Housing Solutions
Annual Report and Accounts

For the year ended 31 March 2017

Co-Operative and Community Benefit Societies No. 27876R

Contents

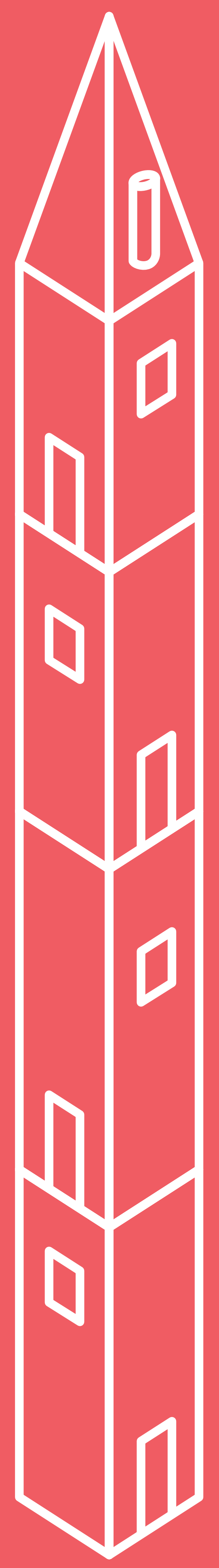
The Housing Solutions Group

Housing Solutions is a registered housing provider with charitable status dedicated to providing affordable and supported homes.

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. We have a housing stock of over 5,000 properties in the South East of England and 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.

There are three subsidiaries and one joint venture within the Group. These are:

- **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 tax efficient design and building of properties for the Group. The company was dormant during the year.
- **Glassford LLP** – a joint venture with The Royal County of Berkshire Pension Fund which owns and manages 40 market rent properties.



Core purpose

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.

Members, executives, funders & advisors

Board of management

Chairman
Nigel Cook (Independent) Resigned as Chair 14/09/16 remained as a member
Mark Pullen (Independent) Appointed 14/09/16

Vice Chairman
Hayley Peters (Independent)

Board Members
Derek Wilson (RBWM nominee) Resigned 14/09/16
John Collins (RBWM nominee) Appointed 14/09/16 resigned 14/03/17
Ross McWilliams (RBWM nominee) Appointed 22/03/17
Val Bagnall (Independent)
Alice McDonagh (Resident nominee)
Taslim Gbaja-Biamila (Resident nominee)
Orla Gallagher (Chief Executive) Appointed 07/09/16
John Petitt (Chief Executive) Resigned 01/09/16
Valarie Kendall (Independent)
James Measures (Independent)
Angus McCallum (Independent)
Jim McGill (Independent) Resigned 22/06/16

Company Secretary
Andrew Robertson Appointed 14/09/16
John Petitt Resigned 01/09/16

Executive team

Chief Executive
Orla Gallagher Appointed 07/09/16
John Petitt Resigned 01/09/16

Director Of Finance & Resources
Andrew Robertson

Business Development Director
Jill Caress

Director Of Customer Services
Peter Hatch Resigned 04/11/16

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.

Our partners

Auditors
Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

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

Trowers & Hamlins LLP
3 Bunhill Row
London
EC1Y 8YZ

Devonshires Solicitors LLP
30 Finsbury Circus
London
EC2M 7DT

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 Management 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 Limited
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 2017

Report of the Board

The Board of Housing Solutions presents its report together with the audited financial statements of Housing Solutions (the Association) and Housing Solutions Group (the Group) for the year ended 31 March 2017.

The Group comprises the Association and its subsidiary undertakings Housing Solutions Capital plc, HSG Property Services Limited and Housing Solutions Development Limited.

Housing Solutions 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 to 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% 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 4.

The current executive directors are the Chief Executive, the Director of Finance and Resources, and the Business Development 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 2016/17 was £45,677 which represents 0.1% of the Group's turnover.

The executive directors, including the Chief Executive, were employed on the same terms as other staff, their notice periods ranging from six to twelve months. The Chief Executive's salary is set at the market rate.

Pensions

Prior to its closure to new members, the executive directors were entitled to join 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 Association contributes to the scheme on behalf of its employees. With effect from 01 April 2014 the Royal County of Berkshire Pension Scheme was closed to all new employees and a new contributory Personal Pension Plan was 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 makes contributions into the Individual Personal Pensions.

Accounting policies

The Group's principal accounting policies are set out on pages 38 to 46 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 complies with the Accounting Direction for Private Registered Providers of Social Housing 2015.

Housing properties

At 31 March 2017 the Group owned 5,415 housing properties (2016: 5,314).

The Board appointed external professional valuers to undertake the annual valuation of the Group's housing properties as at 31 March 2017. The value of the properties, on an existing use for social housing basis, was £429 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 operating surplus.

Operating and financial review and report of the Board continued

Pension costs

The Association 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 Association has contributed to the scheme in accordance with levels, set by the actuaries, at 20%.

The latest actuarial valuation of the RCBPF as at 31 March 2016 has been rolled forward allowing for the different financial assumptions required under IAS19/FRS102 to calculate the funding valuation at 31 March 2017.

Cash flows

Cash inflows and outflows during the year are shown in the consolidated statement of cash flows (page 48).

Group debt

The Group did not borrow any further funds during the year. At the year end Group borrowings amounted to a nominal amount of £305 million. Gearing, calculated as total loans as a percentage of the balance sheet value of completed housing property, was 71.1% by 31 March 2017 (2016: 73.9%). In April 2017 the Group's Syndicated Bank facility was restructured to two Bilateral facilities. This was done to remove the risk of reduced valuations on the gearing covenant. Gearing has therefore been replaced by a net debt per unit covenant. Cash held at 31 March 2017 was £67.1 million compared to £67.3 million at 31 March 2016.

The Association is borrowing principally from banks and through private placements, at both fixed and floating rates of interest. Embedded interest rate swaps are in place 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% and 85% 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, 81% of the Group's borrowings were at fixed rates after taking account of interest rate swaps (2016: 82%). The fixed rates of interest range from 1.5% to 5.5%. Our all-in average cost of funds was 4.0%.

The Group's lending agreements require compliance with a number of covenants. The Group's position against those covenants is monitored on an on-going basis and reported to the Board. 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 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	2017 (£m)	2016 (£m)
Within one year	3.8	-
Between one and two years	6.8	3.0
Between two and five years	2.3	12.2
After five years	292.1	289.8
	305.0	305.0

Strategic Report

For the year ended 31 March 2017

Strategic report

For the year ended 31 March 2017

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 to external clients.

The Group's head office is in Maidenhead and its properties are primarily in Maidenhead and surrounding areas, although increasingly new social housing properties are being developed in Wokingham, Buckinghamshire and Slough, which we fund and manage.

The Association 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 maintenance of 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 market rent accommodation.

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

The Group's focus remains its social housing activities

Strategic report

For the year ended 31 March 2017

Objectives and strategy

In the areas we serve, average house prices are significantly higher than average earnings and the need for housing is always increasing. The Local Authorities are seeing significant increases to waiting lists for social housing and there is a huge demand for affordable and shared ownership housing across the areas in which we operate. We already provide and manage homes for more than 7,000 households. However our aim is to increase our supply of new homes by 1,600 before the end of 2020.

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

Over the past year we have invested £22.3 million in new homes and we successfully delivered 148 new affordable homes. This included 73 properties for social rent, 33 for affordable rent and a further 39 for shared ownership. We saw the comeback of the highly popular Do-It-Yourself Shared Ownership scheme in partnership with the Royal Borough of Windsor and Maidenhead, this time the scheme was specifically targeted to key workers in the Royal Borough. This scheme will continue into the coming year, allowing local people to buy a share of a property off the open market in a location of their choice within the Borough.

We are continually operating in an environment where external factors, over which we have very little control, have a significant effect on our business. Despite the tough economic environment in which we are currently operating, we continue to achieve a strong EBITDA margin of 58% which keeps us at the top of our peer group and ensures we can invest in growth. We outperformed our 2016/17 business plan with an EBITDA of £26.8 million due to an improving cost per unit.

Our customers have been facing significant financial difficulties following the changes to welfare reform and Universal Credit. As a result our Financial Inclusion Team worked with 835 customers over the last year alone and obtained for them, additional benefits of £146,081. We have also focused our efforts on helping customers to get into work and provide support and initiatives to help them gain skills and qualifications. With this in mind we were still able to achieve 1.84% rent arrears, which is the lowest for over 20 years and below our 1.99% target.

We have made more progress in the reduction of our transfer waiting list over the past year. We focused our efforts on transfers and downsizing over the year and as a result we freed up 19 unused bedrooms and we made £31,750 of downsizing payments to incentivise these moves. We also facilitated 55 transfers to more suitable homes.

In the year we underwent a full Asset Management Review to ensure that we have an efficient business model. However we continued to invest in our properties to ensure customers have a safe place to live, and over the year our Direct Labour Organisation (DLO) completed over 17,100 repairs to our properties, with 88% of those completed on the first visit and 90% of customers satisfied with their most recent repair. We replaced 78 bathrooms and kitchens.

Our continued success is a result of the hard work and time 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 dedication and commitment, our customers for their involvement and our fellow Board members for their support and commitment to the company throughout the year.

In December 2016 we entered early discussions with Bracknell Forest Homes to investigate the possibilities of a merger. In July 2017, after careful consideration, the Boards of both organisations decided not to go ahead with merger discussions.

Future developments

The Group continues to assess the impact of 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 and performance

The Group's five year income and expenditure accounts and balance sheets are summarised on page 12 and the following paragraphs highlight key features of the Group's financial position up to and including 31 March 2017.

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 2014.

Risk management

Housing Solutions has an embedded risk management strategy. Risks that may prevent the Group achieving its objectives are considered and reviewed on a regular basis by the executive team, audit committee and Board. The risks are recorded, assessed and tracked in terms of their impact and importance. Major risks presenting the greatest threats to the Group are reported to the Board and audit committee at all meetings together with the actions taken to manage the risks, including assessments of key controls and the outcome of the actions. The major risks to successful achievement of the Group's objectives going forward are detailed across pages 10 & 11 as well as their mitigation.

Key risk	Risk management
• Failure to resource adequate funding to meet development commitments and potential breach of funding covenant	• Rolling three-year cash and covenant forecasting as well as longer term business modelling • Maintenance of adequate term loan and working capital facilities ahead of development commitments • Regular forecasting of available security
• Impact of political, legislative, rental and welfare reforms	• Stress testing of business plan under different scenarios to develop contingency plans
• Poor business planning/forecasting	• Continuous remodelling and updating of long, medium and short term forecasts • Regular review of economic, financial and operating assumptions and sensitivity analysis to plan mitigating actions to maintain business plan and forecast objectives
• Loss of key staff, leading to loss of knowledge	• Regular market salary reviews undertaken • Staff satisfaction measured via surveys • Staff related KPI's tracked • Succession planning in place • Staff briefings provided on a regular basis • Exit interviews undertaken
• Duty of care to staff, customers and the public in the operation of our business	• Contractors must meet the construction line standard • Comprehensive safety management system covering safety procedures/risk assessments in place to ensure all staff have suitable knowledge and compliance. HSE best practice followed • Safeguarding policy in place • OHSAS/ISO 18001 accredited. CHAS accredited. ROSPA health and safety best practice followed • Major incident plan in place and regularly reviewed • Qualified external consultants and advisors utilised for all health and safety areas

Risk management continued

Key risk	Risk management
• Failure of strategic partnerships	• Regular meetings with partners • Expert legal and professional advice taken on contract negotiation
• Development programme slow down/ acceleration	• Ongoing development completion and cash forecasts are monitored on a regular basis • Developments are varied across a number of contractors
• Lack of effective governance	• Board appraisals carried out by Board Chair and external consultant • Compliance with NHF code of governance • Review changes to corporate risks at all board meetings • Development of Board skills matrix to support future recruitment and succession planning of Board Members

The Group has a robust fire risk assessment policy and procedure in place and any identified works needed to meet that policy have been carried out. After the tragic event at Grenfell Tower we have reviewed all of our stock and do not envisage any need for additional investment or decanting of higher risk properties. Any requirements due to changes in regulation will be reviewed and implemented as necessary. The Group will actively look to reduce risk through its normal compliance programme.

Strategic report

For the year ended 31 March 2017

Group highlights, five year summary

	FRS 102 – 2017	FRS 102 – 2016	FRS 102 – 2015	UK GAAP – 2014	UK GAAP – 2013
Group Statement of Comprehensive Income	**£000**	**£000**	**£000**	**£000**	**£000**
Total turnover	45,965	43,339	36,736	34,395	31,236
Income from lettings	34,628	33,607	31,475	29,920	28,474
EBITDA	26,827	23,884	20,836	18,711	17,278
Operating surplus (before exceptional items)	21,686	19,317	16,052	14,422	13,154
Group Statement of Financial Position					
Housing properties (at valuation)	441,026	428,736	461,985	424,563	382,801
Other fixed assets	9,642	9,817	9,806	9,712	9,577
Fixed assets	450,668	438,553	471,791	434,275	392,378
Long term investments	2,427	2,427	-	-	-
Net current assets	66,319	63,466	43,079	45,670	15,532
Total assets less current liabilities	519,414	509,629	514,870	479,945	407,910
Loans (due over one year)	(306,161)	(306,117)	(272,257)	(263,052)	(213,052)
Less: Debt Service Reserve	-	-	-	**4,450**	**4,825**
Net Loans	(306,161)	(306,117)	(272,257)	(258,602)	(208,227)
Pensions liability	(20,624)	(14,656)	(13,507)	(9,516)	(7,626)
	192,629	**188,856**	**229,106**	**211,827**	**192,057**
Reserves: Designated			-	-	-
Revenue	51,584	44,493	36,836	32,313	26,194
Revaluation	141,045	144,363	192,270	179,514	165,863
Total	**192,629**	**188,856**	**229,106**	**211,827**	**192,057**
Housing properties owned at year end:	No.	No.	No.	No.	No.
Social housing	5,337	5,236	5,028	4,898	4,831
Non-social housing	78	78	120	39	82
	5,415	5,314	5,148	4,937	4,913
Statistics:					
EBITDA as % of turnover	58.4%	55.1%	56.7%	54.4%	55.4%
Operating surplus as % of turnover	47.2%	44.6%	43.7%	41.9%	42.1%
Surplus for year as % of income from lettings (before adjustment for property revaluation)	34.0%	25.5%	22.4%	22.6%	9.7%
Rent arrears (gross arrears as % of rent and service charges receivable)	1.84%	1.99%	2.6%	2.1%	2.4%
Liquidity (current assets divided by current liabilities)	9.3	9.1	5.5	9.7	4.0
Gearing (total loans as % of value of completed housing properties) – Association only	64.4%	66.9%	54.4%	66.2%	58.0%

Value for money Self-assessment

Strategic report continued

Our year in summary

- Increased our turnover by 6% from £43 million to £46 million
- Increased EBITDA as a % of turnover from 55.1% to 58.4%
- Operating cost for social lettings reduced 3% from £14.3 million to £13.8 million
- Retained our A+ credit rating and re-financed our loan portfolio
- 89% of customers said that their rent provided VfM
- Reviewed the commercial viability of our DLO and community services departments.
- Invested £22.3 million in new homes
- Reduced the number of repairs by 13% whilst maintaining customer satisfaction
- Generated an additional £146k for customers through benefits advice.

6%

Increased our turnover by 6% from £43 million to £46 million

For every £1 we spend

- 29p Interest
- 13p Management and other operating expenses
- 5p Planned maintenance
- 6p Routine maintenance
- 3p Estate based costs
- 1p On other expenses
- 1p On IT
- 1p Purchase of other assets

41p Spent on new homes

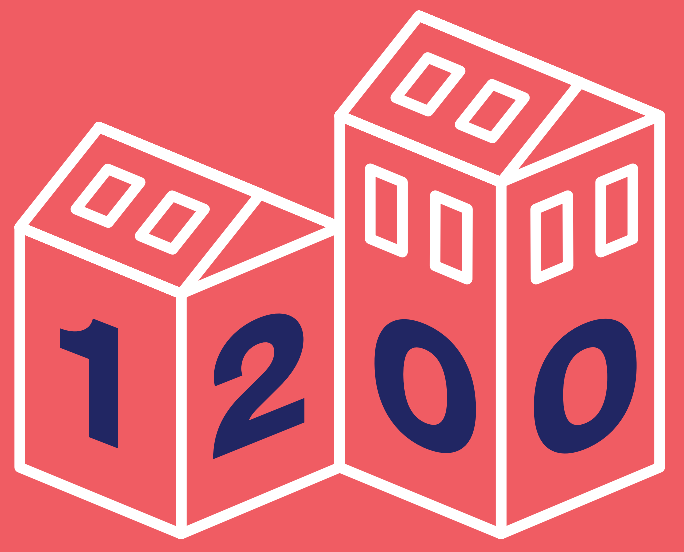
1. Our approach to value for money

A clear vision

Housing Solutions works in an area of decreasing affordability. Local house prices are 12 times the average salary and private renters can expect to spend £959 a month on their rent, representing a substantial 40% of their income. We passionately believe in access to safe, secure affordable housing to support individuals and families to flourish and live to their full potential. That's why everything we do is focused towards delivering more homes and happy customers.

Building more homes

In 2014 we set ourselves a target of delivering 1,600 new homes by 2020 and so far we have over 1,200 of those homes either delivered or in the pipeline.



New homes delivered or in the pipeline

To continue to support the delivery of new homes we have built our business model on the following principles:

- **Strong financial performance**
- **Happy customers**
- **A smarter working operating model**
- **Additional income generation**

Our approach to value for money continued

Strong financial performance

We are proud of our exceptionally strong 58% EBITDA margin. Our lean approach is supported by an efficient team of highly skilled and dedicated staff and low operating costs.

Our performance is viewed favourably by our credit rating agency who gave us an A+ credit rating in March 2017 which will enable us to negotiate some of the most favourable rates available in the market. We reinvest all of our surpluses in delivering new homes and improving those housing existing customers.

In 2016/17 we renegotiated our debt terms with the bank lenders to move to a 'net debt per unit' covenant which provides us with more development headroom and reduced risk as it moves us away from the more volatile gearing covenant we previously had.

Happy customers

Customers tell us they think their 'rent provides value for money' (87% Q1 performance) but that there is work to be done on the 'overall service' that we provide (85% Q3 performance). We believe a strong driver for the quartile three performance is not always 'getting it right first time', so we're working on improving our performance in this area and hope to be at quartile one by 2020, which we expect to be around 90%.

We commission an annual 'Have Your Say' survey alongside a transactional tracker survey throughout the year so that we can identify and address problems quickly. We are also working with our newly formed Service Improvement Team (SIT) comprising Housing Solutions staff and customers to focus on improving customer satisfaction.

A smarter working operating model

We continue to review our services to ensure that they are efficient, modern and contribute to our strong surpluses. We undertake 'Smarter Working Reviews' of high cost and low performing areas and over the past two years this has enabled us to:

- Reduce rent arrears by 36%;
- Reduce the cost of our estate services from £195 per property to £178 per property whilst improving customer satisfaction; and,
- Reduce the number of responsive repairs carried out by 13% whilst maintaining satisfaction levels.

We also make sure that we spend our money prudently and this year we added a further £274k to the £239k saved in 2015/16.

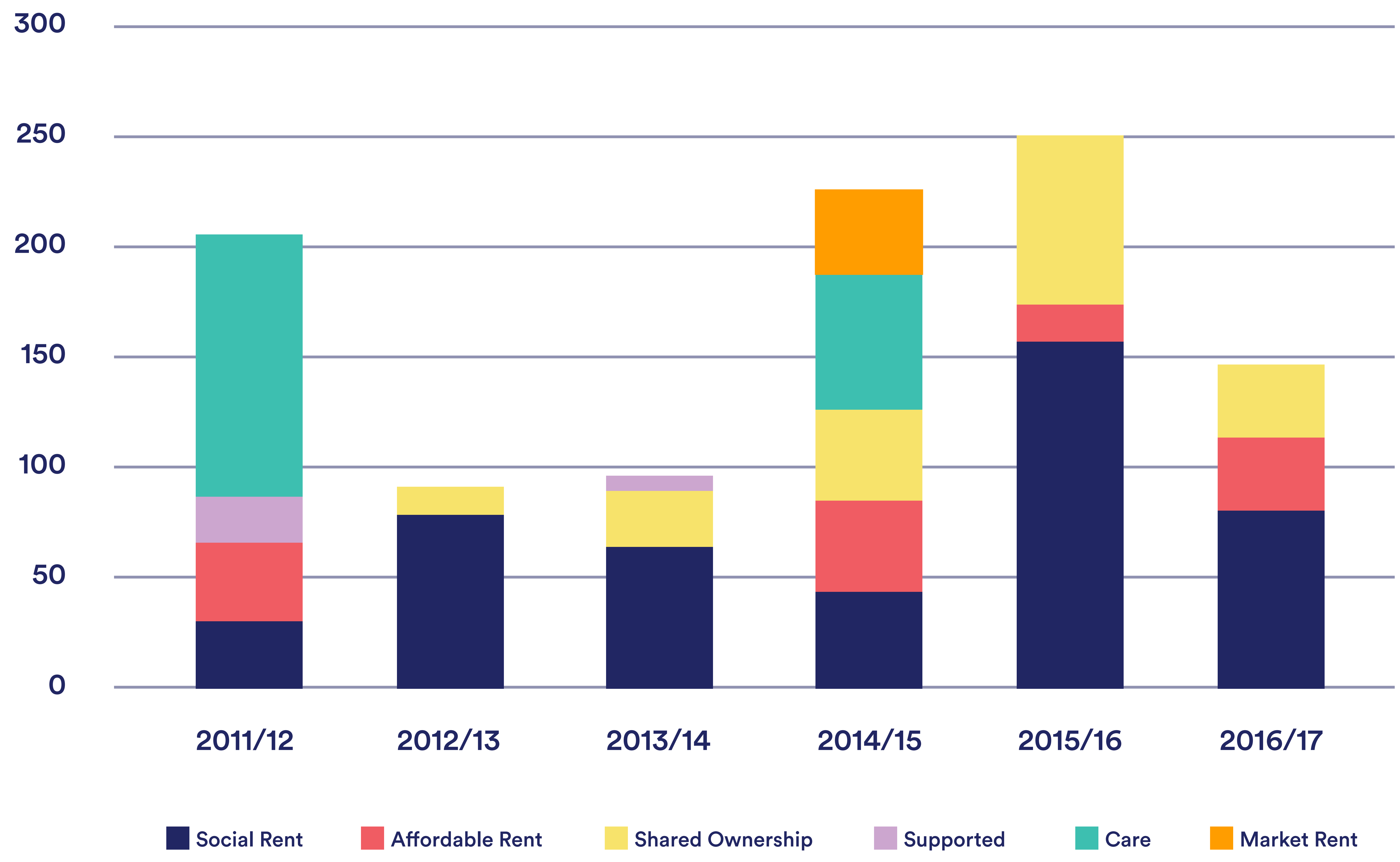
Additional income generation

We achieve a considerable local impact for a medium sized organisation. In addition to the services that we provide to our customers, we are also landlords to private care providers; work with pension funds to deliver market rented housing and provide a responsive maintenance service to three other landlords.

In 2017/18 we will be reviewing our approach to additional income generation and reviewing our 'Non Core Activity Policy'. Within the new policy we adopt a revised appraisal and risk assessment process linking more directly into the business plan and ensuring that we're working to our Return On Investment (ROI) targets.

2. Building more homes

New homes by type



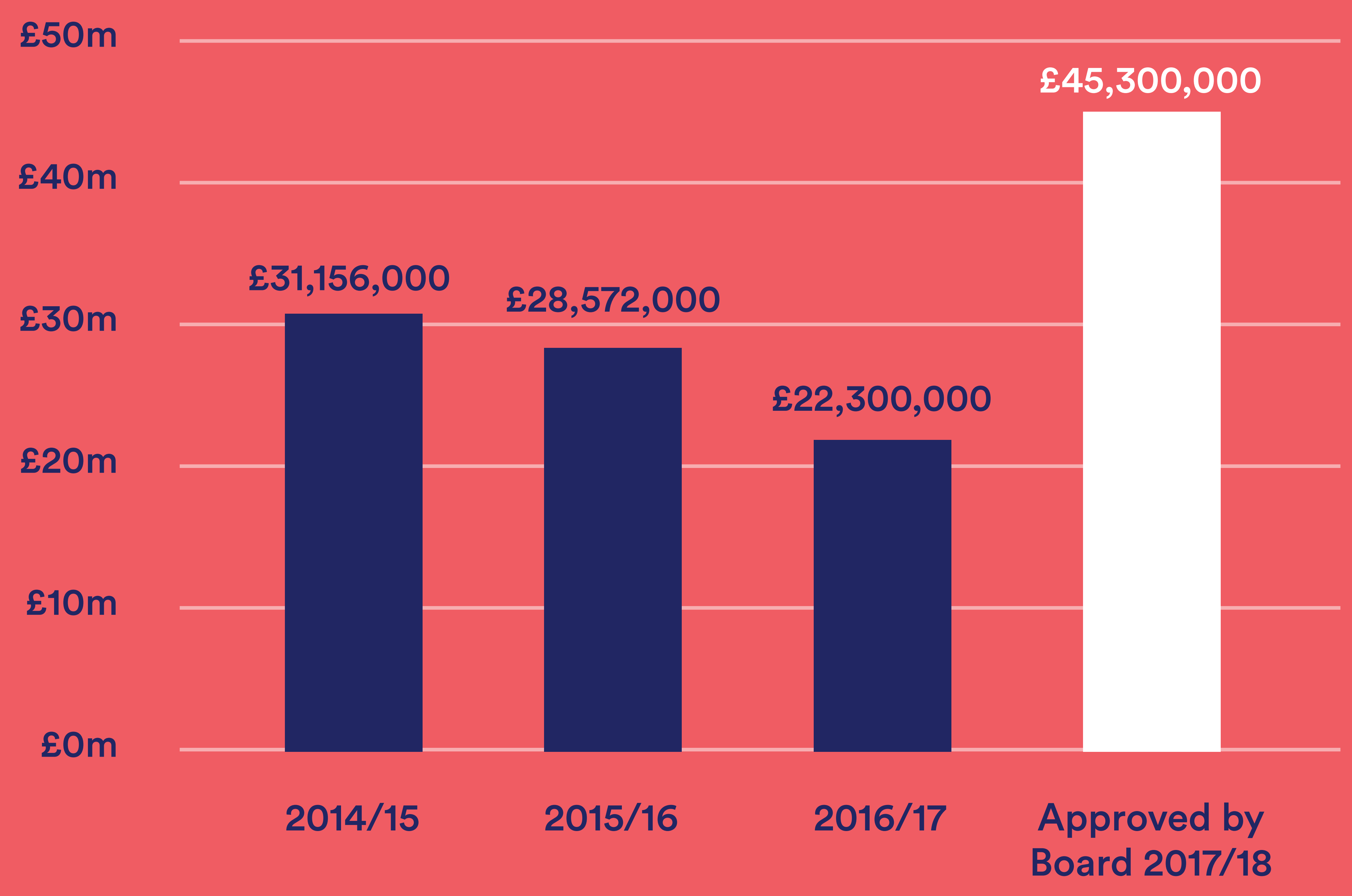
The local region is only building 50% of the required number of homes to new household formation. With average house prices of £550k in 2015 which require a £125k income[1], 87% of 18-37 year olds in the South East cannot afford to buy a property. The average house price to average income ratio is 12:1 across the Local Authorities areas in which we operate. The delivery of new homes of the right mix is therefore a fundamental focus for Housing Solutions and is at the core of our VfM activities.

Our previous strategic aim of delivering 2020 homes by 2020 was set before the Government changes to the social housing rent regime and included an existing funding gap of 400 homes; which would have needed to be filled through other sources, e.g. Joint Ventures. Given the current economic and political environment and the changes announced in 2015, we took the opportunity to review our target in 2016/17 and have changed our strategic aim to 1,600 new homes by 2020. We have made strong progress since setting the original target in 2014 and currently have 1,234 homes either delivered or in the pipeline and are very much on track to achieve the 1,600 target.

[1]£125k income based on 80% LTV mortgage at 3.5 x income. All data from NHF Home Truths 2016/17

Building more homes continued

Investment in new homes



In order to ensure that our funding assumptions reflect financial conditions and to ensure that our prices for new development opportunities are competitive, we keep our financial assumptions for new developments under regular review. In December 2016 we reviewed our appraisal assumptions in the light of increasing inflation and to reflect our actual experience of stair casing and initial equity share on Shared Ownership properties.

From a slow start in 2016/17 where only 77 new units were secured, we have recently seen an upturn and by April 2017 we had secured a further 225 units over eight schemes.

We set ourselves the ambitious target of delivering 189 new homes but fell slightly short of this with 148 units in the financial year as developers slowed down. The remaining 41 units have since been delivered in early 2017/18.

Building more homes continued

New homes geography

Local authority	Social rent	Affordable rent	Shared ownership
Royal Borough of Windsor and Maidenhead	6	0	10
Wokingham	54	25	20
High Wycombe	0	9	4
Slough	20	0	1
Total	**80**	**34**	**35**

Although we delivered fewer homes than originally planned we have maintained our position within the top quartile for the number of units developed as a percentage of current stock.

Building more homes continued

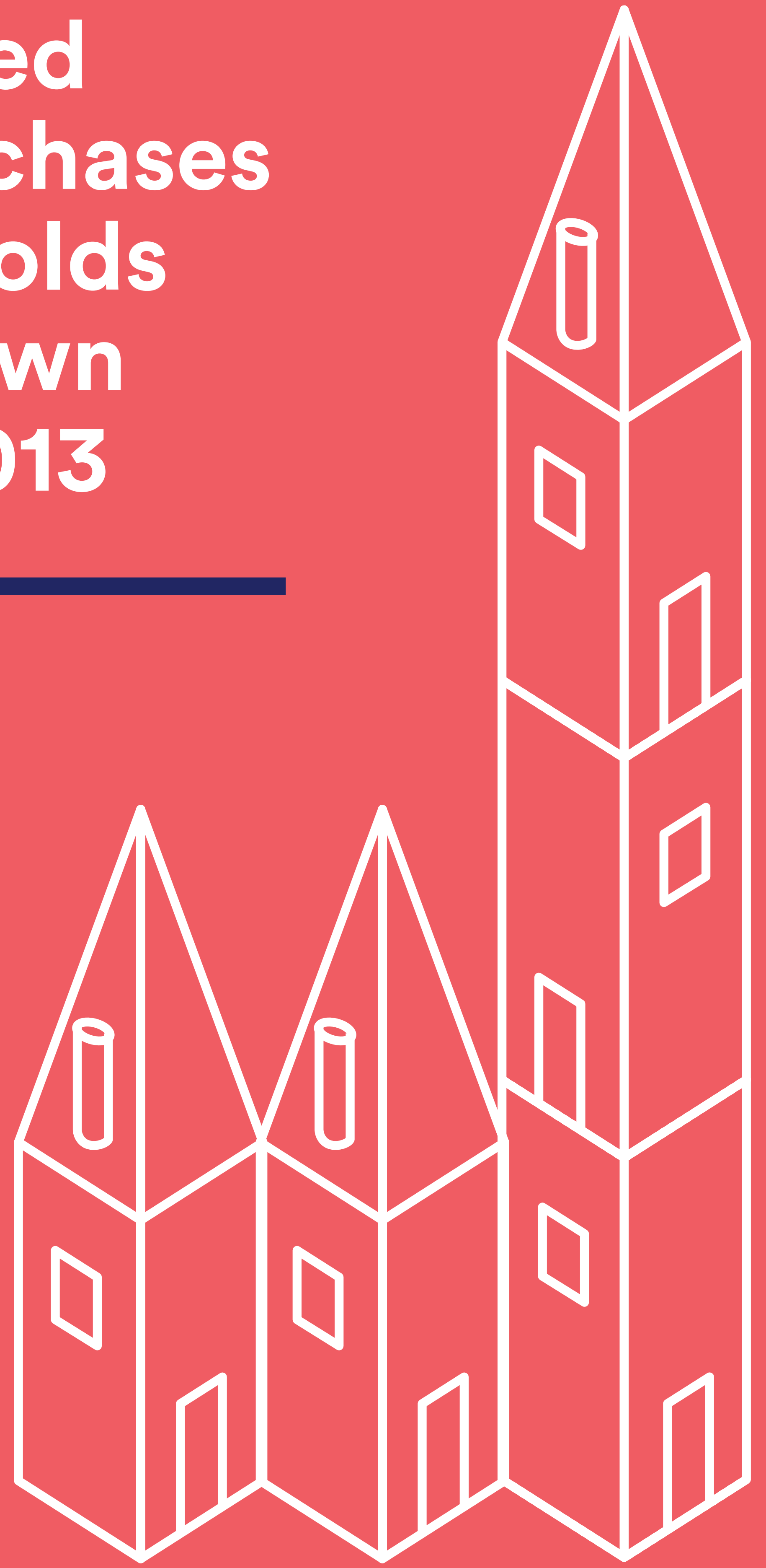
New homes

	Current	Progress	Benchmark	Comparison
No of FTE staff involved in the delivery of 100 development units	2.9	↓	2.6	
New units delivered in year as a % of current stock	3.7%	↓	2.3%	
Satisfaction with new homes	100%	→	98%	

We continue to administer the 'Do It Yourself' Shared Ownership (DIYSO) scheme in the Royal Borough of Windsor and Maidenhead. Through this scheme we have helped complete purchases for 30 households to own their own home since 2013 and have received £1.836m from the Royal Borough to help support those purchases.

This year the Royal Borough has identified an additional £500k for a DIYSO scheme specifically targeted at key workers in the local area. As with the wider DIYSO scheme, the Local Authority refers local residents to our New Homes Sales Negotiator who works with an independent financial advisor to encourage the residents to maximise their investment within a defined affordability criteria.

We have helped complete purchases for 30 households to own their own home since 2013



Development performance

Objective	To deliver 189 new homes.	To achieve approval for 175 new homes.	To continue to deliver on our Happy Customers and New Homes goals to ensure that the handover and defect periods run smoothly.	To investigate new Low Cost Home options.
Outcome	We handed over 148 new homes.	We got approval for 77 new homes.	100% customer satisfaction 12 months after moving in.	Investigations complete.
Comments	Developer progress on social units appeared to slow down as they focused on market sale units. All remaining units were delivered in Q1 2017/18.	Market changes led us to revise our assumptions at the end of Q3 and by the end of Q4 we had a further 225 units being prepared for Board approval.	Training with our contact centre and works planners has helped to deliver strong customer satisfaction.	We have researched a number of new construction types and visited several modular factories. We are still working with the Local Authority to find a suitable site to gain planning permission.

Below are our development priorities for 2017/18

- Increase the supply of new homes through the most efficient use of our own land and modern building methods. We aim to deliver 159 new homes in 2017/18.
- Maintain effective partnership working and increase the supply of new homes through Section 106 agreements.
- Meet the local housing demand for shared ownership and other home ownership options provided that the housing market remains strong.
- Increase staircasing within our existing shared ownership portfolio.

3. Strong financial performance

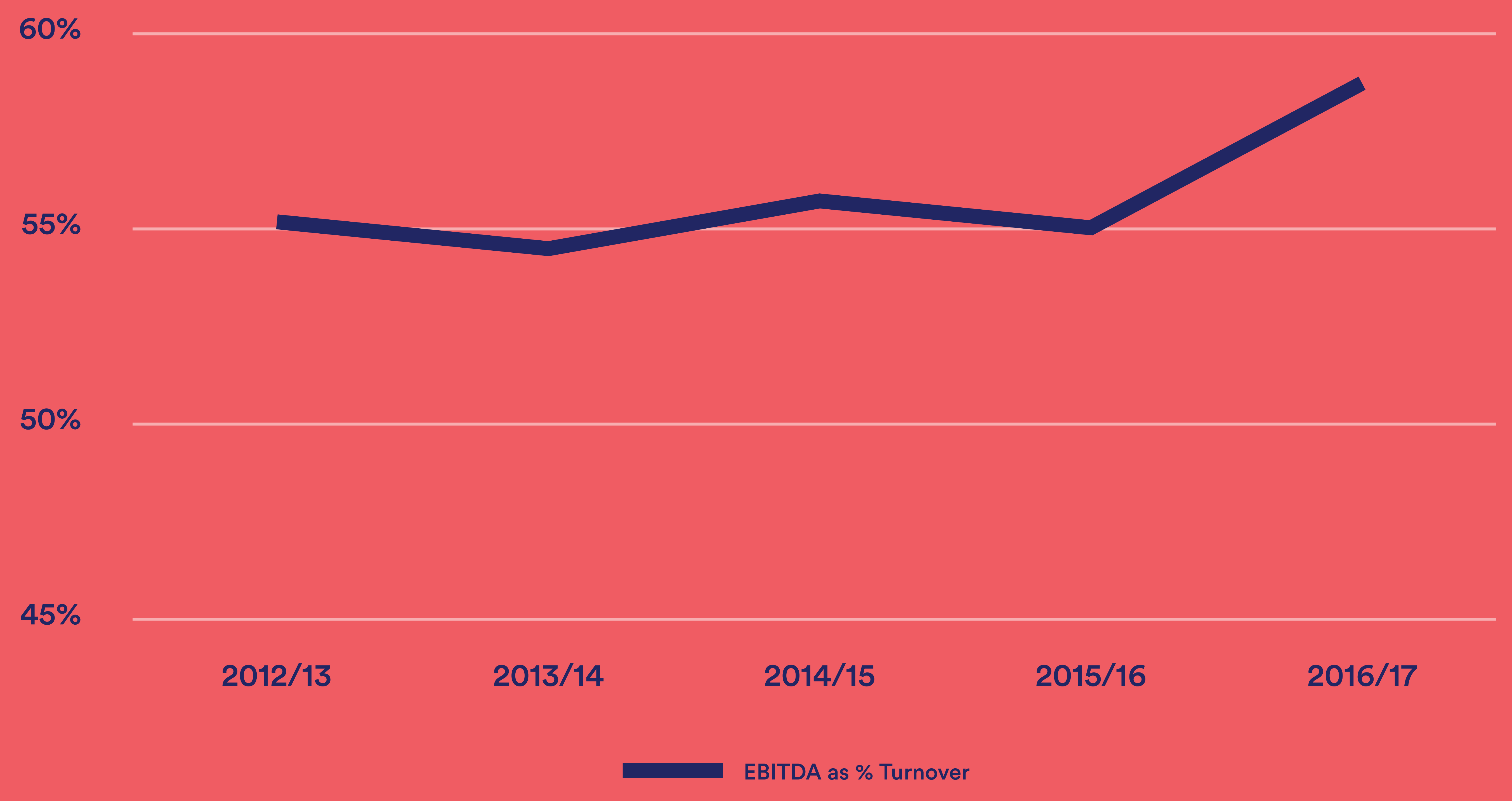
Financial highlights

	2012/13	2013/14	2014/15	2015/16	2016/17
Turnover	£31.2m	£34.4m	£36.7m	£43.3m	£45.9m
EBITDA	£17.3	£18.7m	£20.4m	£23.9m	£26.8m
Operating surplus	£13.2	£14.4m	£15.7m	£19.3m	£21.7m
EBITDA as % Turnover	55.4%	54.4%	55.6%	55.1%	58.4%
Total stock	4,913	4,937	5,148	5,314	5,415

The 1% per annum reduction in rents announced by the Government in 2015 has reduced the value of our stock by £42.6 million as well as reducing our revenue. However, due to our lean operating model, the development programme we have delivered so far as well as some efficiency savings we have been able to mitigate the effects of this and continue to show bottom line growth. By restructuring our existing debt facilities with our major bank lenders, we have been able to maintain our development headroom and have also mitigated the risk of future reductions in stock valuation from government measures by moving to a Net Debt per Unit covenant instead of a gearing covenant linked to balance sheet valuation.

Strong financial performance continued

EBITDA as % turnover



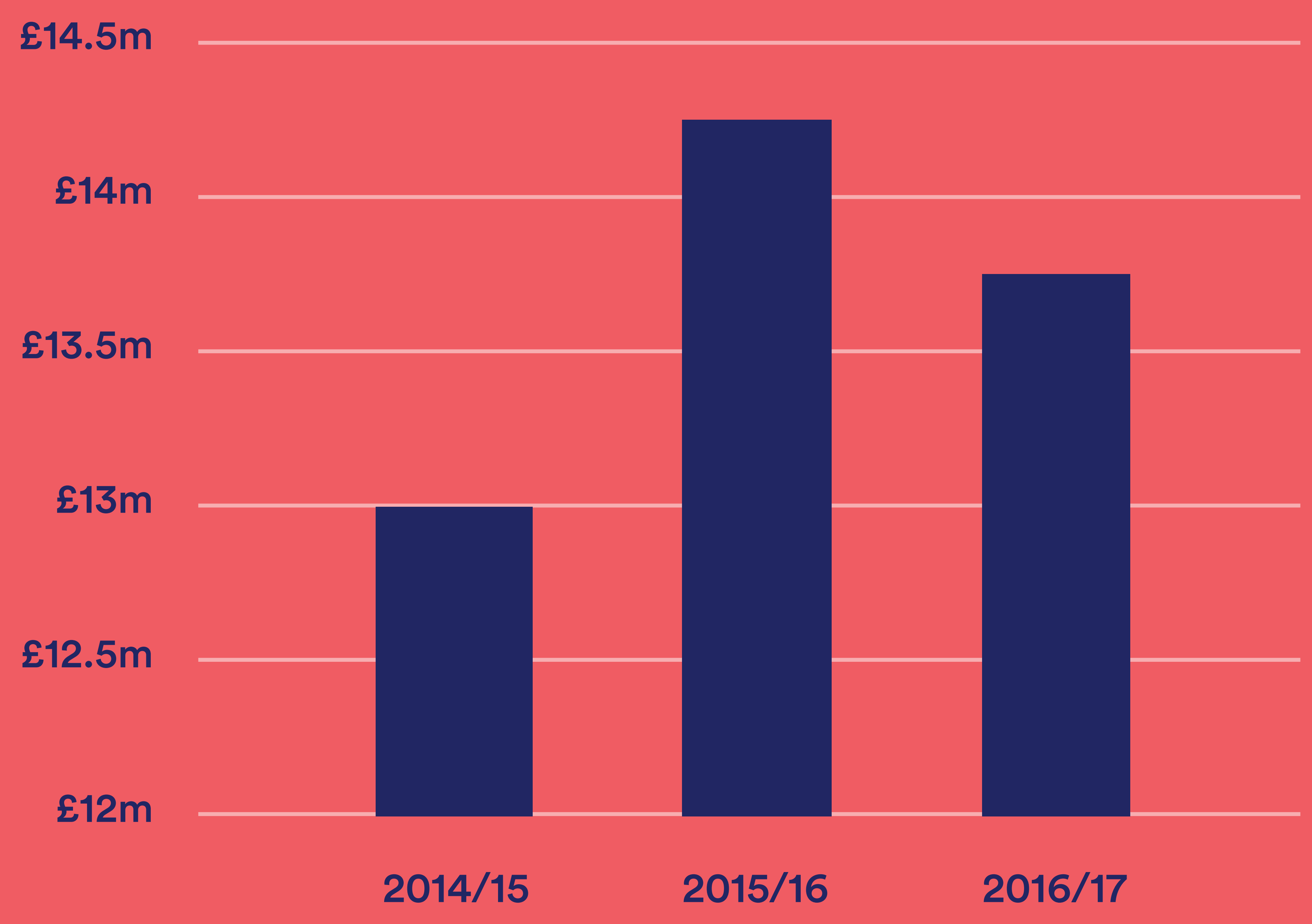
Our ambitious development goals and minimal funding through grant mean that we are almost entirely reliant on external funding and our operating surplus to invest in new homes. In order to support this we need to generate strong surpluses. In 2016/17 there was a 12% increase in EBITDA which was achieved through a combination of controlling costs and delivering a higher level of Shared Ownership unit sales. Our turnover increased 7% from £43 million in 2015/16 to £46 million in 2016/17 whilst EBITDA increased from 55.1% in 2015/16 to 58.4% in 2016/17. This margin keeps us consistently at the top of our peer group, as well as near the top of the table of all housing associations nationwide, and ensures that we can invest in growth and servicing the debt that supports new home delivery.

Strategic report continued

3%

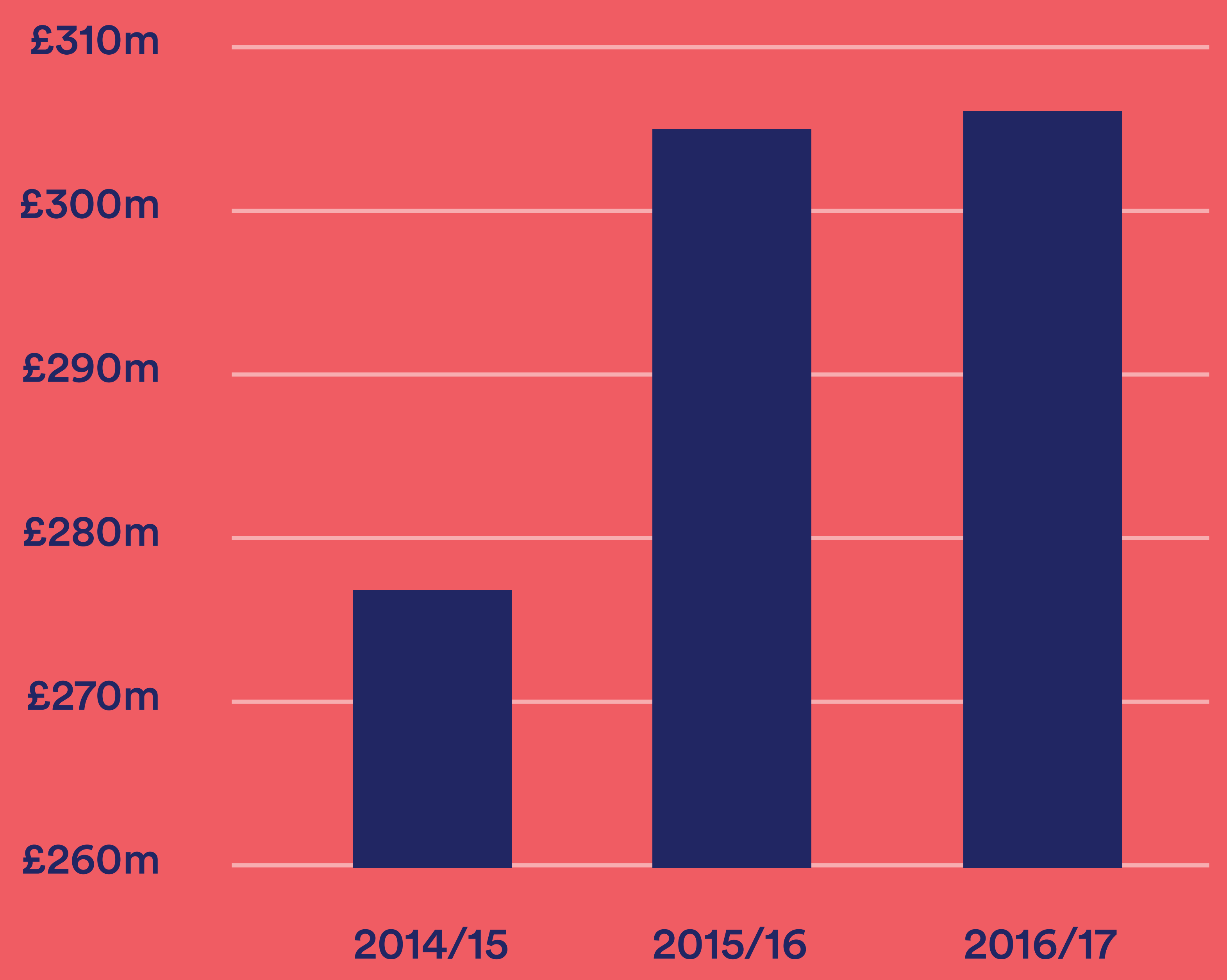
Operating costs on Social Housing Lettings decreased 3% from 2015/16 to 2016/17 owing to strong budget management.

Operating costs on social housing lettings (excl. depreciation)



Strategic report continued

Debt



Debt and funding

During the year we maintained our healthy A+ credit rating with Standard and Poor's.

We did not increase our debt level in the year and continue to maintain a healthy cash balance of circa £60m for future development investment.

Stock optimisation

In 2016/17 we continued to review properties with a low or negative Net Present Value where the cost and opportunity cost of holding those investments were outweighed by the potential value we could release through a sale and reinvestment in new stock. This year we sold 2 properties for £1.1m which had a combination of high market values and below average Net Present Values (NPV) and/or energy efficiency. The surplus from the sale of the properties will be reinvested in delivering more homes.

We have continued to develop our in house NPV model which has been validated by Savills and shows an average NPV value of £52,556. The model has identified 61 care or supported units which make a negative contribution to our portfolio. We have also identified a further 127 units which have a low NPV of less than £20,000. These units are made up of small care homes, supported living, caravan sites, flats which have high communal capital works due within 30 years and a block of flats which offers licenced shared accommodation.

A+

Strategic report continued

Investment vs. rent

To support our social nature we have also developed a 'sustainability index' within our NPV model which considers a number of housing, health, employment, crime and living environment measures calculated by the Office for National Statistics (ONS). Our use of the ONS Indices of Multiple Deprivation data set combined with our internal satisfaction data allows us to understand the wider socio-economic culture and impact of our work in a particular area.

Financial performance

Each year we set ourselves challenging targets. The table below shows how we performed against last year's objectives.

Performance against 2015/16 objectives

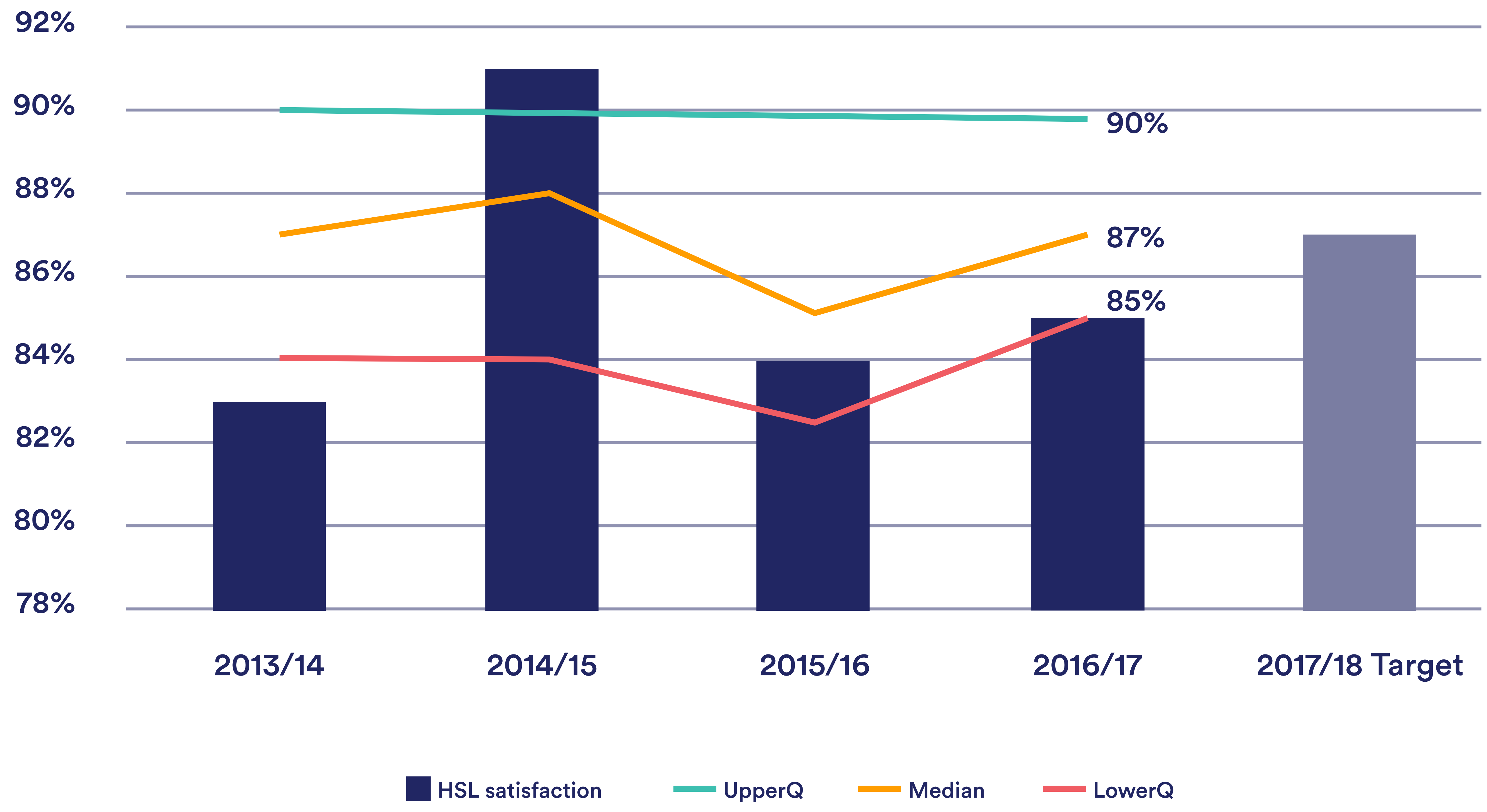
Objective	Outcome	Comments
Reduce operating costs excluding depreciation by 6%.	Our operating costs on social housing lettings activity was reduced by 3%.	We achieved the reduction in operating costs through a combination of increased units and strong budgetary management.
Review our funding strategy.	We maintained our A+ credit rating and changed the basis of our financing from gearing covenant to a 'net debt per unit' covenant.	Going forward this will help us with pricing on our debt and has provided some more headroom and reduced gearing risk.
Continue to attract direct investment in new homes and act as managing agent.	We have been awarded a contract to manage and maintain all affordable housing sites built by RBWM in the next 5/10 years. Our maintenance contract with One Housing has been extended until March 2018. We agreed a new contract with 'Launchpad' to provide an out of hours maintenance and duty supervisor service.	In 2017/18 we are reviewing our 'Non core activity' policy and will refocus our approach to generating additional income.
Disposal of units with high open market value and poor NPV performance.	We disposed of two properties, which generated an additional £1.1 million for reinvestment in new homes.	We will continue to dispose of further properties which are poorly performing. We will be building a new options appraisal of low NPV sites in 2017/18 to continue to generate funds for new homes with more efficient maintenance and energy performance.

Below are our financial performance priorities for 2017/18

- Agree long term pension deficit management strategy
- Review properties with a low NPV and release for sale and reinvestment in new lower maintenance cost homes
- Ensure that commercial activities support our corporate aims.

4. Happy customers

Overall satisfaction



Each September we commission a 'Have Your Say' Survey with an external supplier. The survey asks five standardised HouseMark STAR Benchmarking questions along with supplementary questions based on our objectives. We also carry out transactional 'tracker surveys' throughout the year to allow us to quickly identify any problems and take remedial action.

Last year we reported a drop in satisfaction relative to the 91% we achieved in 2014/15. However, in context, 2014/15 appears to be an outlier and satisfaction appears consistently between 82-85% with an improving trend. We are aiming to increase customer satisfaction to 87% in 2017/18 with a long term goal of achieving top quartile performance. This year we will focus on the development of our digital service offer which we are confident will increase customer satisfaction with more consistent and automated processes. In February 2017 we launched our new website, which has new functionality to allow customers to manage their tenancy online.

In order to continue to improve the services that we offer, we measure and review our services against external benchmarking information.

Happy customers continued

Below is a breakdown by department on the areas where we're performing well (Quartiles 1 and 2) and the areas which will be a focus for improvement in the coming year[2] (Quartiles 3 and 4).

Customer service

Performing well		Room for improvements	
72% of customers are satisfied that their views are taken into account	Q2	85% overall customer satisfaction	Q3
87% of customers think that their rent provides value for money	Q1	89% of calls answered	Q4
67% of customers were satisfied with the way their complaint was handled, up from 64% in 2015/16	Q2	Average 71 seconds to answer inbound calls	Q4
73% of customers were satisfied with the outcome of their complaint	Q1		

Responsive, voids, planned and cyclical maintenance

Performing well		Room for improvements	
86% of customers are satisfied with the quality of their home	Q2	78% of customers are satisfied with the repairs and maintenance service they received	Q3
100% gas safety compliance	Q1	21.96 days average re-let time	Q4
Average of 7.38 days to complete repairs, down from 8.15 days in 2015/16	Q2	1.41% rent loss due to voids	Q4
98.79% of appointments made are kept	Q2	£300 spent per property on cyclical maintenance	Q3

Housing services

Performing well		Room for improvements	
2.19% of current tenant arrears	Q2	1.88% former tenant arrears	Q4
£146k of additional income generated for residents through our Financial Inclusion Service	N/A	0.35% of evictions due to rent arrears as a % of all tenancies	Q4
473 tenancy audit visits	N/A	88.16% satisfaction with neighbourhood	Q3
		66% satisfaction with ASB complaint outcome	Q4
		82% satisfaction with ASB complaint handling	Q3

[2]HouseMark performance data in this section is taken from 2016/17 benchmark data, LSVT Southern, 2500-7500 units

Happy customers performance

Each year we set ourselves challenging targets. The table below shows how we performed against last year's objectives.

Objective	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.	To begin the initial phases of a new CRM system project, which will be delivered in 2017/18.	Projects in the Asset Management department to improve efficiency.	To deliver a new website with more online functionality to allow customers to manage their account online and find the answers they need quickly.
Outcome	Pods have not been rolled out.	A new CRM project has not been delivered.	13% reduction in repairs.	Project complete.
Comments	We reviewed our approach to Pod working and decided that staff were more effective working in functional teams. We are refurbishing our offices in 2017/18 and the new plans have been designed with team working and communication in mind.	The CRM project was put on hold while we reviewed our options. In 2017/18 we will make a decision on our approach to CRM and in the meantime we are making improvements to our existing system.	We reduced the number of repairs by 13% from 19,727 to 17,170 whilst maintaining customer satisfaction levels with repairs.	We delivered our new website in February 2017, which included an online portal to allow customers to make payments and log their repairs online. In 2017/18 we plan to incorporate out sales website into the new website, which will save us £6k p.a in addition to offering our customers a better service and enable them to be digital from day one.

Below are our development priorities for 2017/18

- Implement our new Service Improvement Plan with the aim of improving customer satisfaction to 87% in 2016/17. As part of the plan we will focus on:
  - Getting the basics right
  - A digital first approach
  - Complaints
  - Great first impressions
- Maintain our customer satisfaction levels.
- Make improvements to existing CRM system.
- Continue to look for more efficient ways of working.

5. Smarter working operating model

Good governance

In order to comply with the Regulatory Standards, Housing Solutions has a strong governance culture to protect both assets and customers.

To maintain high standards:

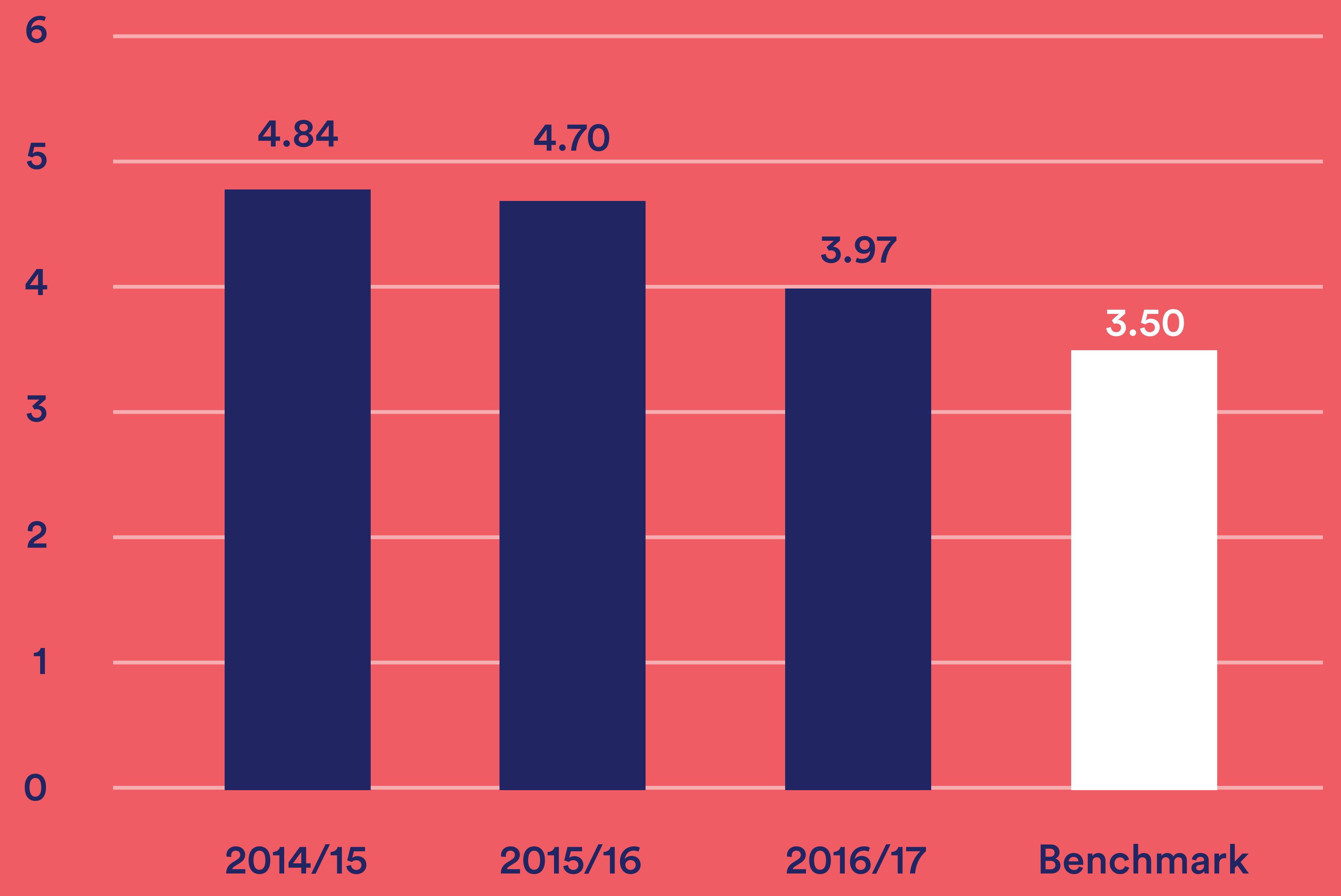
- our Senior Management Team review our performance against the Consumer Regulatory Standards quarterly and report their findings and actions to the Executive Team.
- a comprehensive and detailed Health and Safety report is presented to our Executive Team monthly.
- we retained our G1/V1 status in November 2016.
- we provided training on the HCA Regulatory Standards and Registered Provider governance requirements to all key employees.
- we have undertaken a comprehensive review of all governance and risk management processes in 2016/17 to strengthen our approach.
- we carried out a skills matrix review of our Board and individual skills assessments of all Board members to ensure that they are able to support the continued success of the organisation.
- we reviewed our Value for Money, Asset Management and Development strategies to ensure that they are dynamic, efficient and provide a clear direction for the next three years.

Smarter working operating model

- In 2016 we carried out independent reviews of our Direct Labour Organisation (DLO) and our Care and Support services in order to gain a 3rd party view on the financial viability of the business areas and identify any weaknesses.
- The Care and Support review identified some areas of the service, which provided some of our strongest margins and yields but also identified areas which require close strategic management. In 2017/18 we will improve our business planning in the Care and Support function to ensure that the activities in that area continue to support our corporate aims.
- The DLO review highlighted a number of areas of inefficiency as well as making some recommendations around simplifying a complex financial reporting system. We have since developed a DLO Business Plan to address the areas highlighted in the review and are making good progress.

Smarter working operating model continued

Average jobs per property (excl. Care/MR)



Efficiency savings

We built on our procurement savings of £239k delivered in 2015/16 with a further £274k savings in 2016/17.

In 2015/16 we reported improvements to our arrears processing and we developed this further in 2016/17 by introducing an automated workflow, which will reduce the amount of time our Tenancy Officers spend on their weekly arrears list by 50%. Our current arrears continue to be below the median of our cohort group.

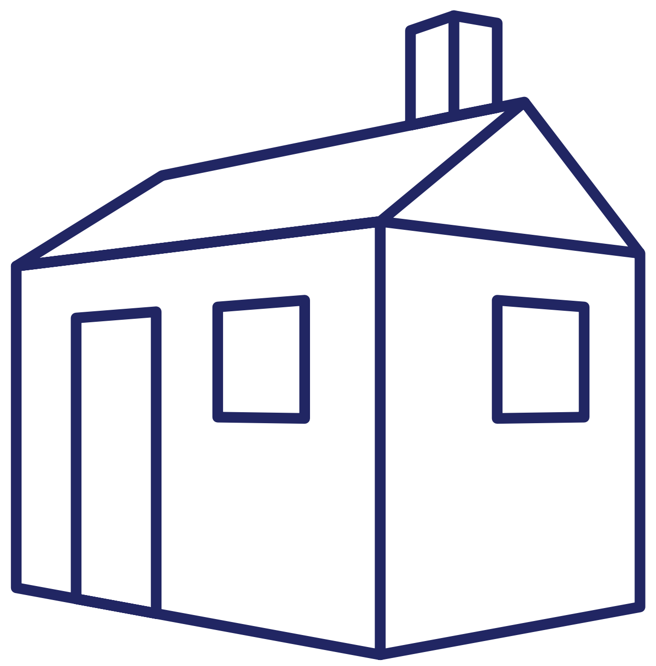
Last year, we set ourselves the target of reducing our average number of jobs per property from 4.7 in 2015/16 to 4. We achieved 3.97 by the end of 2016/17 and reduced the number of repairs carried out by 13% from 19,727 to 17,170 by focusing on our repair responsibilities and rechargeable repairs. At an average cost per job of £140 this represents a £358k saving. However, we struggled to reduce our overheads as the number of jobs reduced and so the majority of the savings were absorbed within the business. Our DLO business plan focuses on realising these savings in 2017/18. Despite the reduction in the number of jobs undertaken, our customer satisfaction remained level at 79% whilst transactional satisfaction with the most recent job completed increased from 88% in 2015/16 to 90% in 2016/17.

£239k

of procurement savings delivered in 2015/16

£274k

of procurement savings delivered in 2016/17



Smarter working operating model continued

Staff satisfaction

We carry out quarterly 'pulse' surveys to ensure that staff continue to be happy and motivated in order to achieve our strategic goals. We have made some substantial improvements to staff satisfaction over the past 12 months, particularly when it comes to working well together.

We review the pulse survey comments along with the satisfaction levels and have developed an action plan with both short and long term objectives to improve overall staff satisfaction. The actions are developed and delivered by our Senior Management Team and overseen by both our Executive Team and our staff 'voice'.

	Q4 2015/16	Q4 2016/17
Work well together	43%	73%
Happy to work for Housing Solutions	81%	80%
Proud to work for Housing Solutions	81%	89%
Recognised for the work done	58%	65%

We also compare our data to HouseMark peers and while there is some room for improvement in our staff turnover levels we are pleased to report a significant improvement in staff sickness levels.

	Q4 2015/16	Q4 2016/17	
	Performance	Performance	Quartile
Staff Turnover	13.73%	24.48%	Q4
Average No. days lost to sickness	9.21	6.65	Q2

Smarter working operating model continued

Sector scorecard

We have agreed to take part in the Sector Scorecard pilot and have submitted our data to HouseMark for 2015/16. Although the comparative data is not due until later in the year, we are keen to understand our position in comparison to our peers. The table on this page sets out our current performance levels under each of the new Sector Scorecard headings.

	Housing Solutions sector scorecard 2016/17	Housing Solutions sector scorecard 2015/16
Operating margin	47.18%	44.57%
Increase/decrease in operating margin	2.61%	0.88%
EBITDA MRI	1.87	1.62
Units developed	148	243
Unit developed as a % of owned stock	2.72%	4.55%
% customers satisfied their rent provides VfM	89%	85%
£s invested for every £ generated from operations in new housing supply	0.85	1.26
Return on capital employed	4.18%	3.79%
Occupancy	99.66%	99.88%
Ratio of responsive repairs to planned maintenance spend	64%	56%
Cost per unit	£2,912	£2,945
Rent collected	97.89%	98.14%
Overheads as a percentage of adjusted turnover	9.5%	7.7%

6. Additional income generation

In 2012 we developed our first Commercial Services Strategy, which over the past five years has made a small but significant revenue contribution to our overall turnover.

In 2016/17 we generated an income of £1.23 million through providing a responsive maintenance service to One Housing Group, Launchpad and Fremantle Trust. We have also been awarded a contract with the Royal Borough of Windsor and Maidenhead to provide a management and maintenance service for all social housing they build in the next 10 years.

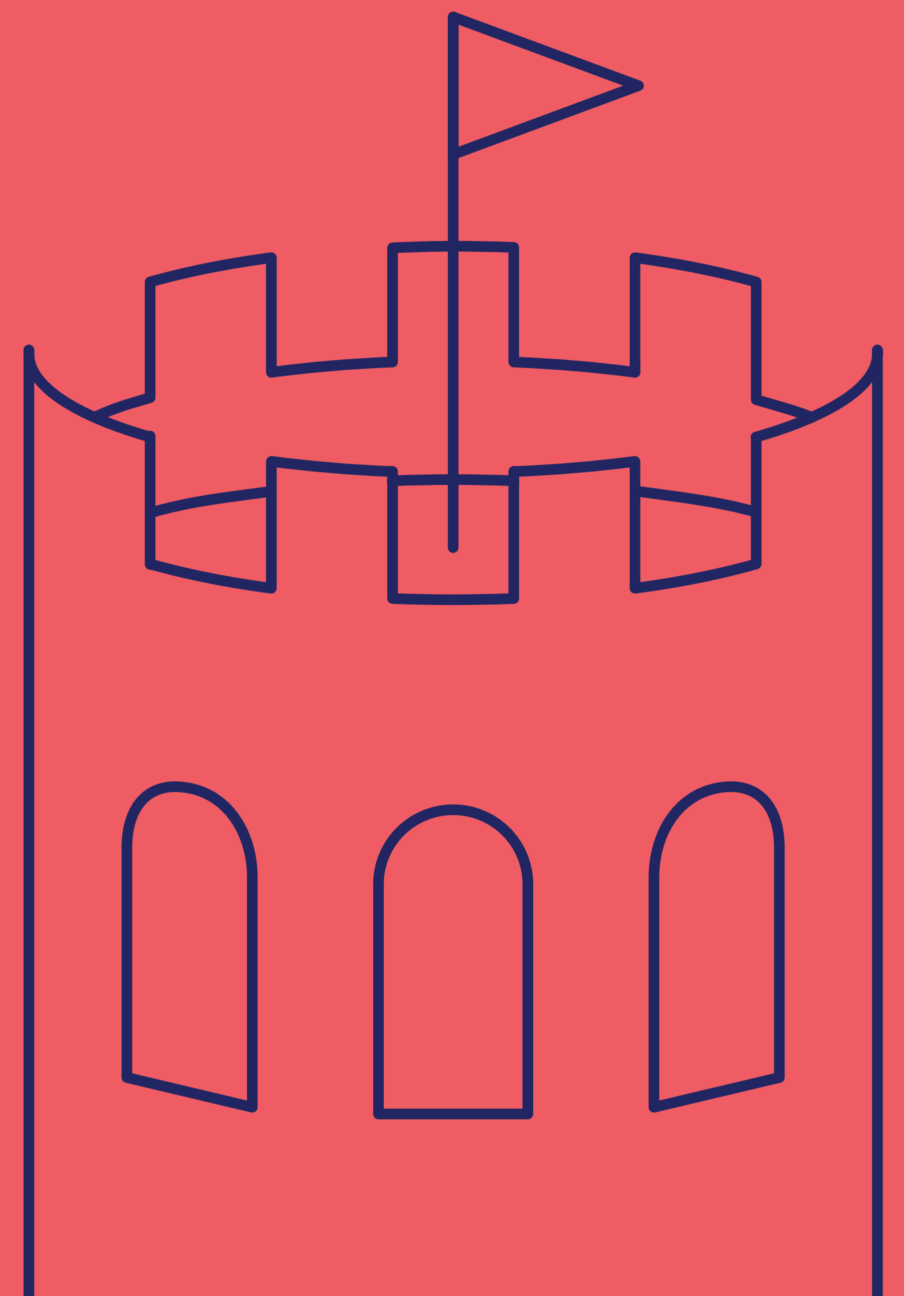
In our 2015/16 self-assessment we announced a joint venture with the Royal County of Berkshire Pension Fund. It was our first scheme directly funded by an institutional investor and we are acting as a manager as well as joint investor. In the first full year of operation the scheme has met all targets and generated £500k rental income and 90% customer satisfaction. The profit from the scheme is to be split 70/30 between Berkshire Pension Fund and Housing Solutions respectively, generating £155k income for us in the first year of operation.

In 2016/17 we reviewed our corporate objectives to ensure that they remain in line with our corporate goals. Below are some of the priorities for the coming year to improve our performance:

- Ensure an efficient Asset Management Operating model with improved data integrity, improved sustainability, improved service delivery and DLO cost efficiency.
- Ensure an efficient customer service delivery model with efficient management of bad debts, reduction in void loss, improved business planning and care and support.
- Deliver a further £290k procurement savings.
- Maintain high staff satisfaction levels.

In 2017/18 we intend to review our existing strategy to create a new 'Non Core Business Policy'; which will ensure that our activities continue to be aligned with the business objectives. Within the Policy we will consider:

- Our capacity for identifying new commercial activity.
- How we will ensure that new activity is in line with our business plan and does not 'over diversify' our core activities.
- A comprehensive approach to venture appraisals to ensure that the Board is informed in the decision making process.
- A comprehensive risk assessment for commercial activity.
- A minimum Return on Investment (ROI) target.



Statement of the responsibilities of the Board for the report and financial statements

For the year ended 31 March 2017

Statement of the responsibilities of the Board for the report and financial statements

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 2016 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, remuneration and nominations 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 regular reports 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.

Statement of the responsibilities of the Board for the report and financial statements continued

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. Each of which were reported to the Board.

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 investment and development programmes. 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.

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 is confident the Association can withstand any potential issues.

The strategic report was approved by the Board on 27 September 2017 and signed on its behalf by:

Mark Pullen
Chairman

Statement of the responsibilities of the Board for the report and financial statements continued

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 has 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 and;
- 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 AGM will be held on 27 September 2017 at Crown House, Crown Square, Waldeck Road, Maidenhead, Berkshire SL6 8BY.

Disclosure of information to auditors

At the date of this report each of the Association's Board members, as set out on page 3, 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 and;
- 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 27 September 2017 and signed on its behalf by:

Mark Pullen
Chairman

Independent auditors report to the members of Housing Solutions

For the year ended 31 March 2017

We have audited the financial statements of Housing Solutions Limited for the year ended 31 March 2017 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 pages 36 – 38, 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 Ethical Standards for Auditors.

Independent auditors report to the members of Housing Solutions continued

For the year ended 31 March 2017

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 2017 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
- 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

Jennifer Brown
Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

Statement of comprehensive income

For the year ended 31 March 2017

Statement of comprehensive income

For The Year Ended 31 March 2017

	Notes	Group 2017 £000	Restated Group 2016 £000	Association 2017 £000	Restated Association 2016 £000
Turnover	3	45,965	43,339	45,739	43,131
Cost of sales	3	(4,153)	(4,040)	(4,123)	(4,000)
Operating costs	3	(20,126)	(19,982)	(20,008)	(19,921)
Operating surplus	**7**	**21,686**	**19,317**	**21,608**	**19,210**
Gain on disposal of property, plant and equipment (fixed assets)	8	1,377	1,117	1,377	1,117
Interest receivable and other income	9	839	392	890	443
Interest payable and financing costs	10	(12,134)	(12,619)	(12,134)	(12,619)
Decrease in valuation of housing properties	12,32	(6,617)	(18,894)	(6,617)	(18,894)
(Deficit)/Surplus on ordinary activities before taxation		**5,151**	**(10,687)**	**5,124**	**(10,743)**
Tax on surplus on ordinary activities	11	-	-	-	-
Surplus for the year		**5,151**	**(10,687)**	**5,124**	**(10,743)**
Unrealised surplus/(deficit) on revaluation of housing properties	12,14,32	4,015	(29,114)	4,015	(29,114)
Remeasurement of pension scheme net liabilities		(5,393)	(449)	(5,393)	(449)
Total comprehensive income for the year		**3,773**	**(40,250)**	**3,746**	**(40,306)**

Please see Note 32 for prior year restatement.

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 49 – 78 form an integral part of the financial statements.

The financial statements were approved and signed by the Board of Management on 26 July 2017 and are signed on its behalf by:

Mark Pullen
Chairman

Andrew Robertson
Company Secretary

Hayley Peters
Board Member

Statement of changes in reserves

For the year ended 31 march 2017

Group

	Share capital £000	Revenue reserve £000	Revaluation reserve £000	Total £000
Balance as at 1 April 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**
Total comprehensive income for the year	-	3,773	-	3,773
Transfer from revaluation reserve to revenue reserve	-	2,602	(2,602)	-
Depreciation charged on revalued properties	-	716	(716)	-
Balance at 31 March 2017	**-**	**51,584**	**141,045**	**192,629**

The accompanying accounting policies and notes on pages 49 – 78 form an integral part of the financial statements.

Statement of changes in reserves

For the year ended 31 march 2017

Association

	Share capital £000	Revenue reserve £000	Revaluation reserve £000	Total £000
Balance as at 1 April 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**
Total comprehensive income for the year	-	3,746	-	3,746
Transfer from revaluation reserve to revenue reserve	-	2,602	(2,602)	-
Depreciation charged on revalued properties	-	716	(716)	-
Balance at 31 March 2017	**-**	**51,432**	**141,045**	**192,477**

The accompanying accounting policies and notes on pages 49 – 78 form an integral part of the financial statements.

Consolidated statement of financial position

For the year ended 31 March 2017

	Notes	2017 £000	2016 £000
Fixed Assets			
Tangible Fixed Assets (housing properties)	12	421,803	411,671
Tangible Fixed Assets (other)	12	9,080	9,317
Investment properties	14	19,223	17,065
		450,106	**438,053**
Intangible Fixed Assets	13	562	500
Long Term Investment	16	2,427	2,427
Current Asset Investment	17	-	5,183
Current Assets			
Properties for sale	18	5,138	2,079
Debtors	19	2,523	1,914
Cash and cash equivalents		67,054	67,276
		74,715	**71,269**
Creditors: amounts falling due within one year	**20**	**(8,396)**	**(7,803)**
Net current assets		66,319	63,466
Total assets less current liabilities		**519,414**	**509,629**
Creditors: amounts falling due after more than one year	22	(306,161)	(306,117)
Pensions for liabilities			
Pension provision	27	(20,624)	(14,656)
Total net assets		192,629	188,856
Capital and reserves			
Called-up non-equity share capital	23	-	-
Revaluation reserve		141,045	144,363
Revenue reserve		51,584	44,493
Total reserves		192,629	188,856

The accompanying accounting policies and notes on pages 49 – 78 form an integral part of the financial statements

The financial statements were approved by the Board of Management on 26 July 2017 and are signed on its behalf by:

Mark Pullen
Chairman

Andrew Robertson
Company Secretary

Hayley Peters
Board Member

Association statement of financial position

For the year ended 31 March 2017

	Notes	2017 £000	2016 £000
Tangible Fixed Assets			
Tangible Fixed Assets (housing properties)	12	421,803	411,671
Tangible Fixed Assets (other)	12	7,440	7,547
Investment properties	14	19,223	17,065
		448,466	**436,283**
Intangible Fixed Assets	13	562	500
Long term investments	16	2,477	2,477
Current Asset Investment	17	-	5,183
Current Assets			
Properties for sale	18	5,138	2,079
Debtors	19	3,486	2,636
Cash and cash equivalents		36,652	36,986
		45,276	**41,701**
Creditors: amounts falling due within one year	20	(7,519)	(6,640)
Net current assets		37,757	35,061
Total assets less current liabilities		**489,262**	**479,504**
Creditors: amounts falling due after more than one year	22	(276,161)	(276,117)
Provisions for liabilities			
Pension provision	27	(20,624)	(14,656)
Total net assets		192,477	188,731
Capital and reserves			
Called-up non-equity share capital	23	-	-
Revaluation reserve		141,045	144,363
Revenue reserve		51,432	44,368
Total Reserves		**192,477**	**188,731**

The accompanying accounting policies and notes on pages 49 – 78 form an integral part of the financial statements

The financial statements were approved by the Board of Management on 26 July 2017 and are signed on its behalf by:

Mark Pullen
Chairman

Andrew Robertson
Company Secretary

Hayley Peters
Board Member

Consolidated statement of cash flows

As at 31 March 2017

	Note	2017 £000	2016 £000
Net cash generated from operating activities	26	24,368	24,632
Cash flow from investing activities			
Purchase of tangible fixed assets		(20,237)	(30,817)
Proceeds from sale of tangible fixed assets		2,401	10,494
Grants received		819	-
Interest received		360	392
		(16,657)	(19,931)
Cash flow from financing activities			
Interest paid		(13,674)	(12,619)
New secured loans		-	30,000
Repayment of borrowings		-	(1,633)
Withdrawal from deposits		5,741	-
		(7,933)	15,748
Net change in cash and cash equivalents		(222)	20,449
Cash and cash equivalents at the beginning of the year		67,276	46,827
Cash and cash equivalents at the end of the year		67,054	67,276

Notes to the financial statements

For the year ended 31 March 2017

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.

The financial statements are compliant with FRS 102.

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 investment and development programmes. 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.

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 £355,000 relating to several development schemes.

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. £119,000 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 £428,969,000 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 2017 was £48,629,000.

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 2017 was £20,624,000.

Fair value measurement
The Group has the appropriate rules to enable it to enter into 3rd 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 refinanced, 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.

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 rates 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 them to enter into 3rd 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 value. 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 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.

Completed properties are valued annually by an independent valuer.

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.

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 Intangible assets

Intangible assets are measured at cost less accumulated amortisation.

Amortisation is provided evenly on the cost of intangible assets to write them down to their estimated residual values over their expected useful lives. The principal annual rate used for intangible assets is:

Computer software	5 years

2.18 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.

2.19 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.

2.20 Reserves

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

2.21 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.

3. Particulars of turnover, cost of sales, operating costs and operating surplus

Group

	2017 Turnover £000	2017 Cost of sales £000	2017 Operating expenditure £000	2017 Operating surplus £000
Social housing lettings	34,628	-	(18,403)	16,225
Other social housing activities				
Lifeline alarm system	152	-	(128)	24
Shared Ownership	8,324	(4,123)	-	4,201
Supporting people	119	-	-	119
	43,223	**(4,123)**	**(18,531)**	**20,569**
Activities other than social housing	2,742	(30)	(1,595)	1,117
Total	**45,965**	**(4,153)**	**(20,126)**	**21,686**

	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**

3. Particulars of turnover, cost of sales, operating costs and operating surplus

Association

	2017 Turnover £000	2017 Cost of sales £000	2017 Operating expenditure £000	2017 Operating surplus £000
Social housing lettings	34,628	-	(18,403)	16,225
Other social housing activities				
Lifeline alarm system	152	-	(128)	24
Shared Ownership	8,324	(4,123)	-	4,201
Supporting people	119	-	-	119
	43,223	**(4,123)**	**(18,531)**	**20,569**
Activities other than social housing	2,516	-	(1,477)	1,039
Total	**45,739**	**(4,123)**	**(20,008)**	**21,608**

	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**

3. Particulars of income and expenditure from social housing lettings

Group continued

	2017						2016
	General needs housing £000	Supported housing and housing for older people £000	Key worker housing £000	Care homes £000	Low cost home ownership £000	Total £000	Total £000
Rent receivable net of identifiable service charges	22,422	4,066	286	4,784	1,448	33,006	32,106
Service income	743	609	-	40	230	1,622	1,501
Turnover from social housing lettings	**23,165**	**4,675**	**286**	**4,824**	**1,678**	**34,628**	**33,607**
Expenditure							
Management and other operating expenses	4,051	734	52	864	262	5,963	5,764
Services	718	646	18	95	128	1,605	1,643
Routine maintenance	1,667	801	27	499	25	3,019	2,704
Planned maintenance	1,566	580	13	427	13	2,599	3,302
Bad debts	113	21	1	24	7	166	137
Property lease charges	5	-	-	-	-	5	9
Depreciation of housing properties	3,121	566	40	666	202	4,595	4,090
Other costs	306	56	4	65	20	451	655
Operating expenditure on social housing lettings	**11,547**	**3,404**	**155**	**2,640**	**657**	**18,403**	**18,304**
Operating surplus on social housing lettings	**11,618**	**1,271**	**131**	**2,184**	**1,021**	**16,225**	**15,303**
Void losses	**137**	**254**	**6**	**6**	**7**	**410**	**467**

3. Particulars of income and expenditure from social housing lettings

Association continued

	2017						2016
	General needs housing £000	Supported housing and housing for older people £000	Key worker housing £000	Care homes £000	Low cost home ownership £000	Total £000	Total £000
Rent receivable net of identifiable service charges	22,422	4,066	286	4,784	1,448	33,006	32,106
Service income	743	609	-	40	230	1,622	1,501
Turnover from social housing lettings	**23,165**	**4,675**	**286**	**4,824**	**1,678**	**34,628**	**33,607**
Expenditure							
Management and other operating expenses	4,051	734	52	864	262	5,963	5,775
Services	718	646	18	95	128	1,605	1,643
Routine maintenance	1,667	801	27	499	25	3,019	2,704
Planned maintenance	1,566	580	13	427	13	2,599	3,302
Bad debts	113	21	1	24	7	166	136
Property lease charges	5	-	-	-	-	5	9
Depreciation of housing properties	3,121	566	40	666	202	4,595	4,090
Other costs	306	56	4	65	20	451	655
Operating expenditure on social housing lettings	**11,547**	**3,404**	**155**	**2,640**	**657**	**18,403**	**18,314**
Operating surplus on social housing lettings	**11,618**	**1,271**	**131**	**2,184**	**1,021**	**16,225**	**15,293**
Void losses	**137**	**254**	**6**	**6**	**7**	**412**	**442**

3. Particulars of turnover from non-social housing lettings

	Group 2017 £000	Group 2016 £000	Association 2017 £000	Association 2016 £000
Market rent accommodation	587	509	587	509
	587	**509**	**587**	**509**

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 2017 number	Group 2016 number	Association 2017 number	Association 2016 number
Social housing				
General needs	3,678	3,610	3,678	3,610
Supported housing and housing for older people	587	581	587	581
Low cost home ownership	326	301	326	301
Key worker housing	28	30	28	30
Residential care homes	718	714	718	714
Total owned	**5,337**	**5,236**	**5,337**	**5,236**
Accommodation managed for others	101	101	101	101
Total owned and managed	**5,438**	**5,337**	**5,438**	**5,337**
Non-social housing				
Market rent	78	78	78	78
Total owned and managed	**78**	**78**	**78**	**78**
Accommodation in development at the year end	**298**	**312**	**298**	**312**

The Group manages accommodation for Northborough Housing Co-Operative a registered social landlord.

5. Key management personnel

The members of the Board received remuneration for services provided as Directors of £45,677 (2016 – £37,982). The remuneration paid to the Executive Directors of Housing Solutions Group (defined as the Chief Executive, the Business Development Director, the Finance Director, the Operations Director and the Group Commercial Director) was:

	2017 £000	2016 £000
Emoluments	488	498
Benefits in kind	15	14
Pension contributions	64	83
	567	**595**

Emoluments (excluding pension contributions) paid to:		
The highest paid Director (the Chief Executive – former)	100	132
Pension contributions (former)	20	25
The highest paid Director (the Chief Executive – current)	85	-
Pension contributions (current)	3	-
	208	**157**

6. Employee information

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

	2017 number	2016 number
Office staff	94	102
Sheltered housing mangers, caretakers and cleaners	5	5
Building maintenance staff	43	50
	142	**157**

	2017 £000	2016 £000
Staff costs (for the above persons):		
Wages and salaries	5,386	5,691
Social security costs	554	504
Pension costs – Contributions	703	930
	6,643	**7,125**
The full time equivalent number of staff, including directors, who received emoluments:		

	2017 number	2016 number
£70,001 to £80,000	1	-
£80,001 to £90,000	1	1
£90,001 to £100,000	1	3
£100,001 to £110,000	2	-
£130,001 to £140,000	-	1

7. Operating surplus

	Group 2017 £000	Group 2016 £000
Operating surplus is stated after charging/(crediting):		
Depreciation		
- Housing stock	4,595	4,090
- Other assets	342	320
- Surplus on disposal of other tangible fixed assets	1	-
Amortisation of intangible assets	204	157
Operating lease rentals		
- Hire of motor vehicles	42	72
- Office equipment	29	27
Auditor's remuneration		
For audit purposes		
- Parent	27	24
- Subsidiaries	7	7
- Total	**34**	**31**
For non-audit purposes		
- Tax compliance	4	4
- Other	-	1
Internal Auditor's remuneration	36	36

8. Profit on sale of fixed assets – housing properties

	Group 2017 £000	Group 2016 £000
Disposal proceeds	2,400	10,494
Cost of sales (administration)	(69)	(105)
Carrying value of fixed assets	(954)	(9,272)
Profit on sale of fixed assets	**1,377**	**1,117**

9. Interest receivable and other income

	Group 2017 £000	Group 2016 £000	Association 2017 £000	Association 2016 £000
Intercompany interest receivable	-	-	51	51
Interest receivable	309	226	309	226
Surplus on sale of investment	530	-	530	-
Income from investments	-	166	-	166
	839	**392**	**890**	**443**

10. Interest and financing costs

	Group 2017 £000	Group 2016 £000	Association 2017 £000	Association 2016 £000
Loans and bank overdrafts	13,086	12,877	4,836	4,781
Interest payable to Group companies	-	-	8,250	8,096
Interest payable capitalised on housing properties under construction	(1,482)	(1,393)	(1,482)	(1,393)
Breakage costs	-	686	-	686
Defined benefit pension charge	530	447	530	447
Deficit on revaluation of investment	-	2	-	2
	12,134	**12,619**	**12,134**	**12,619**
Capitalisation rate used to determine the finance costs capitalised during the period	**4.2%**	**4.2%**	**4.2%**	**4.2%**

11. Tax on surplus on ordinary activities

	Group 2017 £000	Group 2016 £000	Association 2017 £000	Association 2016 £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	36	-	-	-
Total deferred tax	36	-	-	-
Total tax on results on ordinary activities	36	-	-	-

11. Tax on surplus on ordinary activities continued

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% (2016: 21%).

The differences are explained as follows:

	Group 2017 £000	Group 2016 £000	Association 2017 £000	Association 2016 £000
Total tax reconciliation				
(Deficit)/Surplus on ordinary activities before tax	1,798	(44,219)	1,772	(44,275)
Expected tax at 20% (2016: 20%)	359	8,844	354	8,856
Effects of:				
Charitable activities	(354)	(8,856)	(354)	(8,856)
Capital allowances in excess of depreciation	3	(4)	-	-
Deferred tax not recognised previously	34	(9)	-	-
Total tax charge for the period	36	-	-	-

12. Tangible fixed assets – properties

Group

	Housing properties and mobile homes £000	Housing properties under construction £000	Shared ownership properties £000	Shared ownership properties under construction £000	Total £000
Cost or Valuation at 1 April 2016	408,904	12,783	30,062	3,957	455,706
Completed	13,068	(13,068)	3,341	(3,341)	-
Additions	5,061	9,996	1,847	5,390	22,294
Disposals	(487)	-	(466)	(2,958)	(3,911)
Works to existing properties	1,103	-	-	-	1,103
Revaluation	(3,065)	-	(1,695)	-	(4,760)
At 31 March 2017	**424,584**	**9,711**	**33,089**	**3,048**	**470,432**
Depreciation at 1 April 2016	(41,221)	(702)	(2,112)	-	(44,035)
Depreciation charged in year	(3,629)	-	(249)	-	(3,878)
Revaluation depreciation	(731)	-	15	-	(716)
Depreciation charged in the year	4,360	-	235	-	4,595
Eliminated on revaluation	(4,360)	-	(235)	-	(4,595)
At 31 March 2017	**(45,581)**	**(702)**	**(2,346)**	**-**	**(48,629)**
Net book value as at 31 March 2017	**379,003**	**9,009**	**30,743**	**3,048**	**421,803**
Net book value as at 31 March 2016	**367,683**	**12,081**	**27,950**	**3,957**	**411,671**

Completed housing properties are stated at Existing Use Value for Social Housing (EUV-SH), including notional directly attributable acquisition costs, as at 31 March 2017. 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 *(including investment properties)*	-
Housing Solutions Limited	428,969
	428,969

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%

12. Tangible fixed assets – properties continued

Association

	Housing properties and mobile homes £000	Housing properties under construction £000	Shared ownership properties £000	Shared ownership properties under construction £000	Total £000
Cost or Valuation at 1 April 2016	408,904	12,783	30,062	3,957	455,706
Completed	13,068	(13,068)	3,341	(3,341)	-
Additions	5,061	9,996	1,847	5,390	22,294
Disposals	(487)	-	(466)	(2,958)	(3,911)
Works to existing properties	1,103	-	-	-	1,103
Revaluation	(3,065)	-	(1,695)	-	(4,760)
At 31 March 2017	**424,584**	**9,711**	**33,089**	**3,048**	**470,432**
Depreciation at 1 April 2016	(41,221)	(702)	(2,112)	-	(44,035)
Depreciation charged in year	(3,629)	-	(249)	-	(3,878)
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Depreciation charged in the year	4,360	-	235	-	4,595
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At 31 March 2017	**(45,581)**	**(702)**	**(2,346)**	**-**	**(48,629)**
Net book value as at 31 March 2017	**379,003**	**9,009**	**30,743**	**3,048**	**421,803**
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Completed housing properties are stated at Existing Use Value for Social Housing (EUV-SH), including notional directly attributable acquisition costs, as at 31 March 2017. 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 *(including investment properties)*	-
Housing Solutions Limited	428,969
	428,969

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%

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 2017 £000	Group 2016 £000	Association 2017 £000	Association 2016 £000
Housing properties at historical cost	365,475	341,917	365,475	341,917
Depreciation and impairment	(21,766)	(17,888)	(21,766)	(17,888)
Social Housing Grant	(59,564)	(58,901)	(59,564)	(58,901)
	284,145	**265,128**	**284,145**	**265,128**

Expenditure on works to existing properties				
Improvement works capitalised	1,103	1,521	1,103	1,521
Components capitalised	1,107	2,097	1,107	2,097
Amounts charged to income and expenditure	5,620	5,876	5,620	5,876
	7,830	**9,494**	**7,830**	**9,494**

Finance costs				
Aggregate amount of finance costs included in the cost of housing properties	1,482	1,393	1,482	1,393
	1,482	**1,393**	**1,482**	**1,393**

12. Tangible fixed assets – other

Group

	Plant & machinery £000	Other freehold property £000	Motor vehicles £000	Furniture and equipment £000	Free/ leasehold improvements £000	Computer equipment £000	Total £000
Cost at 1 April 2016	2,082	7,145	46	336	1,158	676	11,443
Additions	-	-	-	104	-	39	143
Disposals	(35)	-	(14)	-	-	(19)	(68)
At 31 March 2017	**2,047**	**7,145**	**32**	**440**	**1,158**	**696**	**11,518**
Depreciation at 1 April 2016	(312)	(498)	(44)	(154)	(628)	(490)	(2,126)
Charge for Year	(95)	(46)	(1)	(64)	(48)	(88)	(342)
Disposals	-	-	14	-	-	16	30
At 31 March 2017	**(407)**	**(544)**	**(31)**	**(218)**	**(676)**	**(562)**	**(2,438)**
Net book value as at 31 March 2017	**1,640**	**6,601**	**1**	**222**	**482**	**134**	**9,080**
Net book value as at 31 March 2016	**1,770**	**6,647**	**2**	**182**	**530**	**186**	**9,317**

12. Tangible fixed assets – other continued

Association

	Other freehold property £000	Motor vehicles £000	Furniture and equipment £000	Free/ leasehold improvements £000	Computer equipment £000	Total £000
Cost at 1 April 2016	7,145	46	336	1,158	676	9,361
Additions	-	-	104	-	39	143
Disposals	-	(14)	-	-	(19)	(33)
At 31 March 2017	7,145	32	440	1,158	696	9,471
Depreciation at 1 April 2016	(498)	(44)	(154)	(628)	(490)	(1,814)
Charge for Year	(46)	(1)	(64)	(48)	(88)	(247)
Disposals	-	14	-	-	16	30
At 31 March 2017	**(544)**	**(31)**	**(218)**	**(676)**	**(562)**	**(2,031)**
Net book value as at 31 March 2017	**6,601**	**1**	**222**	**482**	**134**	**7,440**
Net book value as at 31 March 2016	**6,647**	**2**	**182**	**530**	**186**	**7,547**

Group and Association

13. Intangible fixed assets

	Computer software £000
Cost at 01 April 2016	1,780
Additions	266
Disposals/Write-off	-
At 31 March 2017	**2,046**
Amortisation at 1 April 2016	(1,280)
Charge for Year	(204)
Adjustment re Write-off	-
At 31 March 2017	**1,484**
Net book value as at 31 March 2017	**562**
Net book value as at 31 March 2016	**500**

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

	Group 2017 £000	Group 2016 £000	Association 2017 £000	Association 2016 £000
At 1 April	17,065	23,935	17,065	23,935
Disposals	-	(8,455)	-	(8,455)
Increase in value	2,158	1,585	2,158	1,585
At 31 March	**19,223**	**17,065**	**19,223**	**17,065**

Investment properties were valued as at 31 March 2017. 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 2017 £000	Group 2016 £000	Association 2017 £000	Association 2016 £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	2,427
	2,427	**2,427**	**2,477**	**2,477**

17. Current asset investment

	Group 2017 £000	Group 2016 £000	Association 2017 £000	Association 2016 £000
Investment on deposit	-	5,183	-	5,183
	-	**5,183**	**-**	**5,183**

18. Properties for sale

	Group 2017 £000	Group 2016 £000	Association 2017 £000	Association 2016 £000
Shared ownership – completed properties	4,224	1,165	4,223	1,165
General needs property awaiting sale	914	914	914	914
	5,138	**2,079**	**5,138**	**2,079**

19. Debtors

	Group 2017 £000	Group 2016 £000	Association 2017 £000	Association 2016 £000
Due within one year				
Rent and service charge receivable	1,297	1,276	1,297	1,276
Less provision for bad and doubtful debts	(682)	(658)	(682)	(658)
	615	**618**	**615**	**618**
Prepayments and accrued income	429	291	429	291
Amounts owed by Group undertakings	-	-	1,015	762
Other debtors	1,479	1,005	1,427	965
	2,523	**1,914**	**3,486**	**2,636**

20. Creditors: amounts falling due within one year

	Group 2017 £000	Group 2016 £000	Association 2017 £000	Association 2016 £000
Trade creditors	1,662	1,482	1,659	1,482
Rent received in advance	954	860	954	860
Other tax and social security	173	32	173	32
Fixed asset creditors	2,058	1,587	2,058	1,587
Accrued interest	1,517	1,608	723	807
Other creditors	381	636	331	293
Recycled capital grant fund (Note 21)	663	433	663	433
Holiday pay accrual	127	140	127	140
Accruals	861	1,025	831	1,006
	8,396	**7,803**	**7,519**	**6,640**

21. Recycled capital grant fund

	Group 2017 £000	Group 2016 £000	Association 2017 £000	Association 2016 £000
As at 1 April 2016	433	389	433	389
Grants recycled	-	-	-	-
Withdrawals	(94)	-	(94)	-
Additions	324	44	324	44
At 31 March 2017	**663**	**433**	**663**	**433**

22. Creditors

Creditors	Group 2017 £000	Group 2016 £000	Association 2017 £000	Association 2016 £000
Amounts falling due after more than one year				
Debt	306,161	306,117	276,161	276,117
Debt Analysis	**306,161**	**306,117**	**276,161**	**276,117**

Borrowings	Group 2017 £000	Group 2016 £000	Association 2017 £000	Association 2016 £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	171,161	171,117	141,161	141,117
	306,161	**306,117**	**276,161**	**276,117**
Total loans	**306,161**	**306,117**	**276,161**	**276,117**

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 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 5.16%. The loan with repayments starting in 2023 currently has an interest rate of 4.25% which is RPI linked.

At 31 March 2017 the Group has undrawn facilities of £30m (2016: £30m).

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

	Group 2017 £000	Group 2016 £000	Association 2017 £000	Association 2016 £000
Within one year or on demand	2,465	-	2,465	-
One year or more but less than two years	6,797	3,000	6,797	3,000
Two years or more but less than five years	22,845	12,200	22,845	12,200
Five years or more	274,054	290,917	244,054	260,917
	306,161	**306,117**	**276,161**	**276,117**

23. Non-equity share capital

	Association 2017 Number	Association 2016 Number
Shares of £1 each issued and fully paid		
At 1 April 2016 and as at 31 March 2017	9	9
	9	**9**

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:

	2017 £000	2016 £000
Within one year	71	74
Between one and five years	-	25
	71	**99**

25. Capital commitments

	Group 2017 £000	Group 2016 £000	Association 2017 £000	Association 2016 £000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	20,312	27,288	20,312	27,288
Capital expenditure that has been authorised by the Board but has not been contracted for	16,320	6,442	16,320	6,442

The total amount contracted for at 31 March 2017 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

	Association 2017 Number	Association 2016 Number
Surplus/(deficit) for the year	5,151	(10,687)
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	4,907	4,410
Amortisation of intangible fixed assets	204	157
Decrease in valuation of housing properties	6,617	18,894
Decrease / (increase) in stock	(3,059)	607
Decrease / (increase) in trade and other debtors	(215)	1,162
Decrease / (increase) in trade and other creditors	(208)	(1,709)
Pension costs less contributions payable	574	688
Surplus on sale of tangible fixed assets	(1,377)	(1,117)
Adjustments for investing or financing activities:		
Interest payable	12,134	12,619
Interest receivable	(360)	(392)
Net cash generated from operating activities	**24,368**	**24,632**

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 2016 by a qualified independent actuary.

The employer's contributions to the RCBPS by the Association for the year ended 31 March 2017 were £677,000 (2016: £688,000) at a contribution rate of 20.0% of pensionable salaries. The employer's contribution rate for the year ending 31 March 2018 has been set at 18.2%. Estimated employer's contributions to the RCBPS during the accounting period commencing 1 April 2016 are £515,000.

Principal actuarial assumptions financial assumptions

	31 March 2017 % per annum	31 March 2017 % per annum	31 March 2017 % per annum
Discount rate	**2.8%**	3.7%	3.4%
Future salary increases	**3.6%**	3.3%	3.3%
Future pension increases	**2.7%**	2.4%	2.5%
Inflation assumption	**3.6%**	3.3%	3.3%

27. Pensions continued

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:

	Association 2017 Number	Association 2016 Number
Retiring today:		
Males	23.0	22.9
Females	25.0	26.2
Retiring in 20 years:		
Males	25.1	25.2
Females	27.4	28.6

Amounts recognised in surplus or deficit

	2017 £000	2016 £000
Current service cost	(711)	(930)
Administrative expenses	(10)	(11)
Amounts charged to operating costs	**(721)**	**(941)**

Net interest	(530)	(447)
Amounts charged to other finance costs	(530)	(447)

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

	2017 £000	2016 £000
Opening scheme liabilities	28,107	28,804
Current service cost	624	930
Interest cost	1,029	974
Remeasurements	7,591	(2,297)
Benefits paid	(835)	(568)
Contributions by scheme participants	235	268
Experience loss on defined benefit obligation	(605)	-
Change in demographic assumptions	(81)	-
Past service costs	87	-
Unfunded pension payments	(4)	(4)
Closing scheme liabilities	36,148	28,107

27. Pensions continued

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

	2017 £000	2016 £000
Opening fair value of plan assets	13,451	15,297
Interest income	499	527
Return on plan assets (in excess of interest)	1,586	(781)
Other actuarial losses	(74)	(1,965)
Administration expenses	(10)	(11)
Contributions by employer	677	688
Contributions by scheme participants	235	268
Benefits paid	(839)	(572)
Closing fair value of plan assets	**15,525**	**13,451**

	2017 £000	2016 £000
Actual return on scheme assets	2,085	(254)

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

	2017 %	2016 %
Equities	49.0%	45.0%
Gilts	N/A	1.0%
Bonds	15.0%	14.0%
Properties	14.0%	12.0%
Cash	10.0%	5.0%
Other	12.0%	23.0%
Total	**100%**	**100%**

Sensitivity analysis

Adjustment to mortality age rating assumption

	+1 Year £000	None £000	-1 Year £000
Present value of total obligation	37,478	36,148	34,868
Projected service cost	1,105	1,071	1,038

Adjustment to discount rate

	Increase by 0.1%	None	Decrease by 0.1%
Present value of total obligation	35,426	36,148	36,886
Projected service cost	1,045	1,071	1,098

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.

Ross McWilliams 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 £11,150 (2016: £10,860) for electricity generated by the photo voltaic panels on residents' roofs and Housing Solutions Limited charged HSG Property Services Limited £9,518 (2016: £10,860) for the rental of residents' roofs. Housing Solutions Limited charged HSG Property Services Limited interest £50,857 (2016: £50,767).

Housing Solutions Capital PLC was charged £9,411,691 (2016: £7,786,976) for interest on the Note Purchase Agreement loan and received £9,411,691 (2016: £7,786,976) 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.

Glassford House LLP is a joint venture with The Royal County of Berkshire Pension Fund which owns and manages 40 market rent properties.

31. Contingent liability

At 31 March 2017 the Group and Association had received a claim by a contractor for costs incurred due to the overrun of a major refurbishment programme. This is currently in dispute and subject to adjudication.

32. Prior year adjustment

With the introduction of FRS 102 for the year ended 31 March 2016 (and 31 March 2015 for comparatives), the entire decrease in valuation due to the government imposed 1% rent reduction was recognised in surplus/deficit for the year. This has been adjusted to reflect the correct treatment, where the decrease in valuation recognised in surplus has been limited to the extent where it exceeds the accumulated revaluation gains in equity for those properties. All other decreases in valuation where the revaluation increase accumulated in equity exceeds the decrease in valuation have been recognised in other comprehensive income.

Restated surplus for the year ended 31 March 2016

	Group £000	Group £000	Association £000	Association £000
Deficit for the year as previously stated		(43,421)		(43,477)
Prior year adjustment to recognised decrease in valuation		32,734		32,734
Deficit for the year as restated		**(10,687)**		**(10,743)**
Unrealised surplus on revaluation of housing properties as previously stated	3,620		3,620	
Prior year adjustment to unrealised movement in valuation	(32,734)		(32,734)	
Unrealised surplus on revaluation of housing properties as previously stated		(29,114)		(29,114)
Actuarial loss in respect of pension scheme		(449)		(449)
Total comprehensive income for the year (as previously stated and post restatement)		**(40,250)**		**(40,306)**

33. Post balance sheet event

On 5 April 2017 the syndicated bank facility of £135 million was restructured as two bilateral facilities with Barclays and Lloyds. This was done to remove the valuation risk from the gearing covenant, this has been replaced with a net debt per unit covenant.

34. 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

	2017 £000	2016 £000
Loan Commitments measured at cost less impairment	305,000	305,000
Total	**305,000**	**305,000**

	2017 £000	2016 £000
The difference between the financial liability's carrying amount and the amount the entity would be contractually obliged to pay at maturity	1,161	1,117

34. Financial assets and liabilities continued

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

Financial assets

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

	2017 £000	2016 £000
Financial assets on which no interest is earned	2,427	2,427
	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:

	2017 £000	2016 £000
Fixed rate	236,800	250,000
	236,800	**250,000**

The fixed rate financial liabilities have a weighted average interest rate of 4.71% (2016: 4.79%) and the weighted average period for which it is fixed is 18.8 years (2016: 18.4 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:

	2017 £000	2016 £000
Expiring in more than two years	30,000	30,000
	30,000	**30,000**

housing solutions

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