group was in compliance with its loan covenants both at the balance sheet date and also the board expects to remain compliant in the foreseeable future. The group borrows and trades only in sterling and so is not exposed to currency risk.

MATURITY	**2016**	**2015**
	£m	£m
Within one year	**-**	-
Between one and two years	**3.0**	-
Between two and five years	**12.2**	**11.1**
After five years	**289.8**	**265.5**
	305.0	**276.0**
(Figures do not include the netting of the debt service reserve.)		

STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2016

OVERVIEW OF THE BUSINESS

The group's main activities are the development and management of affordable housing and residential care homes and providing repairs services to its own stock as well as external clients.

The group's head office is in Maidenhead and its properties are primarily in Maidenhead and surrounding areas, although increasingly new properties are being built in Wokingham, Buckinghamshire, and Slough.

The association operates three key business streams:

- housing for rent, primarily for families who are unable to rent or buy at open market rates;
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The group's focus remains its social housing activities and these constitute over 80 per cent of the group's activities by turnover.

OBJECTIVES AND STRATEGY

We are two years into our six year strategy – the 2020 Vision. The vision has two clear objectives, to achieve happy customers and provide more homes.

We set ourselves an ambitious target of achieving 91% overall customer satisfaction by the year 2017. Our latest Have Your Say Survey Results showed that 84% of our customers are happy with our overall service.

Early in the year, following customer and colleague feedback we identified two key areas for improvement – customer service and cross-working between teams. As a result of this we launched our collaborative working trial – POD working. Designed to bring together cross functional teams of staff to work together to deliver customer service to specific geographical areas. The trial showed that this way of working helped increase both colleague and customer satisfaction and reduce rent arrears. As a result we have approved a roll out of POD working throughout the organisation.

We made real progress in reducing our transfer waiting list over the year. We made a concerted effort to solve the problem by focusing on downsizing and freeing up unused bedrooms. Throughout the year, 36 customers downsized, freeing up an extra 36 bedrooms and we made £65,500 worth of downsizing payments to incentivise these moves. As a result our transfer waiting time has fallen by two whole years - from an average of 10 years now down to 8 years.

The changes to welfare, announced in the budget and the roll out of Universal Credit have meant our customers are facing significant financial difficulties and as a result our Financial Inclusion Team has seen a sharp increase in the number of people turning to them for financial help. We helped 916 customers last year and obtained additional benefits for them of £217,000. This is an increase of 51% on the previous year. We continue to provide them with support and initiatives that help people gain the skills and qualifications they need to find employment. With this in mind we were still able to achieve 1.98% rent arrears which is the lowest we've been for 20 years and below our annual target of 1.99%.

STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2016

OBJECTIVES AND STRATEGY (CONTINUED)

We continued to invest in improving our homes, to provide customers with an enjoyable place to live. We completed a £500,000 regeneration programme in Cox Green which turned disused space into 65 allotments for local residents to look after. We also completed a £10million regeneration programme at one of our large multi residence sites in the town centre “Evenlode”.

We continue to actively involve customers in a number of ways, to help increase overall customer satisfaction. We have benefited from the time and effort of those involved customers and have completed a significant amount of invaluable work in the year resulting in tangible service improvements. The Customer Scrutiny Panel completed two in depth reviews with respect to the Tenancy and Neighbourhood Officer and the Community Housing Officer roles. One result was that uniforms were introduced as well as more consistent scheme noticeboards. The Your IT group were actively involved in the scoring and choosing of a supplier to deliver a new Customer Website due for launch in 2016/17. This new website aims to push more services online, and hopefully we will thereby see a reduction in calls to our customer call centre and improve our online presence.

We have made real progress on the second part of our 2020 Vision – to provide 2020 new home by the year 2020.

Since we launched the vision in 2014, we have developed and secured 1044 new homes across Berkshire and Buckinghamshire. Over the past year we have successfully delivered 241 new affordable homes. This is an increase on the previous two years.

This included our largest portfolio of shared ownership properties, with 67 properties being sold to local people looking to get onto the property ladder. A further eleven properties were bought under the Do-It-Yourself Shared Ownership scheme allowing local people to buy a property off the open market.

Following the Government announcement in the budget that Housing Associations must reduce social rents by 1% every year for the next four years, we have continued to work tirelessly to secure vital developments whilst other Housing Associations have called a halt to their development programme. We remain committed to growth and are determined to help meet the growing demand for local affordable housing.

Our continued success is a result of the hard work and effort put in by the whole team over the year. We would like to thank everyone who has helped contribute to our achievements this year – Our staff for their hard work and dedication, our customers for their involvement and our fellow Board members for their support and commitment to the company throughout the year.

FUTURE DEVELOPMENTS

The group continues to assess the impact of the government policy on its business plan and intended future developments. The group’s resources are only committed once funding has been secured. Other initiatives continue to be developed to assist our customers in dealing with changes to housing and other benefits.

FINANCIAL POSITION

The group’s five year income and expenditure accounts and balance sheets are summarised in Table 1 (page 7) and the following paragraphs highlight key features of the group’s financial position at 31 March 2016.

STATEMENT OF COMPLIANCE

In preparing this Strategic report, the board has followed the principles set out in the Statement of Recommended Practice (SORP): Accounting for registered social housing providers

STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2016

TABLE 1 – GROUP HIGHLIGHTS, FIVE YEAR SUMMARY

		2016	2015	2014	2013	2012
Group Statement of Comprehensive Income		£000	£000	£000	£000	£000
Total turnover		43,339	36,736	34,395	31,236	28,585
Income from lettings		33,607	31,475	29,920	28,474	26,080
EBITDA		25,001	20,425	18,711	14,212	14,807
Operating surplus (before exceptional items)		19,317	16,052	14,422	13,154	11,010
Group Statement of Financial Position						
Housing properties (at valuation)		428,736	461,985	424,563	382,801	351,054
Other fixed assets		9,817	9,806	9,712	9,577	8,971
Fixed assets		438,553	471,791	434,275	392,378	360,025
Long term investments		2,427	-	-	-	-
Net current assets		68,649	43,079	45,670	15,532	804
Total assets less current liabilities		509,629	514,870	479,945	407,910	360,829
Loans (due over one year)		(306,117)	(272,257)	(263,052)	(213,052)	(177,185)
Less: Debt Service Reserve		-	-	4,450	4,825	4,584
Net Loans		(306,117)	(272,257)	(258,602)	(208,227)	(172,601)
Pensions liability		(14,656)	(13,507)	(9,516)	(7,626)	(7,437)
		188,856	**229,106**	**211,827**	**192,057**	**180,791**
Reserves:	Designated		-	-	-	-
	Revenue	44,493	36,836	32,313	26,194	22,541
	Revaluation	144,363	192,270	179,514	165,863	158,250
	Total	**188,856**	**229,106**	**211,827**	**192,057**	**180,791**
Housing properties owned at year end:		No.	No.	No.	No.	No.
Social Housing		5,236	5,028	4,898	4,831	4,716
Non-social Housing		78	120	39	82	81
		5,314	5,148	4,937	4,913	4,797
Statistics:						
EBITDA as % of turnover		55.1%	56.7%	54.4%	45.5%	51.8%
Operating surplus as % of turnover		44.6%	43.7%	41.9%	42.1%	38.5%
Surplus for year as % of income from lettings		25.5%	22.4%	22.6%	9.7%	20.0%
Rent arrears (gross arrears as % of rent and service charges receivable)		1.99%	2.6%	2.1%	2.4%	2.8%
Liquidity (current assets divided by current liabilities)		9.8	5.5	9.7	4.0	1.2
Gearing (total loans as % of value of completed housing properties) – company only		66.9%	54.4%	66.2%	58.0%	51.3%

Value for money self-assessment 2015/16

This section is intended to provide our stakeholders with an overview of how we are delivering value for money (VFM). We also publish a summary of the value for money of services we deliver to our customers in our customer newsletter and on our website. We outline our strategy in the Annual Report. Our approach to value for money delivery is:

- Maximising the number of new homes delivered to help meet local housing need ;
- Building funding capacity to invest in more new homes and services by improving return on assets, reducing costs and increasing income and attracting new investment.
- Achieving happy customers for the same or less;

We monitor VFM performance by setting cost and outcome targets over the short to medium term. We monitor performance against our previous results, the targets we have set ourselves and against the performance of other landlords. Benchmarking has limitations in terms of comparing like for like due to the individual characteristics but is used to highlight high level performance compares.

Summary

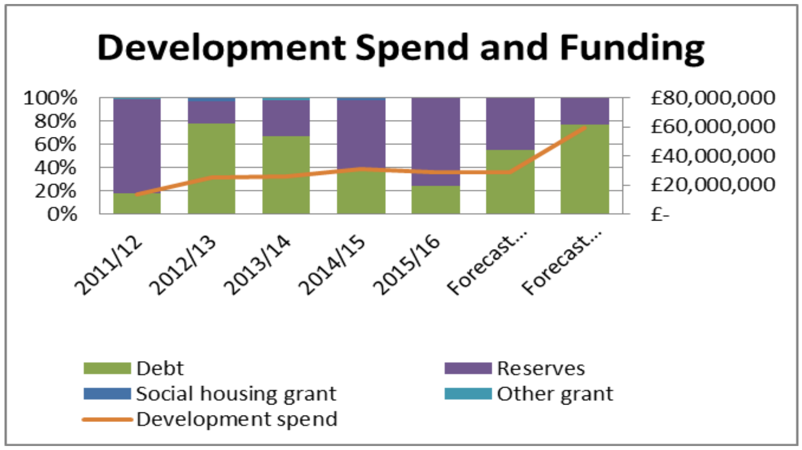
- We invested £28m in our new homes programme delivering 252 homes without public grant;
- The number of new homes delivered puts us at the top of our peer group for new homes delivery relative to our size;
- EBITDA increased by 16.5% from £20.4m in 14/15 to £23.8m. Our operating margins increased from 42.6% in 14/15 to 45.4% in 15/16;
- Our operating margin remains the highest in our peer group. This strong operating performance underpins our ability to invest in our ambitious new homes programme;
- We have responded to the challenge of reduced rental income following the summer budget by launching a plan to reduce operating cost and attract new investment.
- The cost of delivering services increased by 6.3% on a per unit basis. This was due to a significant increase in planned maintenance activity and if you remove this headline cost the cost per unit increased by 1.7% in the year;
- We compare favourably on a cost per unit basis in the latest sector wide benchmark[1]. Our performance is amongst the top 25% of providers;
- Cost of delivering specific services is more varied. We are better than average on overheads, repairs and estate services. We are generally below average on housing management services;
- Overall satisfaction, our headline measure of the service provided, dropped from 91% in 14/15 to 84% in 15/16. We failed to sustain the large increase we delivered in 14/15;
- This performance puts us in the lower middle quartile of our peer group. We have several projects in progress to increase satisfaction over the coming 2 years to bring us back to 91% by 17/18.

[1] HCA VfM Analysis from Global Accounts 2014/15

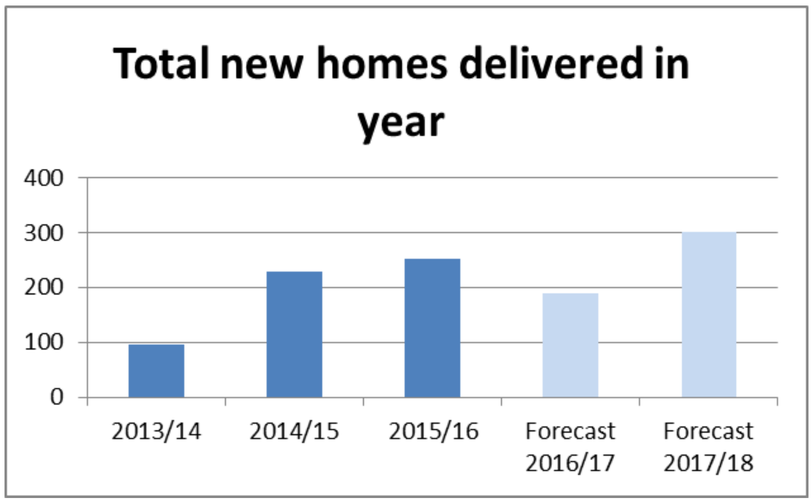
STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2016

New homes delivery

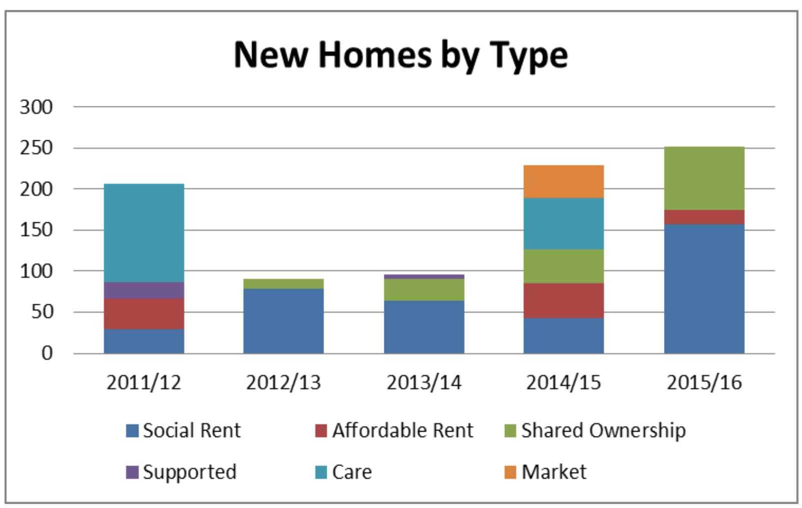
Delivering more homes is half of our strategic plan objective and sits alongside creating happy customers. The supply challenges in the UK housing market are well known. We want to be part of the solution and this is why we set ourselves the ambitious challenge of 2020 new homes by 2020 when we revised our strategic plan, in 2014. two years into our plan we already have 1,044 homes either delivered or in the pipeline.



In 15/16 we invested £28.5m in new homes (both completed and in progress) and we plan to invest £26.9m in 16/17. We received no public (social housing) grant funding, since we receive our funding from the capital markets and also our relationship bankers.



We delivered 252 new homes in the year, an increase of 12 on the previous year. This puts us as the top performing organisation in our peer group of 21 other Housing Associations in the South East for number of homes delivered relative to size. We've also done a considerable amount of work on securing sites for future delivery. Our delivery pipeline stretches out to 2020 already and our current commitments for the next two years are shown here.



We remain focused on delivering new units at social rent in line with locally identified housing needs. Although delivering new units at social rent is difficult, and the challenge has increased following the rent cut announced in the summer budget, we are pleased to report that 65% of our programme was for socially rented units.

Last year we strengthened our development team with the recruitment of two senior staff to focus on securing and delivering new opportunities. The new structure has allowed us to significantly improve on our original target of 187 new homes in the year to deliver 252 by the end of 2015/16 whilst delivering upper quartile performance for the ratio of staff involved in the delivery of new units.

New Homes				
	Current	Progress - against last year	Benchmark	Comparison
No of FTE staff invovled involved in the delivery of 100 development units (averaged of 3 yrs)	1.8	⇨	4.0	●
New units delivered in year as a % of current stock	5.1%	⇧	2.3%	●
Satisfaction with new homes	100%	⇧	98%	●

Below are some of our priorities for the coming year:

- Deliver 189 new homes;
- Approval for a further 175 new homes;
- Continue to deliver our Happy New Homes work to ensure that the handover and defect period runs smoothly;
- Investigate new Low Cost Home options.

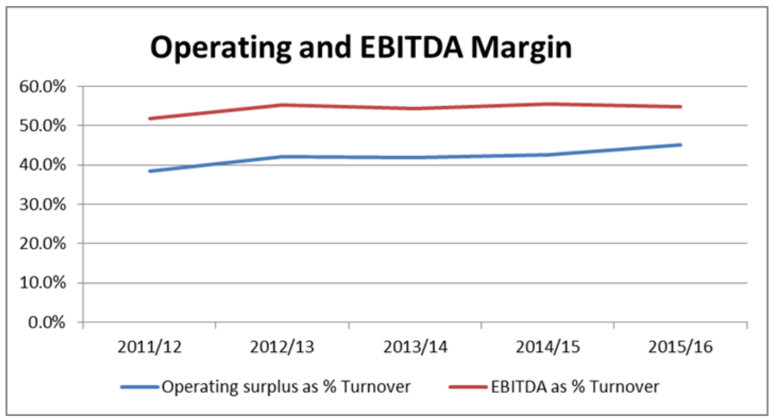
Performance against last year's objectives

Objective	Outcome
Deliver 187 new homes	We handed over 241 units last year and acquired a further 11.
Strengthen the development pipeline for 16/17 to target 300 new homes	We now have 1,044 homes delivered or in the pipeline, against our target of 2020 new homes by the year 2020..
Focus on handover and defect period to increase satisfaction with new homes	We built a Happy New Homes process to ensure that Development are working closely with other teams around the organisation. We achieved 100% satisfaction in the year.
Deliver planning consent to increase new units on existing sites	We did not achieve the consent within the financial year, although we continue to work on this objective.
Review development strategy in light of changes to income following the budget	Our Board have approved the Development Strategy which still has a headline ambition of 2020 new homes by 2020. This is significantly more difficult following the rent decrease but the ambition remains and we continue to work on ways to finance delivery.

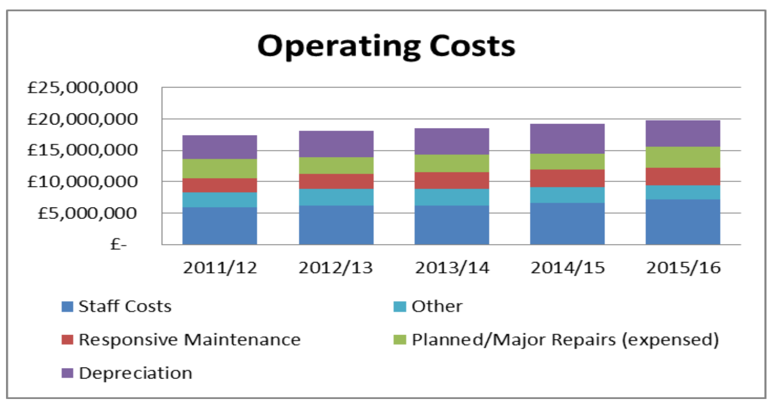
Building funding capacity to invest in more new homes and services

Financial Highlights				
	2013/14	2014/15	2015/16	
Turnover	£34.4m	£36.7m	**£43.3m**	
EBITDA	£18.7m	£20.4m	**£23.8m**	
Operating Surplus	£14.4m	£15.7m	**£19.6m**	
Total Stock	4937	5148	**5314**	
	Current	**Progress - against last year**	**Benchmark**	**Comparison**
EBITDA as % Turnover	54.9%		N/a	
Operating margin	45.2%		38.0%	
Weighted average cost of borrowing	4.2%		3.9%	
ROCE	3.9%		N/A	
Overheads as % of turnover	8.5%		8.2%	

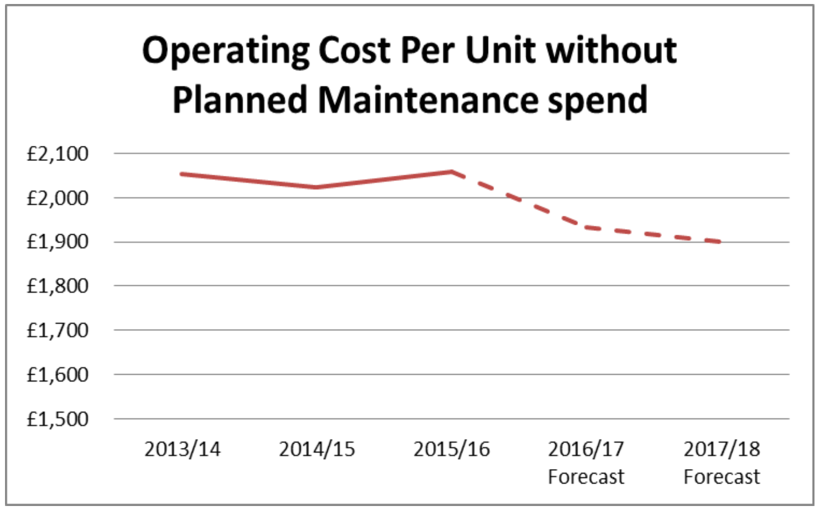
Our ambitious development goals and minimal funding through grant mean that we are reliant on generating strong surpluses to reinvest and in 15/16 there was a 25% increase in the surplus generated, primarily due to Shared Ownership units delivered and their subsequent sales. Profit from non-social housing activities was £1.05m and this remains a small but important contributor to overall operating surplus (5%). Our operating margin of 45% puts us top of our peer group and ensures that we can invest in growth and service the debt that supports new home delivery.



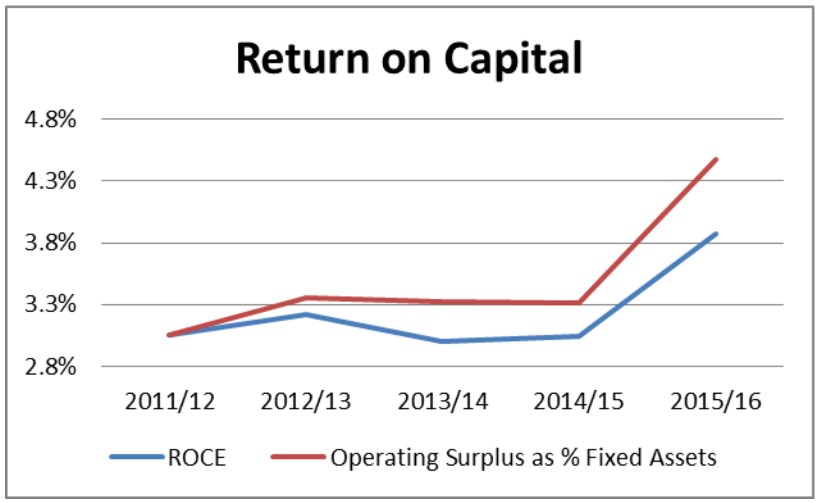
Total operating costs (excl. sales) increased 2.5% to £19.73m. Operating costs excluding depreciation increased by 9.8% in nominal terms or a 9.0% increase in real terms. This was driven mainly by a 29% increase in planned maintenance spend in line with our Stock Condition Survey and Stock Improvement Programme.



Social Housing Operating Cost per Unit has increased by 6.3%. If Planned Maintenance spend is excluded from the Operating costs then spend increased by 1.7% in the year. As you can see from the graph opposite we have responded to the rent cut in the summer budget with a plan to reduce operating cost per unit. Forecast projections exclude inflation.



We continue to build on our procurement work and saved £239k last year through either re-negotiation of contracts or bringing work in house. The largest savings come from saving on material supplies for both planned and responsive repairs as well as software suppliers. We continue to use a number of frameworks through procurement clubs in order to benefit from the collective buying power of the sector. In 2015/16 we also began a series of 'Smarter Working' reviews aimed at reducing costs and improving efficiency. The Estate Services review delivered £89k of savings whilst the rent arrears review reduced arrears by 19.5% from £689k in August to £555k in March.



Debt increased by £28.4m to £305m in order to fund new homes. Although debt is increasing we continue to control interest cover and gearing in order to manage the risk. Capital employed has reduced from £515m to £504m. This is due primarily to the reduction in valuation following the rent cut announced in the summer budget. Return on capital employed has increased from 3% in 14/15 to 3.9%. Operating surplus as a percentage of fixed assets has increased from 3.3% in 2014/15 to 4.47% and remains above ROCE as a result of timing differences between resourcing the funds to invest in new homes and turning that investment in to revenue generating assets.

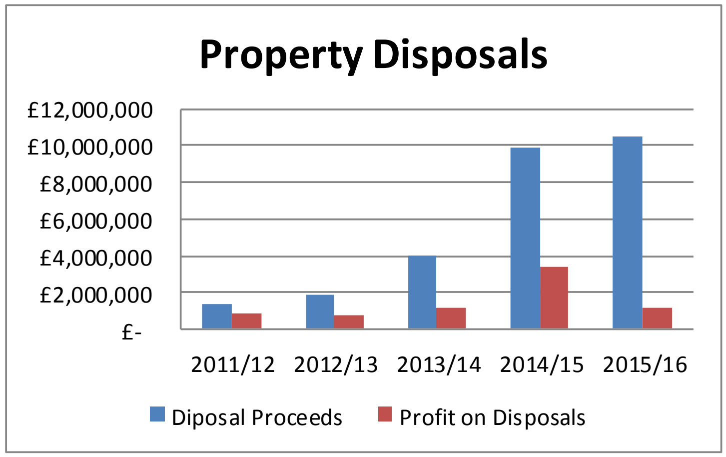
As well as raising new debt we have attracted direct investment into new homes via a joint venture with the Royal County of Berkshire Pension Fund. This is our first scheme directly funded by an institutional investor and we are acting as manager as well as joint investor. We hope to do further schemes like this and use our management skill to attract third party investment and deliver more new homes. In order to achieve our new homes target of 2020 referred to on page 9, we will need to raise additional debt as well as direct investment.

As part of our 2020 Vision we developed our new strategic asset management approach. This includes: planned maintenance investment to reduce future costs; re-development and reconfiguration to increase supply or income; sales of existing assets where we can do more to meet our happy customers and more homes objective with a capital receipt that than existing asset.

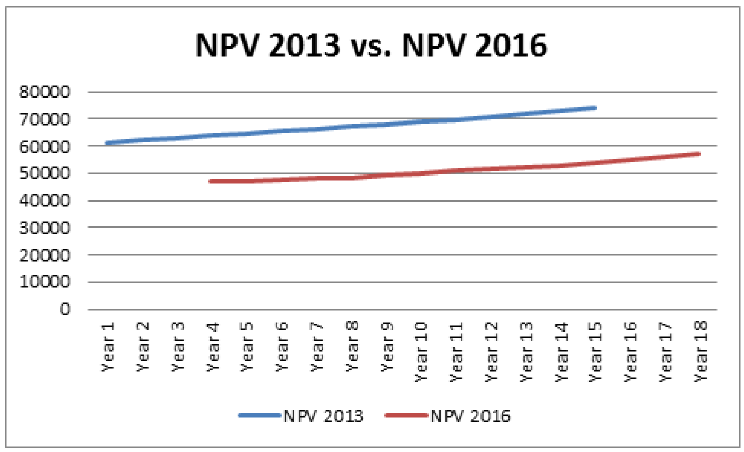
We have continued to make good progress selling property where a receipt could better meet our aims than retaining the asset. Sales receipts increased from £9.93m to £10.5m (5.7% increase). We sold 4 social housing units when they became empty. These four units had a combination of high market values and below average net present value (NPV) and/or energy performance. The surplus of £1.1m will be reinvested in delivering more new homes.

STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2016

We have again made progress on reducing the number of assets with negative investment returns. This is just 0.7% of stock which is above the target we set ourselves of 0.5% but has increased as a result of the rent reductions over the next four years- without this it would have been 0.3%. The majority of the above units are supported living accommodation and we are reviewing our income and expenditure on this portfolio. Unsurprisingly the rent cut has had an impact on our returns but overall the portfolio remains strong.



In 14/15 we completed a large project to evaluate the opportunities to build new homes on existing sites. In 15/16 we worked with local planning departments to appraise 50 sites and in 16/17 we will continue to develop those sites. We are currently working with the Local Authority to receive 5 consents for sites going forward which will deliver 48 new units.



Here are some of our priorities for the coming year:

- Reduce operating cost by 6%;
- Review funding strategy;
- Continue to attract direct invest in new homes and act as manager;
- Disposal of units with high open market value and poor NPV performance.

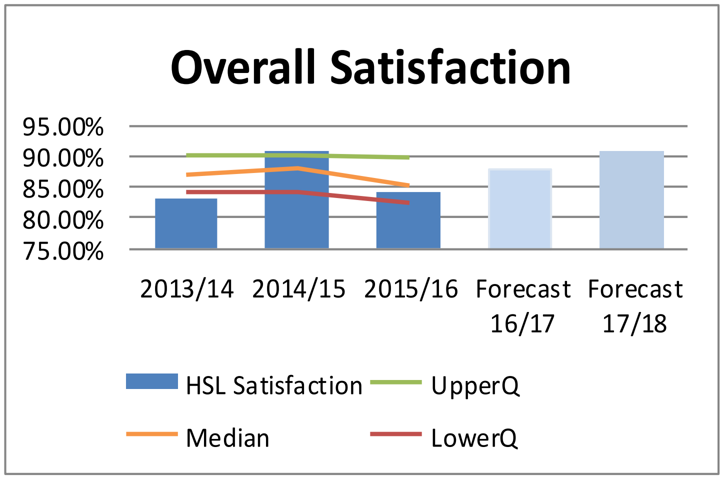
STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2016

Performance against last year's objectives

Objective	Outcome
Deliver new procurement and efficiency savings of at least £150k pa	Delivered £239k of Procurement savings and a further £89k from Estate Services Smarter working review and £134k reduction in rent arrears following the review. Combined this delivered £462k of savings in the year.
Review operating cost and agree new operating cost targets to 2020	Cumulative savings of 13%
Continue building relationships with investors – particularly focussed on getting direct investment in to delivering new homes we do not have capacity to build ourselves	We launched a joint venture with an institutional investor.
Disposal of units with high open market value and poor NPV performance. These sales will be limited according to when they become available and our ability to suitably replace them	4 Properties were sold which returned a surplus of £1.13m to be reinvested in delivering new homes.

Happy Customers

We are disappointed to report that satisfaction dropped from 91% to 84% in 2015/16, which places us in the middle lower quartile when compared against our peer group. In reviewing the data we understand that the biggest change was a shift from satisfied to neither/nor rather than a move to outright dissatisfaction. Despite the general downward trend our Supported customers reported a strong increase in satisfaction from 89% in 2014/15 to 92%. Our Sheltered customers sustained their high satisfaction score, dropping just 1% to 94% which gives us Upper Quartile performance for this group of customers.



Whilst overall satisfaction has decreased, the cost of delivering the services, excluding planned maintenance, have broadly stayed the same. As detailed in the summary we compare well on the headline social housing cost per unit comparison from the Global Accounts. Our headline performance puts us in the top 25% of providers. The table below shows our performance and the sector comparison from 2014/15:

HCA VFM Analysis - Global Accounts						
	Headline social housing CPU	Management CPU	Service Charge CPU	Maintenance CPU	Major Repairs CPU	Other Costs CPU
Housing Solutions	£2,750	£1,040	£280	£520	£740	£180
Sector Median	£3,550	£950	£360	£980	£800	£200

Our Costs per Unit benchmark is in the top quartile for all areas with the exception of Management costs which falls into median quartile performance. We also have a higher percentage of Supported Housing and operate in a more expensive region than the sector average.

The absolute costs of delivering specific services and how we compare to our peer group:

Total cost per property of delivering specific services				
	Current	Progress - against last year	Benchmark	Comparison
Responsive and Void Maintenance	£ 776		£ 797	
Planned and Cyclical Maintenance	£ 1,320		£ 1,605	
Rent Arears	£ 155		£ 140	
Resident Participation	£ 59		£ 70	
ASB	£ 54		£ 55	
Tenancy Management	£ 149		£ 108	
Estate Services	£ 168		£ 197	
Lettings	£ 78		£ 74	

6 of the 8 services show either a reduction in cost or maintaining costs. The two services where costs have increased are explained as follows

- Planned and cyclical maintenance- this has increased as a result of accelerated planned maintenance spend but this is identified replacements and improvements in line with our investment plan.
- Tenancy management- this is primarily due to increased use of temporary staff as a result of maternity leave and sickness.

Performance remains strong across our key performance indicators. Outputs have improved in four areas, stayed the same in two and reduced in one. Performance on rent collection has improved significantly in the year with an additional £130k collected in rent. Day's to let remains top quartile performance, although it has increased on last year due to an increase in turnover of stock.

Service Performance Outputs				
	Current	Progress - against last year	Benchmark	Comparison
Average days to complete repairs	8.2	⇨	8.2	●
Current Tenant Rent Arrears	2.0%	⇧	2.0%	●
Days to relet property (standard relets excluding major works)	15	⇩	19	●
Additional income generated for residents through the Financial Inclusion Service	£ 194,545	⇧	N/A	N/A
Decent Homes Standard	100%	⇨	100%	●
Customer tenancy visits	500	⇧	N/A	N/A
% ASB cases successfully resolved	88%	⇧	98%	●

Despite improvements in performance in a number of arears, satisfaction has dropped and is disappointing in comparison to last year as we failed to maintain the gains made in 14/15. Of the areas which changed, 4 of the areas place us in the lower middle quartile and 2 in the lower quartile.

Customer Satisfaction Outcomes				
	Current	Progress - against last year	Benchmark	Comparison
Overall	84%	⇩	85%	●
Repairs and Maintenance	78%	⇩	82%	●
Quality of Home	85%	⇩	86%	●
Neighbourhood	82%	⇩	87%	●
Views taken into account	74%	⇩	71%	●
Value for Money of Rent	84%	⇩	84%	●

STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2016

The value graph below is intended to combine the cost and performance data above to give an overall picture of value from services provided. It considers our cost and performance and how they compare to other providers year on year. The following services are shown:

1- Responsive/Void Maintenance, 2- Rent Collection, 3- ASB, 4- Planned Maintenance, 5- Lettings, 6- Tenancy Management, 7- Resident Involvement, 8- Estate Services

2014/15

2015/16

Below are some of our priorities for the coming year to improve our performance and address some of our weaknesses.

- Roll out our new ‘POD working’ approach which puts staff into multi disciplinary teams to look after geographical areas of stock rather than working in traditional functional teams;
- Begin the initial phases of a new CRM system project – which will be delivered in 17/18;
- A Programme of projects in the Asset Management department to improve efficiency;
- Deliver a new website with more online functionality to allow customers to manage their account online and find the answers they need quickly.

STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2016

Performance against last year's objectives

Objective	Outcome
Focus on improving collaboration between teams through a trial of geographical rather than functional based delivery of services.	Following a successful trial our 'POD' way of working will be rolled out across the organisation in Q2 2016/17.
Improve communication and interactions with our customers in supported housing homes so customer satisfaction is in line with the wider rented stock.	Supported customers were the only customer group who showed an increase in satisfaction from 89% to 92%.
Homeowners are our customer group who are the least satisfied with our services. We will focus on better communication of planned maintenance work and around service charges to Homeowners to increase their overall satisfaction.	Homeowner satisfaction dropped further from 70% to 58%. We have recently made some team structure changes which we believe will address overall performance in the long term. We have also introduced a communication strategy for planned works.
Deliver working smarter process reviews in three areas (caretaking, rent collection, repairs management) in order to add value and reduce the cost of services in the bottom quartile.	• Caretaking service review resulted CPP reducing from £195 to £178 bringing us into top quartile for costs. Although overall satisfaction dropped the drop was lower than in other areas across the organisation and increased for homeowners from 58% in 2014/15 to 67%. • Rent Arrears reduced by 36% following the review and are marginally outside of upper quartile performance, which is the best performance in the Organisation's history. • Repairs review has taken place and the projects to deliver the changes are in the early stages at time of writing.

Notes:

1. Cost figures are shown in nominal terms unless stated otherwise.
2. Benchmarking comparisons are with a peer group of similar landlords (South East LSVTs with a stock of 2500-7500 units) unless otherwise stated.
3. Total cost of delivering specific services are calculated using the HouseMark benchmarking systems and relate to the cost of services to our rented affordable housing stock. The figures include an area cost adjustment to make a fair comparison across different operating areas.
4. Progress arrows show if our performance has improved (shown by an upward green arrow), stayed broadly the same (horizontal amber arrow) or worsened (red downward arrow) when compared to 2013/14;
5. Where benchmark performance is shown in the tables it shows the latest median performance available at the time of writing for the peer group.
6. The comparison traffic light shows how we compared at the latest benchmark. A green indicator shows our performance puts us in the top 25% of providers in the peer group. An amber indicator shows our performance places us in the next 50%. A red indicator shows our performance is in the bottom 25%.
7. In the value graphs (page 14) each dot on the graph represents each service. The vertical axis shows our cost position compared to peers. The lower we are on the graph the better the cost of the service is in comparison to our peer group. The horizontal axis shows our performance position in relation to our peers. The further to the right of the graph the better our performance in comparison to our peers.

STATEMENT OF THE RESPONSIBILITIES OF THE BOARD FOR THE REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

INTERNAL CONTROLS ASSURANCE

The board acknowledges its overall responsibility, applicable to all organisations within the group, for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and to provide reasonable assurance against material mis-statement or loss.

The process for identifying, evaluating and managing the significant risks faced by the group is ongoing and has been in place throughout the period commencing 1 April 2015 up to the date of approval of the report and financial statements.

Key elements of the control framework include:

- board approved terms of reference and delegated authorities for audit, group funding and emergency committees;
- clearly defined management responsibilities for the identification, evaluation and control of significant risks;
- robust strategic and business planning processes, with detailed financial budgets and forecasts;
- formal recruitment, retention, training and development policies for all staff;
- established authorisation and appraisal procedures for significant new initiatives and commitments;
- a sophisticated approach to treasury management which is subject to external review each year;
- regular reporting to the appropriate committee on key business objectives, targets and outcomes;
- board approved whistle-blowing and anti-theft and corruption policies;
- board approved fraud policies, covering prevention, detection and reporting, together with recoverability of assets;
- regular monitoring of loan covenants and requirements for new loan facilities.

A fraud register is maintained and is reviewed annually by the audit committee. During the year there were no reports of actual or suspected frauds.

The board cannot delegate ultimate responsibility for the system of internal control but has delegated authority to the audit committee to regularly review the effectiveness of the system of internal control.

The board receives an annual report from the audit committee and meeting minutes. The audit committee has received the Chief Executive's annual review of the effectiveness of the system of internal control for the group, and the annual report of the internal auditor, and has reported its findings to the board.

NHF CODE OF GOVERNANCE AND HCA GOVERNANCE AND FINANCIAL VIABILITY STANDARD

The group monitors its on-going compliance with both the economic and consumer Regulatory standards and compliance is reported to the Board on an annual basis with any changes or implications arising within the year being reported on an ad hoc basis.

Having considered the requirements of the HCA regulatory framework, we are pleased to report that the group complies with the principal recommendations of the NHF Code of Governance (revised) and Governance and Financial Viability Standard, with the one exception, that we currently have no maximum term of office for nominee board members. However this is being rectified in a rule change at the Annual General Meeting in September 2016.

The group's business activities, its current financial position and factors likely to affect its future development are set out within this Operating and Financial Review. The group has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the group's day to day operations. The group also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

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

The Board has considered the effects of Brexit and are confident the Association can withstand any potential issues.

The strategic report was approved by the board on 14 September 2016 and signed on its behalf by:

MARK PULLEN
VICE CHAIRMAN

STATEMENT OF THE RESPONSIBILITIES OF THE BOARD FOR THE REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

The board is responsible for preparing the report and financial statements in accordance with applicable law and regulations.

Co-Operative and Community Benefit Societies legislation requires the board to prepare financial statements for each financial year. Under that law the board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under the Co-Operative and Community Benefit Societies legislation the board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and association at the end of the year and of the surplus or deficit of the association and group for that period.

In preparing those financial 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 UK Accounting Standards including Financial Reporting Standard 102 (FRS102) and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers Update 2014, 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 board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and association and enable it to ensure that the financial statements comply with the Co-Operative and Community Benefit Societies Act 2014. It is also responsible for safeguarding the assets of the group and association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board is responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by Registered Housing Providers Update 2014.

The board is responsible for the maintenance and integrity of the corporate and financial information on the group's website.

ANNUAL GENERAL MEETING

The annual general meeting will be held on 14 September 2016 at Crown House, Crown Square,

Waldeck Road, Maidenhead, Berkshire, SL6 8BY.

DISCLOSURE OF INFORMATION TO AUDITORS

At the date of making this report each of the association's board members, as set out on page 2, confirm the following:

- so far as each board member is aware, there is no relevant information of which the group's and association's auditors are unaware;
- the board members have taken all the 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.

EXTERNAL AUDITORS

A resolution to re-appoint Grant Thornton UK LLP will be proposed at the forthcoming annual general meeting.

The report of the board was approved by the board on 14 September 2016 and signed on its behalf by:

MARK PULLEN
VICE CHAIRMAN

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOUSING SOLUTIONS LIMITED
FOR THE YEAR ENDED 31 MARCH 2016

We have audited the financial statements of Housing Solutions Limited for the year ended 31 March 2016 which comprise the group and association statements of comprehensive income, the group and association statements of changes in reserves, the consolidated and association statements of financial position, the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the housing association's members, as a body, in accordance with regulations made under Sections 87 and 98(7) of the Co-Operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the housing association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the housing association and the housing association's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE BOARD AND THE AUDITOR

As explained more fully in the Statement of the Responsibilities of the Board set out on page 20, the board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the group and parent association's affairs as at 31 March 2016 and of the group and parent's income and expenditure for the year then ended;
- have been properly prepared in accordance with the Co-Operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2015.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- a satisfactory system of control over transactions has not been maintained; or
- the parent association has not kept proper accounting records or returns adequate for our audit have not been received from branches not visited by us;
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2016

	Notes	Group 2016 £000	Group 2015 £000	Association 2016 £000	Association 2015 £000
Turnover	3	43,339	36,736	43,131	36,526
Cost of sales	3	(4,040)	(1,837)	(4,000)	(1,809)
Operating costs	3	(19,982)	(18,847)	(19,921)	(18,764)
Operating surplus	7	19,317	16,052	19,210	15,953
Gain on disposal of property, plant and equipment (fixed assets)	8	1,117	3,429	1,117	3,429
Interest receivable and other income	9	392	927	443	977
Interest payable and financing costs	10	(12,619)	(12,517)	(12,619)	(12,519)
Decrease in valuation of housing properties	12,32	(51,628)	-	(51,628)	-
(Deficit)/Surplus on ordinary activities before taxation		(43,421)	7,891	(43,477)	7,840
Tax on surplus on ordinary activities	11	-	-	-	-
Surplus for the year		(43,421)	7,891	(43,477)	7,840
Unrealised surplus on revaluation of housing properties	12,14,32	3,620	13,508	3,620	13,508
Actuarial loss in respect of pension scheme		(449)	(3,516)	(449)	(3,516)
Total comprehensive income for the year		**(40,250)**	**17,883**	**(40,306)**	**17,832**

All of the group and association's turnover and surplus disclosed above are derived from continuing activities.

The accompanying accounting policies and notes on pages 27 – 55 form an integral part of the financial statements.

The financial statements were approved and signed by the Board of Management on 14 September 2016 and are signed on its behalf by:

Vice Chairman
Mark Pullen

Secretary
Andrew Robertson

Board Member
Hayley Peters

STATEMENTS OF CHANGES IN RESERVES
FOR THE YEAR ENDED 31 MARCH 2016

GROUP

	£000	£000	£000	£000
	Share Capital	Revenue Reserve	Revaluation Reserve	Total
Balance as at 1 April 2014	-	31,709	179,514	211,223
Total comprehensive income for the year	-	17,883	-	17,883
Transfer from revaluation reserve to revenue reserve	-	(13,508)	13,508	-
Depreciation charged on revalued properties	-	752	(752)	-
Balance at 31 March 2015	**-**	**36,836**	**192,270**	**229,106**
Total comprehensive income for the year	-	(40,250)	-	(40,250)
Transfer from revaluation reserve to revenue reserve	-	48,008	(48,008)	**-**
Depreciation charged on revalued properties	-	(101)	101	**-**
Balance at 31 March 2016	**-**	**44,493**	**144,363**	**188,856**

ASSOCIATION

	£000	£000	£000	£000
	Share Capital	Revenue Reserve	Revaluation Reserve	Total
Balance as at 1 April 2014	-	31,691	179,514	211,205
Total comprehensive income for the year	-	17,832	-	17,832
Transfer from revaluation reserve to revenue reserve	-	(13,508)	13,508	-
Depreciation charged on revalued properties	-	752	(752)	-
Balance at 31 March 2015	**-**	**36,767**	**192,270**	**229,037**
Total comprehensive income for the year	-	(40,306)	**-**	(40,306)
Transfer from revaluation reserve to revenue reserve	-	48,008	(48,008)	**-**
Depreciation charged on revalued properties	-	(101)	101	**-**
Balance at 31 March 2016	-	**44,368**	**144,363**	**188,731**

The accompanying accounting policies and notes on pages 27 – 55 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 £000	2015 £000
Fixed Assets			
Tangible Fixed Assets (housing properties)	12	411,671	438,050
Tangible Fixed Assets (other)	12	9,317	9,362
Investment properties	14	17,065	23,935
		438,053	471,347
Intangible Fixed Assets	13	500	444
Long Term Investment	16	2,427	-
Current Asset Investment	17	5,183	-
Current Assets			
Properties for sale	18	2,079	2,686
Debtors	19	1,914	3,078
Cash and cash equivalents		67,276	46,827
		71,269	52,591
Creditors: amounts falling due within one year	20	(7,803)	(9,512)
Net current assets		63,466	43,079
Total assets less current liabilities		**509,629**	**514,870**
Creditors: amounts falling due after more than one year	22	(306,117)	(272,257)
Provisions for liabilities			
Pension provision	27	(14,656)	(13,507)
		188,856	**229,106**
Capital and reserves			
Called-up non-equity share capital	23	-	-
Revaluation reserve		144,363	192,270
Revenue reserve		44,493	36,836
		188,856	**229,106**

The accompanying accounting policies and notes on pages 27 - 55 form an integral part of the financial statements

The financial statements were approved by the Board of Management on 14 September 2016 and are signed on its behalf by:

Vice Chairman
Mark Pullen

Secretary
Andrew Robertson

Board Member
Hayley Peters

ASSOCIATION STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 £000	2015 £000
Tangible Fixed Assets			
Tangible Fixed Assets (housing properties)	12	411,671	438,050
Tangible Fixed Assets (other)	12	7,547	7,513
Investment properties	14	17,065	23,935
		436,283	469,498
Intangible Fixed Assets	13	500	444
Long term investments	16	2,477	50
Current Asset Investment	17	5,183	-
Current Assets			
Properties for sale	18	2,079	2,686
Debtors	19	2,636	4,705
Cash and cash equivalents		36,986	11,684
		41,701	19,075
Creditors: amounts falling due within one year	20	(6,640)	(9,266)
Net current assets		35,601	9,809
Total assets less current liabilities		**479,504**	**479,801**
Creditors: amounts falling due after more than one year	22	(276,117)	(237,257)
Provisions for liabilities			
Pension provision	27	(14,656)	(13,507)
Total net assets		**188,731**	**229,037**
Capital and reserves			
Called-up non-equity share capital	23	-	-
Revaluation reserve		144,363	192,270
Revenue reserve		44,368	36,767
		188,731	**229,037**

The accompanying accounting policies and notes on pages 27 - 55 form an integral part of the financial statements

The financial statements were approved by the Board of Management on 14 September 2016 and signed on its behalf by:

Vice Chairman
Mark Pullen

Secretary
Andrew Robertson

Board Member
Hayley Peters

CONSOLIDATED STATEMENT CASH FLOWS
AS AT 31 MARCH 2016

	Notes	2016 £000	2015 £000
Net cash generated from operating activities	26	24,632	23,565
Cash flow from investing activities			
Purchase of tangible fixed assets		(30,817)	(35,508)
Proceeds from sale of tangible fixed assets		10,494	9,927
Grants received		-	720
Interest received		392	192
		(19,931)	(24,669)
Cash flow from financing activities			
Interest paid		(12,619)	(11,760)
New secured loans		30,000	13,581
Repayment of borrowings		(1,633)	-
Withdrawal from deposits		-	-
		15,748	1,821
Net change in cash and cash equivalents		**20,449**	**717**
Cash and cash equivalents at the beginning of the year		**46,827**	**46,110**
Cash and cash equivalents at the end of the year		**67,276**	**46,827**

NOTES TO THE REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

1.0 Legal Status

The Association is registered under the Co-Operative and Community Benefit Societies Act 2014 and is registered with the Homes and Communities Agency (HCA) as a housing provider.

2.0 Accounting policies

2.1 Basis of accounting

The financial statements of the group and association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014:Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

This is the first year in which the financial statements have been prepared under FRS 102. Refer to note 32 for an explanation of the transition.

The financial statements are presented in Sterling (£).

2.2 Going concern

The group's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. The group has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the group's day to day operations. The group also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

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

2.3 Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgments and estimates have been made include:

Significant management judgements

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

Impairment

From 1 April 2016, Housing Solutions Limited has reduced social housing rents by one per cent per annum and will continue to do so in each year until 2019/20 in accordance with the Housing and Planning Act 2016. Despite cost efficiency savings and other changes to the business, compliance with the new rent regime has resulted in a loss of net income for certain social housing property. This is a trigger for impairment.

As a result, we estimated the recoverable amount of its housing properties as follows:
(a) determined the level at which recoverable amount is to be assessed (ie, the asset level or cash generating unit (CGU) level). The CGU level was determined to be an individual scheme
(b) estimated the recoverable amount of the cash-generating unit
(c) Calculated the carrying amount of the cash-generating unit and
(d) Compared the carrying amount to the recoverable amount to determine if an impairment loss has occurred.

Based on this assessment, we calculated the Depreciated Replacement Cost (DRC) of each social housing property scheme, using appropriate construction costs and land prices. Comparing this to the carrying amount of each scheme, we made an impairment charge against its social housing properties.

Capitalisation of property development costs

Distinguishing the point at which a project is more likely than not to continue, allowing capitalisation of associated development costs requires judgement. After capitalisation management monitors the asset and considers whether changes indicate that impairment is required. The total amount capitalised in the year was £341,000 relating to several development schemes.

NOTES TO THE REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

Supporting people

Management judgement is applied in determining the extent to which the risks and benefits are transferred to the association when considering the Income to be recognised. £120,000 of supporting people income was recognised in the year.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Valuation of housing properties

Management reviews its valuation of housing properties at each reporting date, based on either formal valuation reports or an update to those reports based on market conditions and other changes to assumptions. Uncertainties in these estimates relate to the discount rate, the cost of property maintenance and future cash flows. Valued properties totalled £395.6m at the year end.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components. Accumulated depreciation at 31 March 2016 was £46.8m.

Defined benefit obligation (DBO)

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in Note 27). The liability at 31 March 2016 was £14.7m.

Fair value measurement

The group has the appropriate rules to enable it to enter into third party hedging arrangements. However, none are in place at this time. Were such arrangements entered into and not settled at year end a disclosure note would be made showing the fair value, as either a potential asset or liability at that date.

Where loans are re-financed, any gains or losses arising are recognised in the income and expenditure account in the year in which the refinancing takes place, except where the new debt gives the same economic result as the old debt, in which case the cost or benefit is spread over the remaining maturity of the debt.

2.4 Basis of consolidation

The group accounts consolidate the accounts of the association and all its subsidiaries at 31 March using the purchase method.

2.5 Investment in subsidiaries

The consolidated financial statements incorporate the financial statements of the association and entities (including special purpose entities) controlled by the group (and its subsidiaries). Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at cost less impairment in the individual association's financial statements.

2.6 Turnover and revenue recognition

Turnover comprises rental income receivable in the year, income from shared ownership first tranche sales, sales of properties built for sale and other services included at the invoiced value (excluding VAT where recoverable) of goods and services supplied in the year and grants receivable in the year.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

2.7 Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable surplus for the current or past reporting periods using the tax rats and laws that have been enacted or substantively enacted by the reporting date.

Deferred taxation

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:
- the group is able to control the reversal of the timing difference; and
- it is probable that the timing difference will not reverse in the foreseeable future.

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax relating to investment property that is measured at fair value is measured using the tax rates and allowances that apply to the sale of the asset, except for investment property that has a limited useful life and is held in a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time.

Deferred tax is calculated using the tax rates and laws that that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in income and expenditure, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the group has a legally enforceable right to set off current tax assets against current tax liabilities, and

- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

Value Added Tax

The group charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the group and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

2.8 Interest payable

Interest is capitalised on borrowings to finance the development of qualifying assets to the extent that it accrues in respect of the period of development if it represents

a) interest on borrowings specifically financing the development programme after deduction of related grants received in advance; or

b) a fair amount of interest on borrowings of the association as a whole after deduction of SHG received in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to income and expenditure in the year.

2.9 Financial instruments

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised cost model.

Non-basic financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in surplus or deficit. At each year end, the instruments are revalued to fair value, with the movements posted to the income and expenditure (unless hedge accounting is applied).

The group and association does have the appropriate rules to enable it to enter into third party hedging arrangements. However, none are in place at this time.

2.10 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Where deferral of payment terms have been agreed at below market rate, and where material, the balance is shown at the present value, discounted at a market rate.

2.11 Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank, local authority and other loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.12 Employee Benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

2.13 Pensions

The group participates in a funded multi-employer defined benefit scheme - Royal County of Berkshire Pension Scheme (RCBPS) and a defined contribution scheme operated by Scottish Widows.

The RCBPS scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented as a separate provision on the statement of financial position. A net surplus is recognised only to the extent that it is recoverable by the group through reduced contributions or through refunds from the plan.

The current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period. Net interest costs are calculated by applying the discount rate to the net defined benefit liability and are recognised in the income and expenditure account as a finance cost. Remeasurements are reported in other comprehensive income.

The Scottish Widows scheme is accounted for as a defined contribution plan. The charge to income and expenditure represents the employer contribution payable to the scheme for the accounting period.

2.14 Housing Properties

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at valuation.

Completed housing and shared ownership properties are stated at fair value at the date of valuation, less subsequent accumulated depreciation and accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not materially differ from the fair

2.14 Housing Properties (continued)

value of the properties as at the year end.

Housing properties under construction are stated at cost less related social housing and other capital grants. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

Depreciation of housing properties

The group separately identifies the major components which comprise its housing properties, and charges depreciation, so as to write-down the cost of each component to its estimated residual value, on a straight line basis, over its estimated useful economic life.

The group depreciates the major components of its housing properties at the following annual rates:

	%pa	Number of years
Structure	1.0	100
Roofs	1.3	75
Bathrooms	3.3	30
Kitchens	4.0	25
Windows and doors	3.3	30
Heating systems	5.0	20

Impairment

Annually housing properties are assessed for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the asset's carrying amount to its recoverable amount. Where the carrying amount of an asset is deemed to exceed its recoverable amount, the asset is written down to its recoverable amount, this is likely to be the value in use of the asset based on its service potential. The resulting impairment loss is recognised as expenditure in income and expenditure. Where an asset is currently deemed not to be providing service potential to the association, its recoverable amount is its fair value less costs to sell.

Government grants

Government grants include grants receivable from the Homes and Communities Agency (the HCA), local authorities, and other government organisations. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the association is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability. For Social Housing Grant this means that the grant is recognised as revenue on completion of the property.

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

Government grants received for housing properties are subordinated to the repayment of loans by agreement with the HCA. Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors.

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in income and expenditure.
Upon disposal of the associated property, the group is required to recycle grant proceeds and recognise them as a liability.

Other grants

Grants received from non-government sources are recognised using the performance model. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the association is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

NOTES TO THE REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

2.14 Housing Properties (continued)

Properties for sale – Shared ownership first tranche sales, completed properties for outright sale and property under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Capitalisation of Interest - Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development if it represents either:

- interest on borrowings specifically financing the development programme after deduction of social housing grant received in advance; or
- a fair amount of interest on borrowings of the association as a whole after deduction of social housing grant received in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to the income and expenditure account in the year.

2.15 Investment properties

Investment properties consist of commercial properties and other properties not held for the social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently at fair value as at the year end, with changes in fair value recognised in income and expenditure.

2.16 Other tangible fixed assets

Other tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Other freehold property	100 years
Free/Leasehold premises' improvements	21 years
Office furniture and equipment	5 years
Computer equipment	5 years
Motor vehicles	5 years
Plant & machinery	25 years

Gains or losses arising on the disposal of other tangible fixed assets are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised as part of the surplus/deficit for the year.

2.17 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the group. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring the surplus or deficit. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to income and expenditure on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the group recognises annual rent expense equal to amounts owed to the lessor. The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016

2.18 Provisions for liabilities

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

The group recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

2.19 Reserves

The group establishes *restricted reserves* for specific purposes where their use is subject to external restrictions.

2.20 Revaluation Reserve

When housing properties are revalued, the difference between the carry value of the land and structure elements of housing properties is credited to the housing property revaluation reserve. Where a downward movement is taken to the Surplus or deficit a transfer from Income and expenditure reserve is made for the net of the downward movement and the value of any associated grant released to income.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016

3 PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

GROUP

	2016 Turnover £000	2016 Cost of sales £000	2016 Operating expenditure £000	2016 Operating surplus £000
Social housing lettings	33,607	-	(18,304)	15,303
Other social housing activities				
Lifeline alarm system	160	-	(93)	67
Shared Ownership	6,772	(4,000)	-	2,772
Supporting people	120	-	-	120
	40,659	(4,000)	(18,397)	18,262
Activities other than social housing	2,680	(40)	(1,585)	1,055
Total	**43,339**	**(4,040)**	**(19,982)**	**19,317**

	2015 Turnover £000	2015 Cost of sales £000	2015 Operating expenditure £000	2015 Operating surplus £000
Social housing lettings	31,475	-	(17,013)	14,462
Other social housing activities				
Lifeline alarm system	159	-	(92)	67
Shared Ownership	2,238	(1,809)	-	429
Supporting people	129	-	-	129
	34,001	(1,809)	(17,105)	15,087
Activities other than social housing	2,735	(28)	(1,742)	965
Total	**36,736**	**(1,837)**	**(18,847)**	**16,052**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016

3 PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

ASSOCIATION

	2016 Turnover £000	2016 Cost of sales £000	2016 Operating expenditure £000	2016 Operating surplus £000
Social housing lettings	33,607	-	(18,314)	15,293
Other social housing activities				
Lifeline alarm system	160	-	(93)	67
Shared Ownership	6,772	(4,000)	-	2,772
Supporting people	120	-	-	120
	40,659	(4,000)	(18,407)	18,252
Activities other than Social Housing	2,472	-	(1,514)	958
Total	**43,131**	**(4,000)**	**(19,921)**	**19,210**

	2015 Turnover £000	2015 Cost of sales £000	2015 Operating expenditure £000	2015 Operating surplus £000
Social housing lettings	31,475	-	(17,023)	14,452
Other social housing activities				
Lifeline alarm system	159	-	(92)	67
Shared Ownership	2,238	(1,809)	-	429
Supporting people	129	-	-	129
	34,001	(1,809)	(17,115)	15,077
Activities other than Social Housing	2,525	-	(1,649)	876
Total	**36,526**	**(1,809)**	**(18,764)**	**15,953**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016

3 PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

GROUP (CONTINUED)

	2016						2015
	General needs housing	Supported housing and housing for older people	Key worker housing	Care homes	Low cost home ownership	Total	Total
	£000	£000	£000	£000	£000	£000	£000
Rent receivable net of identifiable service charges	22,779	3,431	274	4,686	936	32,106	30,056
Service income	748	537	-	35	181	1,501	1,419
Turnover from social housing lettings	**23,527**	**3,968**	**274**	**4,721**	**1,117**	**33,607**	**31,475**
Expenditure							
Management and other operating expenses	4,087	617	49	843	168	5,764	5,352
Services	830	606	8	61	138	1,643	1,410
Routine maintenance	1,483	686	18	501	16	2,704	2,664
Planned maintenance	2,459	588	4	235	16	3,302	2,588
Bad debts	97	15	1	20	4	137	195
Property lease charges	9	-	-	-	-	9	9
Depreciation of housing properties	2,902	437	35	597	119	4,090	4,391
Other costs	464	70	6	96	19	655	404
Operating expenditure on social housing lettings	**12,331**	**3,019**	**121**	**2,353**	**480**	**18,304**	**17,013**
Operating surplus on social housing lettings	**11,196**	**949**	**153**	**2,368**	**637**	**15,303**	**14,462**
Void losses	**102**	**347**	**4**	**-**	**14**	**467**	**467**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016

3 PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

ASSOCIATION (CONTINUED)

	2016						2015
	General needs housing	Supported housing and housing for older people	Key worker housing	Care homes	Low cost home ownership	Total	Total
	£000	£000	£000	£000	£000	£000	£000
Rent receivable net of identifiable service charges	22,779	3,431	274	4,686	936	32,106	30,056
Service income	748	537	-	35	181	1,501	1,419
Turnover from social housing lettings	**23,527**	**3,968**	**274**	**4,721**	**1,117**	**33,607**	**31,475**
Expenditure							
Management and other operating expenses	4,098	617	49	843	168	5,775	5,342
Services	830	606	8	61	138	1,643	1,432
Routine maintenance	1,483	686	18	501	16	2,704	2,664
Planned maintenance	2,459	588	4	235	16	3,302	2,588
Bad debts	96	15	1	20	4	136	195
Property lease charges	9	-	-	-	-	9	9
Depreciation of housing properties	2,902	437	35	597	119	4,090	4,391
Other costs	464	70	6	96	19	655	402
Operating expenditure on social housing lettings	**12,341**	**3,019**	**121**	**2,353**	**480**	**18,314**	**17,023**
Operating surplus on social housing lettings	**11,186**	**949**	**153**	**2,368**	**637**	**15,293**	**14,452**
Void losses	**152**	**281**	**1**	**2**	**6**	**442**	**467**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016

3 PARTICULARS OF TURNOVER FROM NON-SOCIAL HOUSING LETTINGS

	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
Market rent accommodation	509	542	509	542
	509	**542**	**509**	**542**

4 ACCOMMODATION IN MANAGEMENT AND DEVELOPMENT

GROUP AND ASSOCIATION

At the end of the year accommodation in management for each class of accommodation was as follows:

	Group 2016 Number	Group 2015 Number	Association 2016 Number	Association 2015 Number
Social housing				
General needs	3,610	3,443	3,610	3,443
Supported housing and housing for older people	581	597	581	597
Low cost home ownership	301	225	301	225
Key worker housing	30	30	30	30
Residential care homes	714	733	714	733
Total owned	**5,236**	**5,028**	**5,236**	**5,028**
Accommodation managed for others	101	101	101	101
Total owned and managed	**5,337**	**5,129**	**5,337**	**5,129**
Non-social housing				
Market rent	78	120	78	120
Total owned and managed	**78**	**120**	**78**	**120**
Accommodation in development at the year end	**312**	**471**	**312**	**471**

The group manages accommodation for One Housing Group a registered social landlord.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016

5. Key management personnel

The members of the board received remuneration for services provided as Directors of £37,982 (2015 - £45,819). The remuneration paid to the Executive Directors of Housing Solutions Group (defined as the Group Chief Executive, the Group Business Director, the Group Finance Director, the Group Operations Director and the Group Commercial Director) was:

	2016 £000	2015 £000
Emoluments	498	452
Benefits in kind	14	31
Pension contributions	83	63
	595	**546**

	2016	2015
Emoluments (excluding pension contributions) paid to:		
The highest paid Director (the Group Chief Executive)	132	123
Pension contributions to a defined benefit scheme	25	21
	157	**144**

6. Employee information

The average weekly number of full-time equivalent persons (including directors)

	2016 Number	2015 Number
Office staff	102	107
Sheltered housing mangers, caretakers and cleaners	5	9
Building maintenance staff	50	53
	157	**169**

	2016 £000	2015 £000
Staff costs (for the above persons):		
Wages and salaries	5,691	5,226
Social security costs	504	455
Pension costs – Contributions	930	678
	7,125	**6,359**

The full time equivalent number of staff, including directors, who received emoluments:

	2016 Number	2015 Number
£80,001 to £90,000	1	2
£90,001 to £100,000	3	2
£120,001 to £130,000	-	1
£130,001 to £140,000	1	-

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016

7. Operating Surplus	Group 2016 £000	Group 2015 £000
Operating surplus is stated after charging/(crediting):		
Depreciation		
- housing stock	4,090	4,391
- other assets	477	393
- surplus on disposal of other tangible fixed assets	-	-
Operating lease rentals:		
- hire of motor vehicles	72	40
- office equipment	27	20
Auditor's remuneration		
- for audit purposes		
- parent	24	19
- subsidiaries	7	7
- **Total**	**31**	**26**
- for non-audit purposes		
- tax compliance	4	4
- other	1	1
Internal Auditors remuneration	36	36

8. Profit on Sale of Fixed Assets – Housing properties	Group 2016 £000	Group 2015 £000
Disposal proceeds	10,494	9,927
Cost of sales (administration)	(105)	(53)
Carrying value of fixed assets	(9,272)	(6,445)
Profit on sale of fixed assets	**1,117**	**3,429**

9. Interest receivable and other income	Group 2016 £000	Group 2015 £000	Association 2016 £000	Association 2015 £000
Intercompany interest receivable	-	-	51	51
Interest receivable	226	192	226	191
Surplus on revaluation of investment	-	735	-	735
Income from investments	166	-	166	-
	392	**927**	**443**	**977**

10. Interest and financing costs	Group 2016 £000	Group 2015 £000	Association 2016 £000	Association 2015 £000
Loans and bank overdrafts	12,877	12,516	4,781	6,120
Interest payable to group companies	-	-	8,096	6,398
Interest payable capitalised on housing properties under construction	(1,393)	(950)	(1,393)	(950)
Breakage Costs	686	538	686	538
Defined benefit pension charge	447	413	447	413
Deficit on revaluation of investment	2	-	2	-
	12,619	**12,517**	**12,619**	**12,519**
Capitalisation rate used to determine the finance costs capitalised during the period	**4.2%**	**4.5%**	**4.2%**	**4.5%**

11. Tax on surplus on ordinary activities

	Group 2016 £000	Group 2015 £000	Association 2016 £000	Association 2015 £000
Current Tax				
UK corporation tax on surplus for the year	-	-	-	-
Adjustments in respect of prior years	-	-	-	-
Total current tax	-	-	-	-
Deferred Tax				
Net origination and reversal of timing differences	-	-	-	-
Total deferred tax	-	-	-	-
Total tax on results on ordinary activities	-	-	-	-

Analysis of Charge in Period

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom at 20% (2015: 21%) The differences are explained as follows:

	Group 2016 £000	Group 2015 £000	Association 2016 £000	Association 2015 £000
Total tax reconciliation				
(Deficit)/Surplus on ordinary activities before tax	(44,219)	8,245	(44,275)	8,193
Expected tax at 20% (2015: 21%)	8,844	(1,732)	8,856	(1,721)
Explained by:				
Charitable activities	(8,856)	1,721	(8,856)	1,721
Capital allowances in excess of depreciation	7	10	-	-
Unrelieved tax losses	5	1	-	-
Current tax charge for the period	**-**	**-**	**-**	**-**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016

12 TANGIBLE FIXED ASSETS - PROPERTIES

GROUP	Housing Properties and Mobile Homes	Housing Properties under Construction	Shared Ownership Properties	Shared Ownership Properties Under Construction	Total
	£000	£000	£000	£000	£000
Cost or Valuation at 1 April 2015	430,666	23,438	21,197	2,743	478,044
Completed	20,953	(20,953)	2,252	(2,252)	-
Additions	8,182	10,298	9,743	3,466	31,689
Disposals/Write offs	(817)	-	(5,165)	-	(5,982)
Works to existing properties	1,549	-	-	-	1,549
Revaluation	(51,629)	-	2,035	-	(49,594)
At 31 March 2016	**408,904**	**12,783**	**30,062**	**3,957**	**455,706**
Depreciation at 1 April 2015	(37,466)	(702)	(1,826)	-	(39,994)
Depreciation charged in year	(3,946)	-	(245)	-	(4,191)
Revaluation depreciation	142	-	(41)	-	101
Depreciation charged in the year	3,804	-	286	-	4,090
Eliminated on revaluation	(3,804)	-	(286)	-	(4,090)
Released on disposal	49	-	-	-	49
At 31 March 2016	**(41,221)**	**(702)**	**(2,112)**	**-**	**(44,035)**
Net book value as at 31 March 2016	**367,683**	**12,081**	**27,950**	**3,957**	**411,671**
Net book value as at 31 March 2015	**393,200**	**22,736**	**19,371**	**2,743**	**438,050**

Completed housing properties are stated at Existing Use Value for Social Housing (EUV-SH), including notional directly attributable acquisition costs, as at 31 March 2016. The group's housing properties have been valued by Jones Lang LaSalle, professional external valuers. The full valuation of all properties was undertaken, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors (RICS) as follows:

	£'000
Completed properties at valuation	
Housing Solutions Limited	395,631
	395,631

In valuing investment properties, a discounted cash flow methodology was adopted with key assumptions:

Discount rate	5.5%
Annual inflation rate, after first two years	-1% to 2020
Level of long-term annual rent increase	CPI + 1%

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016

12 TANGIBLE FIXED ASSETS – PROPERTIES ASSOCIATION

	Housing Properties and Mobile Homes	Housing Properties under Construction	Shared Ownership Properties	Shared Ownership Properties Under Construction	Total
	£000	£000	£000	£000	£000
Cost or Valuation at 1 April 2015	430,666	23,438	21,197	2,743	478,044
Completed	20,953	(20,953)	2,252	(2,252)	-
Additions	8,182	10,298	9,743	3,466	31,689
Disposals/Write offs	(817)	-	(5,165)	-	(5,982)
Works to existing properties	1,549	-	-	-	1,549
Revaluation	(51,629)	-	2,035	-	(49,594)
At 31 March 2016	**408,904**	**12,783**	**30,062**	**3,957**	**455,706**
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Depreciation charged in year	(3,946)	-	(245)	-	(4,191)
Revaluation depreciation	142	-	(41)	-	101
Depreciation charged in the year	3,804	-	286	-	4,090
Eliminated on revaluation	(3,804)	-	(286)	-	(4,090)
Released on disposal	49	-	-	-	49
At 31 March 2016	**(41,221)**	**(702)**	**(2,112)**	**-**	**(44,035)**
Net book value as at 31 March 2016	**367,683**	**12,081**	**27,950**	**3,957**	**411,671**
Net book value as at 31 March 2015	**393,200**	**22,736**	**19,371**	**2,743**	**438,050**

Completed housing properties are stated at Existing Use Value for Social Housing (EUV-SH), including notional directly attributable acquisition costs, as at 31 March 2016. The group's housing properties have been valued by Jones Lang LaSalle, professional external valuers. The full valuation of all properties was undertaken, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors (RICS) as follows:

	£'000
Completed properties at valuation	
Housing Solutions Limited	395,631
	395,631

In valuing investment properties, a discounted cash flow methodology was adopted with key assumptions:

Discount rate	5.5%
Annual inflation rate, after first two years	-1% to 2020
Level of long-term annual rent increase	CPI + 1%

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016

12 TANGIBLE FIXED ASSETS – PROPERTIES (CONTINUED)

The carrying value of housing properties that would have been included in the financial statements had the assets been carried at historical cost less capital grants and depreciation is as follows:

	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
Housing Properties at historical Cost	341,917	313,233	341,917	313,233
Depreciation and Impairment	(17,888)	(14,297)	(17,888)	(14,297)
Social Housing Grant	(58,901)	(58,586)	(58,901)	(58,586)
Other Capital Grant				
	265,128	**240,350**	**265,128**	**240,350**

Expenditure on works to existing properties

	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
Improvement works capitalised	1,521	1,188	1,521	1,188
Components Capitalised	2,097	891	2,097	891
Amounts charged to income and expenditure	5,876	5,153	5,876	5,153
	9,494	**7,232**	**9,494**	**7,232**

Finance costs

	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
Aggregate amount of finance costs included in the cost of housing properties	1,393	950	1,393	950
	1,393	**950**	**1,393**	**950**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016

12 TANGIBLE FIXED ASSETS - OTHER

GROUP	Plant & Machinery	Other Freehold Property	Motor Vehicles	Furniture and Equipment	Free/ Leasehold Improve-ments	Computer Equipment	Total
	£000	£000	£000	£000	£000	£000	£000
Cost at 1 April 2015	2,082	7,134	130	252	1,087	585	11,270
Additions	-	11	-	102	71	91	275
Disposals/Write-off	-	-	(84)	(18)	-	-	(102)
At 31 March 2016	2,082	7,145	46	336	1,158	676	11,443
Depreciation at 1 April 2015	(233)	(452)	(122)	(126)	(574)	(401)	(1,908)
Charge for Year	(79)	(46)	(6)	(46)	(54)	(89)	(320)
Adjustment re Write-off	-	-	84	18	-	-	102
At 31 March 2016	(312)	(498)	(44)	(154)	(628)	(490)	(2,126)
Net book value as at 31 March 2016	**1,770**	**6,647**	**2**	**182**	**530**	**186**	**9,317**
Net book value as at 31 March 2015	**1,850**	**6,682**	**8**	**126**	**512**	**184**	**9,362**

ASSOCIATION	Other Freehold Property	Motor Vehicles	Furniture and Equipment	Free/ Leasehold Improve-ments	Computer Equipment	Total
	£000	£000	£000	£000	£000	£000
Cost at 1 April 2015	7,134	130	252	1,087	585	9,188
Additions	11	-	102	71	91	275
Disposals/Write-off	-	(84)	(18)	-	-	(102)
At 31 March 2016	7,145	46	336	1,158	676	9,361
Depreciation at 1 April 2015	(452)	(122)	(126)	(574)	(401)	(1,675)
Charge for Year	(46)	(6)	(46)	(54)	(89)	(241)
Adjustment re Write-off	-	84	18	-	-	102
At 31 March 2016	(498)	(44)	(154)	(628)	(490)	(1,814)
Net book value as at 31 March 2016	**6,647**	**2**	**182**	**530**	**186**	**7,547**
Net book value as at 31 March 2015	**6,682**	**8**	**126**	**513**	**184**	**7,513**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016
GROUP AND ASSOCIATION

13. Intangible fixed assets

	Computer Software £'000
Cost at 1 April 2015	1,598
Additions	229
Disposals/Write-off	(47)
At 31 March 2016	**1,780**
Depreciation at 1 April 2015	(1,154)
Charge for Year	(157)
Adjustment re Write-off	31
At 31 March 2016	**(1,280)**
Net book value as at 31 March 2016	500
Net book value as at 31 March 2015	444

14. Investment properties non-social housing properties held for letting

	Group 2016 £000	Group 2015 £000	Association 2016 £000	Association 2015 £000
At 1 April	23,935	14,535	23,935	14,535
Additions	-	8,455	-	8,455
Disposals	(8,455)	-	(8,455)	-
Increase in value	1,585	945	1,585	945
At 31 March	**17,065**	**23,935**	**17,065**	**23,935**

Investment properties were valued as at 31 March 2016. The group's investment properties have been valued by Jones Lang LaSalle, professional external valuers. The full valuation of all properties was undertaken, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors (RICS).

15. Investment in subsidiaries

As required by statute, the financial statements consolidate the results of HSG Property Service Limited, Housing Solutions Capital PLC, Housing Solutions Development Limited and Payton Homes Limited are all subsidiaries of the association. The association has the right to appoint members to the boards of the subsidiaries and thereby exercises control over them.

	% Shareholding	Country of incorporation	Principal Activity
HSG Property Services Limited	100	England	Provides photo voltaic panels and other energy saving solutions to save costs and creates revenue for the group
Housing Solutions Capital PLC	100	England	Facilitates capital market funding for the group
Housing Solutions Development Limited	100	England	Facilitates the design and build of properties for the group
Payton Homes Limited	100	England	Property lettings agent (dormant)

16. Long term investment

	Group 2016 £000	Group 2015 £000	Association 2016 £000	Association 2015 £000
Investment in Housing Solutions Development Limited	**-**	**-**	**-**	**-**
Investment in Housing Solutions Capital PLC	-	-	50	50
Investment in Glassford LLP	2,427	-	2,427	-
	2,427	**-**	**2,477**	**50**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016

17. Current Asset Investment

	Group 2016 £000	Group 2015 £000	Association 2016 £000	Association 2015 £000
Investment on deposit	5,183	-	5,183	-
	5,183	**-**	**5,183**	**-**

18. Properties for Sale

	Group 2016 £000	Group 2015 £000	Association 2016 £000	Association 2015 £000
Shared Ownership - Completed properties	1,165	2,686	1,165	2,686
General Needs property awaiting sale	914	2,686	914	2,686
	2,079	**2,686**	**2,079**	**2,686**

19. Debtors

	Group 2016 £000	Group 2015 £000	Association 2016 £000	Association 2015 £000
Due within one year				
Rent and service charge receivable	1,276	1,278	1,276	1,278
Less provision for bad and doubtful debts	(658)	(623)	(658)	(623)
	618	655	618	655
Prepayments and accrued income	291	320	291	320
Amounts owed by group undertakings	-	-	762	1,663
Other debtors	1,005	2,103	965	2,067
	1,914	**3,078**	**2,636**	**4,705**

20. Creditors: amounts falling due within one year

	Group 2016 £000	Group 2015 £000	Association 2016 £000	Association 2015 £000
Trade creditors	1,482	857	1,482	857
Rent received in advance	860	814	860	814
Other tax and social security	32	257	32	257
Fixed asset creditors	1,587	2,496	1,587	2,496
Accrued interest	1,608	1,022	807	787
Bond Buyback	-	2,486	-	2,486
Other creditors	636	237	293	237
Recycled capital grant fund (Note 21)	433	389	433	389
Holiday pay accrual	140	150	140	150
Accruals	1,025	804	1,006	793
	7,803	**9,512**	**6,640**	**9,266**

21. Recycled capital grant fund

	Group 2016 £000	Group 2015 £000	Association 2016 £000	Association 2015 £000
As at 1 April 2015	389	270	389	270
Grants recycled	-	-	-	-
Withdrawals	-	-	-	-
Additions	44	119	44	119
At 31 March 2016	**433**	**389**	**433**	**389**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016

22. Creditors:

Amounts falling due after more than one year	Group 2016 £000	Group 2015 £000	Association 2016 £000	Association 2015 £000
Debt	306,117	272,257	276,117	237,257
	306,117	**272,257**	**276,117**	**237,257**

Debt Analysis

Borrowings	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
Due within one year				
Bank loans	-	-	-	-
Other loans	-	-	-	-
	-	-	-	-
Due after more than one year				
Bank loans	135,000	135,000	135,000	135,000
Other loans	171,117	137,257	141,117	102,257
	306,117	**272,257**	**276,117**	**237,257**
Total loans	**306,117**	**272,257**	**276,117**	**237,257**

Security
Housing loans are secured by specific charges on the housing properties and by a first fixed charge on HSL's bank accounts.

Terms of repayment and interest rates

The bank loans are paid in quarterly instalments, from September 2017 with the final instalment being in June 2037. Interest is a both variable and fixed rates ranging from 0.81% to 5.46%. Other loans include annual repayments from March 2023 and bullet repayments in 2034 and 2054. Fixed interest rates range from 4.75% to 5.431%. The loan repayments starting in 2023 currently has an interest rate of 4.16% which is RPI linked.

At 31 March 2016 the group has undrawn facilities of £30m (2015: £60m)

Based on the lender's earliest repayment date, borrowings are repayable as follows:

	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
Within one year or on demand	-	-	-	-
One year or more but less than two years	3,000	-	3,000	-
Two years or more but less than five years	12,200	11,100	12,200	11,100
Five years or more	290,917	261,157	260,917	226,157
	306,117	**272,257**	**276,117**	**237,257**

23. Non-equity share capital

	Association 2016 Number	Association 2015 Number
Shares of £1 each issued and fully paid		
At 1 April 2015 and as at 31 March 2016	9	9
	9	**9**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016

24. Leasing commitments

The future minimum lease payments of leases are as set out below. Leases relate to motor vehicles and office equipment.

The association and group's future minimum operating lease payments are as follows:

	2016 £000	2015 £000
Within one year	74	32
Between one and five years	25	28
	99	**60**

25. Capital Commitments

	Group 2016 £000	Group 2015 £000	Association 2016 £000	Association 2015 £000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	27,288	27,476	27,288	27,476
Capital expenditure that has been authorised by the board but has not been contracted for	6,442	6,923	6,442	6,923

The total amount contracted for at 31 March 2016 relates to approved schemes for which grant approval has been received, private finance arranged or which will be met from the group's own resources.

26. Cash flow from operating activities

	2016 £000	2015 £000
Surplus for the year	(43,421)	7,891
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	4,410	4,641
Amortisation of intangible fixed assets	157	143
Decrease in valuation of housing properties	51,628	-
Decrease / (increase) in stock	607	-
Decrease / (increase) in trade and other debtors	1,162	(631)
Decrease / (increase) in trade and other creditors	(1,709)	(3,963)
Pension costs less contributions payable	688	465
Surplus on sale of tangible fixed assets	(1,117)	3,429
Adjustments for investing or financing activities:		
Interest payable	12,619	12,517
Interest receivable	(392)	(927)
Net cash generated from operating activities	**24,632**	**23,565**

27. Pensions

Royal County of Berkshire Pension Scheme (Group and Association)

The RCBPS is a multi-employer scheme, administered by The Royal Borough of Windsor and Maidenhead under the regulations governing the Local Government Pension Scheme, a defined benefit scheme. The most recent formal actuarial valuation was completed as at 31 March 2013 and rolled forward, allowing for the different financial assumptions required under FRS 102, to 31 March 2016 by a qualified independent actuary.

The employer's contributions to the RCBPS by the association for the year ended 31 March 2016 were £688,000 (2015: £665,000) at a contribution rate of 19.2% of pensionable salaries. The employer's contribution rate for the year ending 31 March 2017 has been set at 20%. Estimated employer's contributions to the RCBPS during the accounting period commencing 1 April 2016 are £672,000.

Principal actuarial assumptions

Financial assumptions

	31 March 2016 % per annum	31 March 2015 % per annum
Discount rate	**3.7%**	3.4%
Future salary increases	**3.3%**	3.3%
Future pension increases	**2.4%**	2.5%
Inflation assumption	**3.3%**	3.3%

Mortality assumptions

The post-retirement mortality assumptions adopted to value the benefit obligation at March 2016 and March 2015 are based on the PA92 series.

The assumed life expectations on retirement at age 65 are:

	2016 No. of years	2015 No. of years
Retiring today:		
Males	**22.9**	22.8
Females	**26.2**	26.1
Retiring in 20 years:		
Males	**25.2**	25.1
Females	**28.6**	28.4

Amounts recognised in surplus or deficit

	2016 £'000	2015 £'000
Current service cost	**(930)**	(717)
Administrative expenses	**(11)**	(10)
Amounts charged to operating costs	**(941)**	(727)

	2016 £'000	2015 £'000
Net interest	**(447)**	(413)
Amounts charged to other finance costs	**(447)**	(413)

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016

27. Pensions (continued)

Reconciliation of opening and closing balances of the present value of scheme liabilities

	2016 **£'000**
Opening scheme liabilities	28,804
Current service cost	930
Interest cost	974
Remeasurements	(2,297)
Benefits paid	(568)
Contributions by scheme participants	268
Unfunded pension payments	(4)
Closing scheme liabilities	28,107

Reconciliation of opening and closing balances of the fair value of plan assets

	2016 **£'000**
Opening fair value of plan assets	15,297
Interest income	527
Return on plan assets (in excess of interest)	(781)
Other actuarial losses	(1,965)
Administration expenses	(11)
Contributions by employer	688
Contributions by scheme participants	268
Benefits paid	(572)
Closing fair value of plan assets	13,451

	2016 **£'000**	2015 £'000
Annual return on scheme assets	**(14,656)**	(13,507)

Major categories of plan assets as a percentage of total plan assets

	2016 **%**	2015 %
Equities	**45.0%**	44.0%
Gilts	**1.0%**	1.0%
Bonds	**14.0%**	15.0%
Properties	**12.0%**	12.0%
Cash	**5.0%**	5.0%

Sensitivity analysis

Adjustment to mortality age rating assumption

	+1 year **£'000**	**None** **£'000**	**-1 year** **£'000**
Present value of total obligation	28,935	28,107	27,303
Projected service cost	845	824	803

Adjustment to discount rate

	Increase by 0.1%	None	Decrease by 0.1%
Present value of total obligation	27,571	28,107	28,654
Projected service cost	805	824	843

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016

28. Related Parties

Tenant members of each association are charged normal policy rents and receive no favourable treatment in any respect as a result of their membership of the association.

Derek Wilson is a member of the Housing Solutions Limited Board and is a councillor of the Royal Borough of Windsor and Maidenhead Council. All transactions with the Royal Borough of Windsor and Maidenhead Council are made at arm's length on normal commercial terms.

Transactions between the company and its 100% owned subsidiaries, which are related parties, have been eliminated on consolidation for the group

HSG Property Services Limited charged the parent Housing Solutions Limited £10,860 (2015: £11,170) for electricity generated by the photo voltaic panels on residents' roofs and Housing Solutions Limited charged HSG Property Services Limited £10,860 (2015: £11,170) for the rental of residents' roofs. Housing Solutions Limited charged HSG Property Services Limited interest £50,767 (2015: £50,767).

Housing Solutions Capital PLC was charged £7,786,976 (2015: £6,053,947) for interest on the Note Purchase Agreement loan and received £7,786,976 (2015: £6,053,947) in interest from the parent Housing Solutions Limited, for its loan to the parent company.

29. Legislative Provisions

The association is incorporated under the Co-Operative and Community Benefit Societies Act 2014, Registration No. 27876R and is a Registered Social Landlord under the Housing Act 1974, Registration No. L4073

30. Principal activities of subsidiaries

HSG Property Services Limited provides photo voltaic panels on residents' roofs providing residents with an efficient source of energy and creates revenue for the group through the Feed In Tariff programme.

Housing Solutions Capital PLC is set up to facilitate capital market funding for the Group.

Housing Solutions Development is set up to facilitate the design and build of properties for the Group.

31. Financial assets and liabilities

The board policy on financial instruments is explained in the Board Report as are references to financial risks.

Categories of financial assets and financial liabilities

	2016 £'000	2015 £'000
Loan Commitments measured at cost less impairment	305,000	271,448
Total	**305,000**	**271,448**

	2016 £'000	2015 £'000
The difference between the financial liability's carrying amount and the amount the entity would be contractually obliged to pay at maturity	1,117	809

Financial assets

Other than short-term debtors, financial assets held are equity instruments in other entities and cash at bank

	2016 £'000	2015 £'000
Financial assets on which no interest is earned	2,427	-
	2,427	**-**

The remaining financial asset is a government gilt attracting interest at a fixed rate.

Financial liabilities excluding trade creditors – interest rate risk profile

The group's financial liabilities are sterling denominated. The interest rate profile of the group's financial liabilities at 31 March was:

	2016 £'000	2015 £'000
Fixed rate	250,000	228,000
	250,000	**228,000**

The fixed rate financial liabilities have a weighted average interest rate of 4.79% (2015: 4.85%) and the weighted average period for which it is fixed is 18.4 years (2015: 19.0 years)

The debt maturity profile is shown in note 22.

Borrowing facilities

The group has undrawn committed borrowing facilities. The facilities available at 31 March in respect of which all conditions precedent have been met were as follows:

	2016 £'000	2015 £'000
Expiring in more than two years	30,000	60,000
	30,000	**60,000**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016

32. Transition to FRS 102

The association has adopted FRS 102 for the first time in the preparation of these financial statements and has restated the comparative prior year amounts.

Explanations

Changes for FRS 102 adoption

1. Revaluation of housing properties

In previous years, net revaluation of housing properties went straight to revaluation reserve. Under FRS 102, the decrease in valuation of housing properties now goes to the income statement whilst the increase in valuation of housing properties and investment properties held for letting goes to revaluation reserve via the statement of comprehensive income. The movements in valuation can be found in Notes 12 and 14.

2. Holiday pay provision

A provision is now made for entitlement to holiday at the year-end which has not been taken by employees. This has been calculated based on payroll information and totalled £139,776 as a liability in opening reserves.

3. Effective interest rate method

£50m of the Note Purchase Agreement loan is RPI index based. The interest on this part of the loan has been recalculated using the effective interest rate (EIR) method rather than the cash method previously applied. The increase to interest costs is matched with a corresponding increase to debt which will ultimately unwind over the term of the loan. Opening reserves have been reduced by £464,416 due to this change.

4. Investment properties held for letting

Investment properties held for letting were previously included in Fixed assets- housing properties. Investment properties are now disclosed separately in Note 14; however the change in disclosure has had no effect on net assets.

5. Intangible Fixed Assets

Computer Software was previously included in Tangible fixed assets (other). Under FRS 102, computer software is required to be disclosed separately as Intangible fixed assets – Note 13. The change in disclosure has had no effect on net assets.

Restated consolidated statement of financial position	2015	2014
	£'000	£'000
Original reserves	37,794	32,313
Holiday pay accrual	(149)	(140)
Additional interest cost using EIR method	(809)	(464)
Restated reserves	**36,836**	**31,709**

Restated association statement of financial position

Original reserves	37,725	32,295
Holiday pay accrual	(149)	(140)
Additional interest cost using EIR method	(809)	(464)
Restated reserves	**36,767**	**31,691**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016

32. Transition to FRS 102 (continued)

Restated surplus for the year ended 31 March 2015	**Group**	**Association**
	£'000	**£'000**
Original profit on ordinary activities before tax	8,244	8,193
Holiday pay accrual	(9)	(9)
Additional interest cost using EIR method	(344)	(344)
Restated surplus for the year	**7,891**	**7,840**