

Annual Report

The Wrekin Housing Group Limited

For the year ended 31 March 2016

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Introduction from Chair and Chief Executive

The group has enjoyed another successful year in 2015/16, during which it expanded further as FUSE Enterprise CIC began trading on 1 April 2015. Below is a summary on each of the group businesses' challenges and successes for the period.

It was a good year for The Wrekin Housing Trust Limited. It made another strong, surplus and out-performed its budget and business plan for 2015/16. Demand for the Trust's properties remained very strong and the Trust continues its Asset Renewal Strategy to respond to that demand and deliver more new homes. 209 sales were completed during the year to fund future developments, while 512 new properties were added to the Trust's stock. The Trust still has ambitious development plans, securing £133m of additional loan finance during the year and updating its business plan to enable it to deliver almost 2,500 new homes over the next four years and, in so doing, provide three new properties for every two disposals. This is particularly positive given the backdrop of the 1% rent cut. The Trust's two trading subsidiaries, Old Park Services Limited and Strata Housing Services Limited, had a successful year. Old Park Services transferred profits of £491k back to the Trust by way of Gift Aid, which was 50% more than budgeted. Strata continued to make its projected VAT savings and it has now recovered £1.3m in just over two years, which has achieved its purpose of being set up, as this significant sum would otherwise have been an irrecoverable cost to the Trust. The key benefit is that these contributions will be reinvested in future development activity by the Trust with the dual positive affect of extending the life of its current loan facilities whilst providing more new homes.

Choices Housing Association had a challenging year in financial terms in relation to the Cambrian respite care hotel and Limewood dementia care unit. Due to its continuing deficits, the decision was taken to close the Cambrian in March 2016. With Limewood, it was always known that it would take 18 months to fully establish the facility and in common with the rest of its sector, it has faced issues relating to the recruitment and retention of nursing and care staff. The unit is now fully occupied and the staffing situation is improving. As a result the outlook for Choices for 2016/17 is more optimistic as its new ventures continue to become established and start to make positive returns for the group, whilst delivering high quality care services to its residents.

Shropshire Housing Alliance generated an increased surplus in 2015/16 compared to 2014/15 and continued to deliver its advice and support services under local authority contracts and the Money Matters and Tenancy Sustainment services to the Trust. It is now looking to expand its successful leased property service outside of the Shropshire area, building on its demand and popularity with both private landlords and service users.

Following the transfer of its social enterprise activities to FUSE Enterprise CIC, South Shropshire Furniture Scheme is now using the grant funding it has recently secured the Local Sustainability Fund to re-focus its activities to ensure that it has a sustainable and viable business model going forward. FUSE itself achieved a break even position in its first year of trading and is now looking to increase the usage of the community hub facilities at the two extra care schemes in Stafford and Cannock, while further developing the 'Clean Cut' brand, which delivers cleaning and grounds maintenance services to some of the Trust's properties and continuing to provide consultancy services to existing and potential social enterprises.

The board of Reviive was proactive in the implementation of a recovery plan for the organisation, resulting in the decision to close its Chester store at the end of March. Another significant outcome was the decision to transfer the trading activities of the company to Old Park Services Limited from 1 April 2016, thus putting Reviive on a stronger footing to complete its recovery and reshape its business for the future.

Despite the various challenges faced by all group partners in what continues to be a period of rapid growth and change, the mutual trading relationships and joint initiatives as outlined are moving forward in seeking to provide real benefits for all customers accessing services provided by the group. It is particularly heartening that as the partnership has expanded the employee teams are working positively together. It is so important to have staff who are not only appropriately trained and skilled but who have the right attitude toward their colleagues and customers. With this in mind we remain committed to releasing the potential of our employees through training and an open culture which encourages mutual respect. We know that our continued success depends on our staff each and every day and night providing excellent and value for money services. We take pride and pleasure in thanking them for their continued efforts.

Anne Ward
Chair

John Broadhead
Group Chief Executive

Board members, executive officers and advisors

The membership of the board is set out below:

Chair:	Anne Ward (appointed 7 October 2015)
Other members:	Tim Barker (appointed 21 December 2015) Christopher Cullen Alison Fisher (appointed 15 April 2016) Steve Jones (appointed 29 June 2015) Sue Lane Mike Lawton Steve Price James Wood Esther Wright (appointed 21 December 2015)

Executive Officers:	
Group Chief Executive	John Broadhead
Director of Financial Services	Francis Best
Company Secretary & Solicitor	Chris Horton

Head Office and Registered Office:	Colliers Way Old Park Telford TF3 4AW
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External Auditors:	Grant Thornton UK LLP Chartered Accountants 4 Hardman Square Spinningfields Manchester M3 3EB
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Registered by the Homes and Communities Agency No. L4424
Company Registration No. 5032634

The biographies of the board members are set out below:

Tim Barker

Tim was trained as a Chartered Accountant and spent 10 years working for one of the 'big six' before going into the world of industry. Since retiring from full time work he has had a variety of engagements in the private sector and entered the world of local politics in 2006.

He is now a Shropshire Councillor representing the Burnell Ward. Since that time he has become engaged with the Social Housing sector and spent several years as a Board Member of Severnside Housing (now relinquished) and latterly has become Chair of Shropshire Housing Alliance.

Chris Cullen

Chris Cullen is the Emeritus Professor of Clinical Psychology at Keele University and former Director of Psychological Services, North Staffordshire Combined Healthcare NHS Trust.

Chris has worked in both clinical and academic settings since the mid 1970s, until retiring from the NHS. For 10 years he was the Enable Professor of Learning Difficulties at the University of St Andrews before moving to North Staffordshire in 1995. He is a recent Trustee of Research Autism and co-chaired its Scientific Committee. In 2012 he was made an Honorary Fellow of the British Association for Behavioural and Cognitive Psychotherapies and was given a Lifetime Achievement Award by the British Psychological Society. He is a Staffordshire JP and was a school governor for many years.

Alison Fisher

Alison has worked in IT and finance in the private sector for over 25 years, most recently as UK Business Manager for CSC, a large global IT provider. Whilst starting her career in IT support she has spent the majority of it in business management, focused on financial management, business planning and governance.

As well as being a Board member at the Trust, Alison is also an independent Board member of both The Pioneer Housing and Community Group and Upcycle Birmingham. Alison is Deputy Chair of the Birmingham and Solihull Bench and sits as a magistrate in the Adult Criminal and Family Proceedings Courts. She is also a lay member of the disciplinary panel for The Bar Tribunals and Adjudication Service. For many years Alison has been actively involved in community fund-raising for both the NSPCC and Cancer Research UK.

Steve Jones

Steve comes with significant experience of strategic leadership, gained through his time as Chairman of South Staffordshire and Shropshire NHS Foundation Trust. He has also recently been appointed as a Non-Executive Director of Shropshire Community Health NHS Trust. Steve is also an Associate of Harvey Nash Plc, an international Executive Search company. In this capacity Steve advises on Non Executive/Chair appointments to NHS Boards.

Prior to his service at Board level in the NHS, Steve gained extensive commercial experience owning and running his own businesses.

Mike Lawton

Mike Lawton is a Commercial Director with Michelin Tyre plc. He has held senior roles within the organisation both in the UK and as an expatriate. He began his career with Waterford-Wedgwood in the late 1980s and with Austin Reed in the 1990s. Mike has an MBA from Staffordshire University.

Mike's private sector experience includes corporate strategy, sales and marketing strategy, business budgetary and financial management, international management of projects and people and enterprise level administration process design and synergy.

Mike joined Choices Housing Association in 2008 as a board member and has been Chair since 2009. Mike headed the team which led Choices into the selection process for a strategic partner and ultimately into The Wrekin Housing Group.

Sue Lane

Sue has lived in the Telford area for 24 years having transferred from a branch of Adams Children's Wear in Birmingham to a branch in Telford where she was a Branch Manager for many years. She then became an Office Manager for a Gas Contractor Company.

During her children's educational years, Sue was a school governor and worked on a voluntary basis as a teacher's assistant.

Sue became a member of the STARS and WAGS area groups and at the same time she joined the Tenants Panel as secretary before being voted as Vice Chair in June 2011. Sue was voted on as the Tenants' Panel Chair in June 2012, and has successfully been elected as Chair since then, and is enjoying her role very much. She was also very privileged to be voted on as Vice Chair of the Trust's Board. As a Wrekin Housing Trust Board member, Sue also attends the Board meetings at Bushbury Hill Estate Management.

Steve Price

Having graduated from university, Steve was employed for a short time as a Field Biologist with Rentokil PLC before joining local government as a Student Environmental Health Officer with South Cambridgeshire DC.

Shortly after qualifying as an Environmental Health Officer, Steve moved to the Welsh Marches area working with Leominster DC, where he was subsequently appointed as Principal EHO prior to obtaining the post of Head of Environment & Community Services with South Shropshire. He worked for South Shropshire DC for some 19 years.

His position with South Shropshire District Council gave him wide responsibility for Public Health including food safety, health & safety, infectious disease control, waste collection, housing, licensing and pollution control services.

His time has also been taken up with working at County, Sub-Regional and Regional level partnerships and he has held the Chair of Shropshire Chief Environmental Health Officers Group, Shropshire Housing Officers Group, the Shropshire Supporting People Core Strategy Group and the West Midlands Rural Housing Network.

Steve led the work associated with bringing together the five District and Borough Councils and Shropshire County Council to form Shropshire Council from 1st April 2009. He retired from Shropshire Council, where he was Group Manager in charge of Planning, Built and Natural Environment, Highways, Waste Services and Transportation, in May 2012.

Steve comes from a family with longstanding connections with Ludlow.

Anne Ward

Anne is a former housing association Chief Executive with depth and breadth of experience in managing and working within both the public and private sectors. She has extensive experience of corporate governance as a chair, board member and statutory appointee. She is passionate in striving to achieve good governance, quality services for customers and excellent people and teams.

Anne is an Msc and alumnus of the Oxford Said Business School. She attained a diploma from the Coaching Academy and is a member of the Chartered Institute of Housing. In the past she has been a statutory appointee to registered landlords that came under regulatory supervision, board member of the National Housing Federation, board member of HouseMark and a member of the NHF Regulatory Panel.

She is currently non-executive Chair of The Wrekin Housing Trust and also acts as a consultant on chair and board member appraisal both independently and as an associate consultant.

James Wood

James is a founder director of a development and regeneration company. His previous experience was at a regional estate agency and property business where he was Operations Manager and he has wide experience of project management in a number of large schemes.

James is a board member of Shropshire Housing Alliance and is also a trustee of The Shropshire & West Midland Agricultural Society, where he leads on business planning, governance and a major refurbishment.

Esther Wright

Esther qualified as a Solicitor specialising in criminal defence, before moving into the charitable sector in 2002. She then spent a couple of years living and working in Australia's northernmost city, Darwin, for a large entertainment and arts complex. Returning to the UK Esther worked in community fundraising and events management for several national charities and was responsible for managing a UK-wide team of staff and developing a series of large scale, high income fundraising events for the Stroke Association.

Esther established ElevenTen Consultancy and Event Management in 2008 to assist businesses, charities and individuals in increasing income, launching new products and developing events. Her clients have included St Mungo's PKD Charity, Warwick Folk Festival, Half the Sky, the Britten-Pears Foundation, Buskaid and Action on Hearing Loss as well as lots of smaller businesses and individuals. The business specialises in events including creative product launches, bespoke fundraising events, garden parties and charity balls.

Report of the board

The board presents its report and the audited financial statements for the year ended 31 March 2016.

Principal activities

The Wrekin Housing Group Limited (the "Company") was incorporated on 18 February 2004 as a company limited by guarantee and is registered with the social housing regulator.

During the year under review the company had nine wholly-owned direct and indirect subsidiaries (which together comprise the "Group"), The Wrekin Housing Trust Limited, Choices Housing Association Limited, WHT (Subsidiary) Limited, Shropshire Housing Alliance, South Shropshire Furniture Scheme, Reviie CIC, FUSE Enterprise CIC, Old Park Services Limited and Strata Housing Services Limited.

The Wrekin Housing Trust Limited (the "Trust") is a company limited by guarantee, a registered charity and is also registered with social housing regulator.

Choices Housing Association Limited ("Choices") is incorporated under the Industrial and Provident Societies Act 1965, under charitable rules, and is registered with the social housing regulator.

WHT (Subsidiary) Limited ("WHT Subsidiary") is a private limited company which has not traded since incorporation on 4 February 2004.

Shropshire Housing Alliance ("SHA") is a company limited by guarantee and a registered charity.

South Shropshire Furniture Scheme ("SSFS") is a company limited by guarantee and a registered charity.

Old Park Services Limited ("Old Park") is a private limited company and is wholly owned by The Wrekin Housing Trust Limited.

Strata Housing Services Limited ("Strata") is a private limited company and is wholly owned by the Wrekin Housing Trust Limited.

Reviie CIC is a community interest company that was jointly owned by SHA and SSFS until 31 March 2016. On 1 April 2016 the business activities of Reviie transferred to Old Park Services Limited.

FUSE Enterprise CIC is a community interest company.

The company's principal activity is to act as a group holding company and in particular to facilitate the partnership between, and the development of, all the group members and to monitor their performance.

Business review

Details of the group's performance for the year are set out in the operating and financial review and strategic report that follows this report of the board.

Fixed assets

Details of changes to the group's fixed assets are shown in notes 13 and 14 to the financial statements. Housing property values are considered in the operating and financial review and strategic report.

Payment of creditors

The group agrees terms and conditions for its business transactions with suppliers at the time of supply. Payment is then made on these terms, subject to the terms and conditions being met by the supplier.

Investing in employees

Motivated and committed employees are essential to achieving our aim of providing high quality services to our residents and the board embraces the need for employees to be empowered and involved at every level of the organisation.

The group is committed to ensuring and promoting equality of opportunity for all in the services that it delivers and the way that those services are delivered, ensuring that differences are recognised. The group is also committed to ensuring equality for all its employees and applicants for employment.

As a provider of social housing the group is aware that the quality of life for many people has been undermined by discrimination and disadvantage. The group is committed to responding to social diversity in today's society and strives to reflect this in its own organisational culture. Further information is given in the reports of the boards of the individual group members.

Health and safety

The board is aware of its responsibilities on all matters relating to health and safety. The group has prepared detailed health and safety policies and provides staff training and education on health and safety matters.

Board members and executive directors

The board consists of ten ordinary members. They are responsible for the overall management of the group. The board regulates its membership to ensure that each member brings his or her own expertise to the board in matters as diverse as finance, knowledge of tenants and their requirements, construction, commercial experience, charitable and legal requirements as well as political experience and local knowledge.

The board is responsible for the group's strategy and policy framework. Day to day management and implementation of that framework is delegated to the executive management group which comprises the group chief executive, group director of financial services and the company secretary. The executive directors are not board members, hold no interest in the company's shares and act as executives within the authority delegated by the board.

The board members and executive officers who served during the year and up to the date of this report are set out on page 2.

The group has insurance policies in place which indemnify its board members and executive directors against liability when acting for the group.

Remuneration

Policy

The board is responsible for setting the group's remuneration policy for its executive directors on the advice of the Remuneration Committee, which agrees the appointment of executive directors and their remuneration, as well as the brief within which the executive directors can negotiate staff salaries. The Remuneration Committee pays close attention to remuneration levels in the sector in determining the remuneration packages of the executive directors. Basic salaries are set having regard to each executive director's responsibilities and pay levels for comparable positions.

Pensions

The executive directors are members of the Shropshire County Pension Fund, a defined benefit career average salary pension scheme. They participate in the scheme on the same terms as all other eligible staff and the group contributes to the scheme on behalf of its employees.

Other benefits

The executive directors are entitled to other benefits such as the provision of a car and life assurance.

Service contracts

The executive directors are employed on the same terms as other staff. Their notice period is twelve months.

Board member remuneration

Fees were paid as follows in respect of the year ended 31 March 2016. In accordance with the articles of association a member entitled to remuneration who is also a member of the board of another group company is not entitled to additional remuneration; the figures stated may therefore have been paid in respect of service on the board of the company or of another entity within the group:

Tim Barker	£1,187
Chris Cullen	£4,364
Alison Fisher	£4,275
Stephen Jones	£11,911
Michael Lawton	£8,219
Steven Price	£4,364
Anne Ward	£8,573
James Wood	£4,364
Ester Wright	£1,187

Group Structure

The group comprises the Wrekin Housing Trust Limited ("the Trust"), Old Park Services Limited ("Old Park"), Strata Housing Services Limited ("Strata"), Choices Housing Association Limited ("Choices"), Shropshire Housing Alliance ("SHA"), WHT (Subsidiary) Limited ("WHT Subsidiary"), South Shropshire Furniture Scheme ("SSFS"), Reviive CIC ("Reviive") and FUSE Enterprise CIC ("FUSE"). It is a partnership of complementary organisations with mutual trading relationships.

The group board has an independent chair (Anne Ward) and one independent member (James Wood). The Trust and Choices have each nominated two members to the group board (Steve Jones and Sue Lane in the case of the Trust and Chris Cullen and Mike Lawton in the case of Choices). The board also has one member nominated by Shropshire Housing Alliance (Tim Barker), one nominated by South Shropshire Furniture Scheme (Steve Price) and one nominated by FUSE (Esther Wright). The chair of the Group Audit and Risk Management Committee (Alison Fisher) is also a member of the group board. As the other entities in the group are either wholly owned by another group entity or dormant, they do not have any rights of nomination to the group board.

There are two committees that operate on a group-wide basis: the Group Audit and Risk Management and the Group Remuneration Committees.

NHF Code of Governance

The board is pleased to report that the company complies with the main principles, provisions and (to the extent it is relevant) the best practice guidance contained in the National Housing Federation's Code of Governance (revised 2010). In June 2016 the board decided to adopt the 2015 version of the NHF code. It recognises its responsibilities for ensuring that arrangements are made for keeping proper books of account with respect to the group's transactions and its assets and liabilities and for maintaining a satisfactory system of internal controls over the group's books of account and transactions and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board's governance arrangements are reviewed regularly, including a plan for training and development activities identified in the annual board member appraisal process. The governance

framework also has a strong resident or service user element with different arrangements for different group members, reflecting their very different operations and customer groups.

Risks and uncertainties

The main risks that may prevent the group achieving its objectives are considered and reviewed annually by the senior management team and board as part of the corporate planning processes. The risks are recorded and assessed in terms of their impact and probability. Major risks, presenting the greatest threats to the group, are regularly reported to the board together with action taken to manage the risks and the outcome of the action. These risk reports include assessments of key controls used to manage the risks. The main risks affecting the group are considered in more detail in the operating and financial review and strategic report.

Internal controls assurance

The board has overall responsibility 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, and not absolute, assurance against material misstatement or loss. The process for identifying, evaluating and managing the significant risks faced by the group is ongoing and has been in place throughout the period commencing 1 April 2015 up to the date of approval of the annual report and financial statements. The board receives and considers reports from management on these risk management and control arrangements during the year and the Group Audit and Risk Management Committee has oversight of the risk management framework, processes and procedures across the group.

The arrangements adopted by the board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework include:

Identifying and evaluating key risks

The group's risk management strategy, setting out the board's attitude to risk in the achievement of its objectives, underpins the risk management, business planning and control arrangements. These arrangements clearly define management responsibility for the identification, evaluation and control of significant risks. The executive directors regularly consider reports on these risks and are responsible for reporting to the board any significant changes affecting key risks. More detailed risk assessments are carried out by managers at all levels in the business using the group's risk management software. All matters brought to the executive management group or board for decision are supported by such risk assessments.

Control environment and internal controls

The processes to identify and manage the key risks to which the group is exposed are an integral part of the internal control environment. These processes, which are reviewed annually and revised where necessary, include strategic planning, succession planning and recruitment of executive directors and senior staff, regular performance monitoring, control over developments and the setting of standards and targets for health and safety, data protection, fraud prevention and detection, and environmental performance.

Information and reporting systems

Financial reporting procedures include strategic financial plans, underpinned by detailed budgets for the year ahead and forecasts for subsequent years. These are reviewed and approved by the board and monitored throughout the year by the boards and committees of group members. The board regularly receives reports on key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

Monitoring arrangements

Regular management reporting on control issues provides assurance to successive levels of management and to the board. This is supplemented by regular reviews by internal audit, which provide independent

assurance to the board via its Group Audit and Risk Management Committee. The arrangements include a rigorous procedure to ensure that recommendations are carefully considered and implemented or, occasionally, varied with the agreement of the Group Audit and Risk Management Committee.

Going concern

After making enquiries the board has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the reports and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements. The principal factors that the board have considered in determining that the going concern basis of preparation remains appropriate are as follows:

- At the year end the group had committed loan facilities totalling £440 million, held in the Trust, of which £121 million was undrawn at 31 March. A long term business plan is in place which shows that the remaining undrawn amount will be committed to the group's development programme during the next three years.
- The long-term business plans and detailed budgets also show that the group is able to service these debt facilities whilst continuing to comply with lenders' covenants.

Annual general meeting

The annual general meeting will be held on 27th September 2016 at The Wrekin Housing Trust, Colliers Way, Old Park, Telford, Shropshire, TF3 4AW.

Auditors

In accordance with section 489 of the Companies Act 2006, a resolution to reappoint Grant Thornton UK LLP as auditors will be proposed at the forthcoming Annual General Meeting.

The report of the board was approved by the board on 27th July 2016 and signed on its behalf by:



C J Horton
Company Secretary

Operating and financial review and strategic report

Principal Activities

The principal activities of the group members can be summarised as follows:

The Wrekin Housing Trust Limited (“the Trust”) is a registered charity and a company limited by guarantee, governed by its memorandum and articles of association which set out its charitable objects. The Trust is registered with the social housing regulator and was set up for the purpose of accepting a large scale voluntary transfer of housing stock from Telford and Wrekin Council, which took place on 25 March 1999.

Choices Housing Association Limited (“Choices”) is incorporated under the Industrial and Provident Societies Act 1965, under charitable rules and is registered with the social housing regulator. Its principal activity is the provision of housing, care and support services for individuals with learning and/or other disabilities.

Shropshire Housing Alliance (“SHA”) is a registered charity and a company limited by guarantee, governed by a deed of trust and its memorandum and articles of association which set out the objectives and powers of the charity. Its principal activities are to assist people who are homeless and in housing need by the provision of rented accommodation and to provide housing support and advice services.

South Shropshire Furniture Scheme (“SSFS”) is a registered charity and a company limited by guarantee, governed by its memorandum and articles of association. Its principal activities are to relieve poverty and protect or preserve the environment for the public benefit by collecting and distributing donated furniture, recycling and renovating household items for resale and providing training opportunities for individuals.

Reviive CIC (“Reviive”) is a community interest company that was jointly owned by SHA and SSFS until 31 March 2016. On 1 April 2016 its trading activities were transferred to Old Park Services Limited. Its principal activity is that of a retail outlet for re-used and recycled household goods and the promotion of re-use as an alternative to disposal of household goods and waste.

Old Park Services Limited, is a private limited company and is wholly owned by the Trust. Its principal activity is the provision of housing and property related services and associated software to other social landlords.

Strata Housing Services Limited (“Strata”) is a private limited company, wholly owned by the Trust. Its principal activity is the supply of housing development services to the Trust.

FUSE Enterprise CIC is a community interest company. Its principal activities are the operation of social enterprises and the provision of consultancy services to potential or existing social enterprise businesses.

WHT (Subsidiary) Limited is a private limited company which has not traded since its incorporation on 4 February 2004.

Business and financial review

The group made a total surplus for the year, before the recognition of the gain or loss in respect of the pension scheme, of £11.1 million (2015: £15.5 million). The group's reserves stand at £82.7 million (2015: £67.6 million).

The Trust had a strong year in financial and performance terms, and delivered a net increase of 68 in its housing stock, adding 512 new properties to its stock whilst continuing to dispose of older, uneconomic properties through its Asset Renewal Strategy. At the year end it held 12,009 rented properties (including 1,660 units of supported housing and 131 units of shared ownership). It also had 1,009 leasehold properties and over 2,500 garages. At 31 March 2016 its total drawn borrowings were £319 million out of a loan facility of £440 million. During 2015/16 it secured additional loan finance of £133m, which will be used to fund a development programme of 2,458 units over the next four years along with grant funding secured under the Department of Health Care and Support Programme, the Affordable Homes Guarantee Programme and the Affordable Homes Programme 2015-18 totalling £49.85 million.

Choices had a difficult year in financial terms, largely due to two factors. The Limewood Dementia Unit, which was opened during 2014/15, is still becoming fully established (a process which it was always felt would take 18 months) and has struggled to recruit and retain nursing and care staff. However, the situation improved towards the end of the financial year and, if this can be maintained during 2016/17, the unit should start to cover its costs. The Cambrian Care Hotel also continued to make a deficit during 2015/16 and therefore the decision was taken to close it at the end of March 2016. That decision should also have a positive impact on Choices' results going. Performance with regard to service delivery continued to be above average for the sector with all homes achieving 100% compliance against the Care Quality Commission inspection standards.

SHA continued the progress made in 2014/15 through into 2015/16, recording an increased surplus for the year. The organisation continued to deliver services under its Advice and CRISIS contracts with the local authority and the Money Matters and Tenancy Sustainment services delivered on behalf of the Trust. Its plans for the future include looking at the viability of expanding its leased property service beyond the Shropshire area, building on its popularity with private landlords within the county.

SSFS had a challenging year with regard to its financial performance in 2015/16, recording a deficit for the year. At the start of 2015/16 activities relating to the operation of social enterprises were transferred from SSFS to FUSE, which began trading on 1 April, allowing the charity to focus on its core aims and objectives in the future. To that end, the charity secured some grant funding in the early months of 2016/17 to enable it to critically review its structure and operations, with a view to producing a more sustainable and viable business model for the longer term.

Reviive also recorded a deficit for the financial year, prompting a wholesale review of its activities. A recovery plan has been developed, the first stage of which was the closure of Reviive's Chester store on 31 March 2016. On 1 April 2016 the remaining trading activities of Reviive were transferred to Old Park Services. The boards of the Trust and Old Park Services, together with Reviive's own board and those of its original owners, SHA and SSFS, all agreed that the activities would fit well with the existing, successful commercial activities of Old Park Services. This will provide a sound base for the implementation of the remaining phases of the recovery plan for the Reviive brand, which is highly regarded by users of its services.

Old Park Services continued to perform well in 2015/16, delivering a profit of £491,000, which was transferred back to the Trust, its immediate parent company, by way of gift aid. This was generated from the sale of repairs services and software solutions and support to other social landlords, together with the sale of its WATCH alarm service and the management of a scheme of market-rented properties.

Strata, the other wholly owned subsidiary of the Trust also had a successful second year of trading, delivering a profit of £1.446m which was also transferred back to the Trust by way of gift aid. It is also well on the way to achieving its aim of saving between £1m and £1.5m in what would otherwise be

irrecoverable VAT. In its first 26 months of operation since 12 April 2014, it has already realised savings of over £1.3m.

FUSE began trading on 1 April 2016 and recorded a break-even position in its first year of operation. It took over the social enterprise activities previously operated by SSFS, including the Clean Cut cleaning and grounds maintenance business, delivering services to some of the Trust's properties. It also took on the management of the community hub facilities at the Northfield village in Stafford, where the Trust operates its Elmwood extra care scheme and Choices runs the Limewood dementia care unit, and the Longford site in Cannock, where the Trust has its Chasewood extra care scheme.

Objectives and strategy

Each group member is responsible for setting its own objectives and strategy under the "federal" structure of the group and articulating those in the individual member's strategic, operational and financial plans. These are reviewed and approved annually by each member's board and then by the group board. The main objectives of the group members are set out below:

The Trust:

- to deliver improved services, defined as excellent by our customers;
- to increase the number and quality of rented homes available for customers across Shropshire, Staffordshire, Herefordshire and Wolverhampton;
- to maintain a strong business model, delivering in the present and prepared for the future.

Choices:

- to seek opportunities for expansion of services and alternative service delivery and funding models;
- to respond to growth by improving our governance arrangements, infrastructure and intra-group working and support;
- to enhance customer, staff and stakeholder consultation, quality and other monitoring and reporting mechanisms.

SHA:

- to improve efficiency and systems to generate value for money gains;
- to improve the quality of services provided;
- to develop and grow the business.

SSFS:

- to establish a robust business model;
- to improve social and financial inclusion;
- to maximise the amount of waste saved from landfill.

Reviive:

- to maximise the life of household products;
- to provide employment and training opportunities
- to build a strong and efficient organisation.

Old Park:

- to continue to provide maintenance services and software solutions to other social landlords and bid for new contracts in these areas of work;
- to successfully manage its portfolio of market-rented properties;
- to expand the provision of the WATCH alarm service.

Strata:

- to continue to provide development services to the Trust.

FUSE:

- to build a strong and sustainable organisation;
- to promote and deliver social enterprise and social value;
- to deliver high quality services through social enterprise.

Risks and uncertainties

Risks that may prevent the group achieving its objectives are considered and reviewed annually by the senior management and board of each group member as part of the corporate planning process. The risks are recorded and assessed in terms of their impact and probability. The major risks to successful achievement of the group's objectives going forward are considered below.

Key Risk	Detail	Action
Change in government policy	Changes to the funding regime, rent setting or other duties required of registered providers may reduce income or increase costs. Changes to eligibility for and payment of welfare benefits.	Review of risk register Modelling effect of policy changes into business plan and stress testing plan
Performance failure	Failure to achieve good operational outcomes leads to a fall in customer satisfaction levels and group members not being viewed as service providers of choice or being subject to enforcement action by their respective regulatory bodies.	Regular monitoring of operational performance conducted throughout the organisation up to board level
Financial management	High level of borrowing and recessionary economic conditions result in (1) significant exposure to interest rate and inflation changes over the life of the business plan (including potential for rent deflation), (2) increased importance of compliance with the covenants in the funding documentation	Implementation of treasury management strategy and stress testing on business plan Monitoring of covenant compliance via management accounts
Investment in stock	Failure to maintain properties at Decent Homes standard Major or routine maintenance costs are in excess of costs assumed in the business plan.	Regular monitoring of status of properties against Decent Homes standard Regular budget monitoring and reporting
Asset renewal policy	Unable to secure sufficient acquisitions/disposals to implement policy.	Regular monitoring of potential new developments and properties for sale and effect on business plan
Lack of availability of contract or grant funding	Due to budgetary constraints at external partner organisations, there is insufficient funding available for group members to deliver all the services and projects in their plans	Ongoing monitoring of income streams and attempts to diversify funding sources as far as possible to mitigate risk

Capital structure and treasury policy

During the year the group drew down £57.5m of borrowing under its loan facilities. The high level of activity under the group's development programme continued during 2015/16 with several large schemes completing during the year, and other starting on site which will be completed during 2016/17 and 2017/18. Current business plans show that the remainder of the current undrawn facilities will be drawn down to fund the development programme over the next three years. At 31 March 2016 the group's drawn bank loans totalled £319m as shown below. All of the group's loans have been treated as basic financial instruments under the provisions of FRS 102.

Maturity	2015 £m	2015 £m
Less than one year	-	-
Between one and five years	-	-
After five years	319	261.5
	<u>319</u>	<u>261.5</u>

The group borrows, principally from banks and building societies, at both fixed and floating rates of interest. The group's policy is to keep between 50 per cent and 80 per cent of its borrowings at fixed rates of interest. At the year end, 71% of the borrowings were at fixed rates. The fixed rates of interest range from 5.925% to 7.25% (including margins) and these have been factored into long-term business plans. The group borrows and lends only in sterling and so is not exposed to currency risk.

Housing properties

Details of changes to the group's fixed assets are shown in notes 13 and 14 to the financial statements. Housing properties are carried in the balance sheet at cost (after deducting depreciation) of £480.1 million (2015: £405.7 million). The accounting treatment of housing properties has changed under FRS 102. Previously the properties were shown net of both depreciation and attributable grant. Under FRS 102 grant is shown as deferred income and included within creditors and is amortised to the statement of comprehensive income over the life of the property to which it relates. Whilst housing properties are stated at historic cost, a valuation was obtained during the year on the Trust's properties in relation to loan debt coverage. The valuation was carried out by independent professional valuers, Savills (L & P) Limited, Chartered Surveyors and provided an Existing Use Value for Social Housing (EUUV-SH) for the Trust's housing properties that are currently charged as security to its funders of £459.87m. Choices' properties have not been valued as Choices has no borrowings against which to provide security.

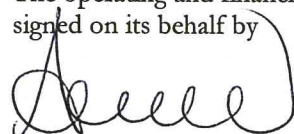
Cash flows

There was a cash inflow from operating activities this year of £29.2m (2015: £30.8m), reflecting the strong level of operating surplus achieved in the year.

Statement of compliance

In preparing this Operating and Financial Review, the board has followed the principles set out in Part 2 of the SORP 'Accounting by Registered Housing Providers' 2014. The financial statements comply with FRS 102, SORP 2014 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The board further confirms that the group has complied with the requirements of the HCA Governance and Financial Viability Standard and has the required register of assets and liabilities in place.

The operating and financial review and strategic report was approved by the board on 27 July 2016 and signed on its behalf by



Anne Ward
Chair

Statement of responsibilities of the board

Statement of the responsibilities of the board for the financial statements

The board is responsible for preparing the report of the board and the operating and financial review and strategic report and financial statements in accordance with applicable law and regulations. Company law requires the board to prepare financial statements for each financial year. Under that law the board members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws), including Financial Reporting Standard 102, the financial reporting standard applicable in the United Kingdom and the Republic of Ireland. Under company law 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 and surplus or deficit of the group and company for that period.

In preparing these financial statements, the board members are required to:

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

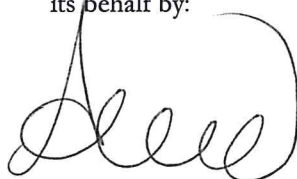
The board is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies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

The directors confirm that:

- so far as each director is aware, there is no relevant information of which the group's auditor is unaware; and
- the directors have taken all steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

This annual report is available on the group's website www.wrekinhousingtrust.org.uk and summary information from the annual report is also contained in the annual report to tenants. The board is responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The statement of responsibilities of the Board was approved by the Board on 27 July 2016 and signed on its behalf by:



Anne Ward
Chair

Independent auditor's report to the members of The Wrekin Housing Group Limited

We have audited the financial statements of The Wrekin Housing Group Limited for the year ended 31 March 2016 which comprise the consolidated statement of comprehensive income, the company statement of comprehensive income, the statement of changes in reserves, the consolidated statement of financial position, the company statement 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 Financial Reporting Standard 102, the financial reporting standard applicable in the United Kingdom and the Republic of Ireland.

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

Respective responsibilities of the board and auditors

As explained more fully in the statement of responsibilities of the board on page 17, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the company's affairs as at 31 March 2016 and of the group's and parent company's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102, the financial reporting standard applicable in the United Kingdom and the Republic of Ireland, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report to the members of The Wrekin Housing Group Limited

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the report of the board and the operating and financial review and strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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



Fiona Baldwin
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP,
Statutory Auditor, Chartered Accountants
Manchester

27 July 2016

Consolidated statement of comprehensive income

	Note	2016 £'000	2015 £'000
Turnover: Continuing activities	3	78,080	72,099
Operating costs			
Operating costs	3	(57,576)	(52,354)
Impairment loss		(800)	(352)
Operating surplus: Continuing activities	3, 6	19,704	19,393
Surplus on sale of fixed assets-housing properties	4	9,527	10,928
(Deficit)/Surplus on sale of other fixed assets		(7)	98
Movement in fair value of investment properties	16	159	159
Interest receivable and other income	7	29	27
Interest and financing costs	8	(18,311)	(15,062)
Surplus on ordinary activities before taxation		11,101	15,543
Tax on surplus on ordinary activities	12	-	-
Surplus for the year		11,101	15,543
Actuarial gain/(loss) in respect of pension scheme		3,960	(13,091)
Surplus for the financial year	24	15,061	2,452


The comparatives for the year ended 31 March 2015 have been restated in line with the requirements of FRS102 and SORP 2014.

The notes on pages 26 to 55 form part of these financial statements.

The financial statements were approved by the Board on 27th July 2016 and signed on its behalf by:

Chair

Board Member


Secretary
Chris Horton

Company statement of comprehensive income

	Note	2016 £'000	2015 £'000
Turnover: Continuing activities	3	59	63
Operating costs	3	<u>(57)</u>	<u>(60)</u>
Operating surplus: Continuing activities	3, 6	<u>2</u>	<u>3</u>
Surplus on ordinary activities before taxation		2	3
Tax on surplus on ordinary activities		<u>-</u>	<u>-</u>
Surplus for the financial year	24	<u><u>2</u></u>	<u><u>3</u></u>

The notes on pages 26 to 55 form part of these financial statements.

The financial statements were approved by the Board on 27 July 2016 and signed on its behalf by:

Chair

Board Member



Secretary

Statement of changes in reserves

	Income and expenditure reserve £'000	Group Restricted Reserve £'000	Total £'000
Balance as at 1 April 2014	64,378	846	65,224
Total comprehensive income for the year	2,452	-	2,452
Balance at 31 March 2015	66,830	846	67,676
Total comprehensive income for the year	15,061	-	15,061
Balance at 31 March 2016	81,891	846	82,737

	Income and expenditure reserve £'000	Company Restricted Reserve £'000
Balance as at 1 April 2014	-	-
Total comprehensive income for the year	-	-
Balance at 31 March 2015	-	-
Total comprehensive income for the year	-	-
Balance at 31 March 2016	-	-

The notes on pages 26 to 55 form part of these financial statements.

Consolidated statement of financial position

	Note	2016 £'000	2015 £'000
Tangible fixed assets			
Housing properties	13	480,130	405,727
Investment properties	16	11,101	10,942
		491,231	416,669
Other tangible fixed assets	14	5,743	5,672
		<u>496,974</u>	<u>422,341</u>
Current assets			
Stock		312	360
Properties for sale	17	3,504	2,320
Debtors	18	6,960	7,998
Investments (money market deposits)		2,688	3,026
Cash at bank and in hand		7,790	3,708
		<u>21,254</u>	<u>17,412</u>
Creditors: amounts falling due within one year	19	<u>(17,365)</u>	<u>(18,829)</u>
Net current assets/(liabilities)		<u>3,889</u>	<u>(1,417)</u>
Total assets less current liabilities		<u>500,863</u>	<u>420,924</u>
Creditors: amounts falling due after more than one year	20	387,992	321,110
Pension liability	11	30,134	32,138
Capital reserves			
Revenue reserve	24	81,891	66,830
Restricted reserve	24	846	846
Consolidated funds		<u>82,737</u>	<u>67,676</u>
		<u>500,863</u>	<u>420,924</u>

The comparatives for the year ended 31 March 2015 have been restated in line with the requirements of FRS102 and the SOP 2014.

The financial statements were approved by the Board on 27 July 2016 and signed on its behalf by:

Chair

Board Member

Secretary

Company number: 5032634

The notes on pages 26 to 55 form part of these financial statements.

Company statement of financial position

	Note	2016 £'000	2015 £'000
Current assets			
Debtors	18	379	320
Creditors: amounts falling due within one year	19	(421)	(364)
Net current liabilities		(42)	(44)
Total assets less current liabilities		(42)	(44)
Capital and reserves			
Non-equity share capital			
Revenue reserve	24	(42)	(44)
Company funds		(42)	(44)

The financial statements were approved by the Board on 27 July 2016 and signed on its behalf by:



Chair

Board Member

Secretary

Company number: 5032634

The notes on pages 26 to 55 form part of these financial statements.

Consolidated statement of cash flows

	Note	2016 £'000	2015 £'000
Net cash generated from operating activities	26	31,290	32,369
Cash flow from investing activities			
Purchase of tangible fixed assets		(91,986)	(99,575)
Proceeds from the sale of tangible fixed assets		16,135	17,719
Grants received		8,464	23,063
Interest received		29	27
		<u>(67,358)</u>	<u>(58,766)</u>
Cash flow from financing activities			
Interest paid		(16,978)	(12,342)
New secured loans		56,790	35,870
Withdrawal from deposits		338	1,072
		<u>40,146</u>	<u>24,600</u>
Net change in cash and cash equivalents		4,082	(1,797)
Cash and cash equivalents at beginning of year		<u>3,708</u>	<u>5,505</u>
Cash and cash equivalents at end of year		<u>7,790</u>	<u>3,708</u>

The notes on pages 26 to 55 form part of these financial statements.

Notes to the financial statements

1 Legal status

The company is incorporated under the Companies Act 2006, as a company limited by guarantee. It is registered with the social housing regulator as a Registered Provider of social housing. Its direct and indirect subsidiaries, The Wrekin Housing Trust Limited, WHT (Subsidiary) Limited, Old Park Services Limited and Strata Housing Services Limited, are also incorporated under the Companies Act 2006 (limited by guarantee in the case of the Trust and limited by share capital in the other cases). Its direct subsidiary Choices Housing Association Limited is incorporated under the Industrial and Provident Societies Act 1965, under charitable rules. Its direct subsidiaries Shropshire Housing Alliance and South Shropshire Furniture Scheme are incorporated under the Companies Act 2006 as companies limited by guarantee and registered charities. Its direct subsidiary FUSE Enterprise CIC and its indirect subsidiary Revive CIC are community interest companies.

2 Accounting policies

Basis of accounting

The financial statements of the group are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP2014: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

This is the first year in which the financial statements have been prepared under FRS 102. Note 32 provides an explanation of the transition.

The financial statements are presented in sterling (£)

Basis of consolidation

The group accounts consolidate the accounts of the company and all its subsidiaries (note 15) at 31 March 2016 using acquisition accounting.

Going concern

The group has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with day to day operations. The group also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

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 judgements 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.

The accounts of the group have adopted the following disclosure exemptions:

-financial instrument disclosures, including:

- categories of financial instruments
- items of income, expenses, gains or losses relating to financial instruments, and
- exposure to and management of financial risks

Notes to the financial statements (continued)

2 Accounting policies (continued)

Impairment

From 1 April 2016, a direct subsidiary of the group, The Wrekin Housing Trust Ltd. has reduced social housing rents by one per cent 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 potential impairment.

As a result, The Wrekin Housing Trust Ltd. estimated the recoverable amount of its housing properties as follows:

- (a) determined the level at which the recoverable amount is to be assessed (i.e. the asset level or cash-generating unit (CGU) level);
- (b) estimated the recoverable amount of the cash generating unit;
- (c) calculated the carrying amount of the cash-generating unit; and
- (d) compared the carrying amount to the recoverable amount to determine if an impairment loss has occurred.

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

Useful lives of depreciable assets

Management review its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components. Accumulated depreciation at 31 March 2016 was £75.1m.

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 11). The liability at 31 March 2016 was £30.1m.

Turnover

Turnover comprises rental income receivable in the year, income from property sales, and other services included at the invoiced value (excluding VAT) of goods and services supplied in the year. With regard to the charitable companies in the group, incoming resources are included in the accounts when the entities are legally entitled to the income and the amount can be quantified with reasonable accuracy. Grants are included in the accounts when the entity becomes unconditionally entitled to them. Furniture donated for distribution is recognised as income when distributed, at the trustees' estimate of its second hand value. No amounts are included in the accounts for services provided by volunteers.

Revenue recognition

Rental income is recognised from the point properties become available for letting. Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale.

Notes to the financial statements (continued)

2 Accounting policies (continued)

Value added tax

The company and WHT (Subsidiary) Ltd are not registered for VAT. Wrekin Housing Trust Limited, Choices Housing Association Limited, Shropshire Housing Alliance, South Shropshire Furniture Scheme, Revive CIC, Old Park Services Limited, Strata Housing Services Limited and FUSE Enterprise CIC are registered for VAT. The Wrekin Housing Trust Limited and Choices Housing Association Limited's main income stream, being rent, is exempt for VAT purposes.

The majority of expenditure is subject to VAT, which the group is unable to reclaim – this expenditure is therefore shown inclusive of VAT. VAT can be reclaimed under the partial exemption method for certain other activities, and this is credited to the income and expenditure account.

Corporation tax

The Wrekin Housing Group Limited, Old Park Services Limited Strata Housing Services Limited and WHT (Subsidiary) Limited are registered for corporation tax whereby the charge is based on surpluses arising on certain activities, which are liable to tax. FUSE Enterprise CIC and Revive CIC are community interest companies and they are also liable for corporation tax on surpluses arising on certain activities.

Choices Housing Association Limited has been granted charitable status by HMRC and as such is not liable for corporation tax.

The Wrekin Housing Trust Limited, Shropshire Housing Alliance and South Shropshire Furniture Scheme are registered charities and as such are not liable for corporation tax.

Interest payable

Interest is allocated and is charged to the income and expenditure account, based on the interest rate charged by the group's funders and the time over which the relevant loan balances were outstanding. Other interest payable is charged to the income and expenditure account in the year.

Pensions

The group participates in the Shropshire County Pension Fund (SCPF). This is a defined benefit career average salary pension scheme administered by Shropshire County Council in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998. The assets of the scheme are invested and managed independently of the finances of the group.

For the SCPF, the operating costs of providing retirement benefits to participating employees are recognised in the accounting periods in which the benefits are earned. The related finance costs, expected return on assets and any other changes in fair value of the assets and liabilities, are recognised in the accounting period in which they arise. The operating costs, finance costs and expected return on assets, together with any other changes in fair value of assets and liabilities, are recognised in the statement comprehensive income.

Notes to the financial statements (continued)

2 Accounting policies (continued)

Pensions (continued)

The group also operates a defined contribution pension scheme. Contributions payable to this pension scheme are charged to the income and expenditure account as they become payable in accordance with the rules of the scheme.

Disposal proceeds fund

Net proceeds from the disposal of property under voluntary purchase grant and statutory right to acquire legislation and regulations are included within a disposal proceeds fund. Interest is credited to the fund and calculated on a daily basis with the interest rate applied being determined by the level of total deposits.

The fund can be applied for specific purposes ranging from acquisition of dwellings for letting, to repair or improvement of vacant dwellings or buildings otherwise subject to demolition. The fund may be repayable, at the discretion of the Homes & Communities Agency, in certain specific circumstances. The fund is included within creditors.

Reserves

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

Housing properties

Housing properties are principally properties available for rent and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs 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.

Shared ownership properties are split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover, and the remaining element is classed as fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

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 value recognised in income and expenditure.

Government grants

Government grants include grants receivable from the Homes and Communities Agency (the HCA), local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure under the accruals model. Grant is allocated to the land and structure components of the associated asset in proportion to their cost. Grant due from the Homes & Communities Agency or received in advance is included as a current asset or liability.

Notes to the financial statements (continued)

2 Accounting policies (continued)

Government grants (continued)

Grant released on the sale of a property may be repayable but is normally available to be recycled and is 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 the statement of comprehensive income.

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 recognition criteria are satisfied is recognised as a liability.

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. Freehold land is not depreciated. The structural components of the group's housing properties are depreciated at the following annual rates:

Dwelling Type	Assessed Depreciable Life (Years) – by period of construction				
	Pre-1945	1945-1964	1965-1974	1975-1984	Post 1985
General needs flats & maisonettes	80	90	100	100	120
General needs houses & bungalows & shared ownership houses	80	100	100	100	120
High rise flats	N/A	80	100	N/A	N/A
Sheltered flats & maisonettes	80	100	100	100	120
Sheltered houses & bungalows	80	100	100	100	120

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

Component	Depreciable Life (Years)
Roof	60
Boiler	15
Heating System	30
Kitchen	20
Bathroom	30
Windows	30
Electrics	40
Solar Panels	30
Air Source Heat Pumps	30

Notes to the financial statements (continued)

2 Accounting policies (continued)

Sale of housing property

Sales of housing properties are taken into account on completion of contracts. Due to the nature of the transfer with Telford and Wrekin Council, in the case of The Wrekin Housing Trust Limited, it is not possible to separately identify the value of each property sold. An average value, having regard to specific works undertaken since transfer, is eliminated from the property assets following each sale and charged to the statement of comprehensive income.

Other fixed assets

Other tangible fixed assets are measured at cost less accumulated depreciation and 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:

Asset Category	Annual Depreciation Rate
Freehold buildings	4%
Office fixtures and fittings	10%
IT hardware and software	33%
Sheltered scheme fixtures and fittings	20%
Landscaping equipment	20%
Maintenance teams plant and equipment	20%

Leased assets

Assets held under finance leases are included in the balance sheet and depreciated in accordance with the group's normal accounting policies. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the income and expenditure account over the period of the lease.

Rentals payable under operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

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.

Provision for major repairs

Provision is only made for major repairs where a contractual obligation exists. Due to the group's programme of cyclical repairs and planned maintenance, based on a 30 year stock condition survey, no provision is made for these and actual costs are charged to the income and expenditure account.

Stock

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Notes to the financial statements (continued)

2 Accounting policies (continued)

Liquid resources

Liquid resources are readily disposable current asset investments. They include money market deposits held for more than 24 hours that can only be withdrawn without penalty on maturity or by giving notice of more than one working day.

Investment in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment.

Financial Instruments

All the Trust's financial instruments have been classified as basic financial instruments. Basic financial instruments are recognised at amortised historical costs.

Debtors

Short term debtors are measured at transaction price, less any impairment.

Creditors

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

Notes to the financial statements (continued)

3 Turnover, operating costs and operating surplus

Group - continuing activities

	2016 Turnover	2016 Operating costs	2016 Operating surplus	2015 Turnover	2015 Operating costs	2015 Operating surplus
	£'000	£'000	£'000	£'000	£'000	£'000
Social housing lettings						
Other social housing	64,064	(41,159)	22,905	59,223	(37,675)	21,548
activities:						
Renting & letting of garages	776	(230)	546	772	(449)	323
Leaseholder service charges & communal repairs	686	(686)	-	575	(575)	-
Other	1,121	(704)	417	2,164	(2,132)	32
	66,647	(42,779)	23,868	62,734	(40,831)	21,903
Non-social housing activities						
Care Activities	3,979	(6,329)	(2,350)	3,835	(5,438)	(1,603)
Other	7,454	(9,268)	(1,814)	5,530	(6,437)	(907)
	78,080	(58,376)	19,704	72,099	(52,706)	19,393

Notes to the financial statements (continued)

3 Turnover, operating costs and operating surplus (continued)

Company - continuing activities

	2016 Turnover £'000	2016 Operating costs £'000	2016 Operating surplus £'000	2015 Turnover £'000	2015 Operating costs £'000	2015 Operating surplus £'000
Non-social housing activities	59	(57)	2	63	(60)	3
	<u>59</u>	<u>(57)</u>	<u>2</u>	<u>63</u>	<u>(60)</u>	<u>3</u>

Notes to the financial statements (continued)

3 Turnover, operating costs and operating surplus (continued)

Particulars of income and expenditure from social housing lettings

Group	General housing 2016 £'000	Supported housing 2016 £'000	Total 2016 £'000	Total 2015 £'000
Rents receivable net of identifiable service charges	46,954	11,546	58,500	54,098
Service charges	971	4,014	4,985	4,622
Amortised Government Grants	559	20	579	503
Turnover from social housing lettings	48,484	15,580	64,064	59,223
Expenditure on social housing lettings				
Management	(2,199)	(2,202)	(4,401)	(6,072)
Services	(1,462)	(5,976)	(7,438)	(4,856)
Routine maintenance	(10,105)	(2,283)	(12,388)	(12,774)
Rent losses from bad debts	(241)	(6)	(247)	(344)
Major repairs expenditure	(4,770)	(2,083)	(6,853)	(5,153)
Depreciation of housing properties	(8,584)	(1,248)	(9,832)	(8,476)
Operating costs on social housing lettings	(27,361)	(13,798)	(41,159)	(37,675)
Operating surplus on social housing lettings	21,123	1,782	22,095	21,548
Void losses	301	973	1,274	1,513

4 Surplus on sale of housing assets

Group	2016 £'000	2015 £'000
Disposal proceeds	16,036	17,076
Carrying value of fixed assets	(6,001)	(5,481)
	10,035	11,595
Disposal proceeds fund	(508)	(667)
	9,527	10,928

Notes to the financial statements (continued)

5 Accommodation in management

Accommodation in management for each class of accommodation was as follows:

Group	2016 No.	2015 No.
General housing	10,218	10,130
Supported housing	1,683	1,640
Shared ownership	131	107
Residential care homes	106	122
Total owned	12,138	11,999
Accommodation managed for others	146	145
Total managed	12,284	12,144
Properties where the group had residual freehold interest	1,009	1,096
	13,293	13,240

Of the total owned, 38 were managed by third parties (2015: 38).

Company

The company neither owns nor manages any units of stock.

6 Operating surplus

The operating surplus is arrived at after charging or crediting:

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Depreciation of housing properties	8,264	8,064	-	-
Impairment of housing properties	800	352	-	-
Depreciation of other tangible fixed assets	713	724	-	-
Operating lease rentals:				
Hire of plant and machinery	1,110	1,040	-	-
Lease of Land and Buildings	131	127	-	-
Auditors' remuneration (including VAT):				
for audit services	75	70	-	-
for non-audit services	19	19	-	-

Audit fees in respect of The Wrekin Housing Group Limited are paid by The Wrekin Housing Trust Limited.

Notes to the financial statements (continued)

7 Interest receivable and other income

Group	2016 £'000	2015 £'000
Interest received from temporary investments with banks and building societies	29	27
	<u>29</u>	<u>27</u>

8 Interest payable and similar charges

Group	2016 £'000	2015 £'000
Loans and bank overdrafts	15,469	12,054
Funders security/facility fee	1,743	2,201
Valuers Fee	15	10
Defined benefit pension charge	1,058	784
Other interest	26	13
	<u>18,311</u>	<u>15,062</u>

9 Employees

Group	2016 No	2015 No.
Average monthly number of employees expressed in full time equivalents:		
Office staff	371	379
Trades employees	207	209
Wardens, estate officers and cleaners	70	32
Care	301	267
	<u>949</u>	<u>887</u>
Staff costs:	£'000	£'000
Wages and salaries	22,945	21,019
Social security costs	1,599	1,549
Other pension costs	3,267	2,374
	<u>27,811</u>	<u>24,942</u>

Notes to the financial statements (continued)

9 Employees (continued)

Company

The company does not have any of its own employees (2015: none), however it will utilise the resources of The Wrekin Housing Trust Limited, the cost of which is recharged to the Company.

10 Key management personnel

Group

Expenses paid during the period to Board Members amounted to £5,483 (2015: £765).

The aggregate amount of remuneration (including benefits in kind and pension contributions) paid to or receivable by the key management personnel of the group during the year was £365,180 (2015: £317,005). The emoluments of the executive officers were paid via The Wrekin Housing Trust Limited.

	2016 Total £'000	2015 Total £'000
Executive directors		
Basic salary	257	247
Benefits in kind (car provision)	10	10
Pension and social security contributions	50	41
Total	317	298
Board members		
Fees	48	19
Pension and Social Security contributions	-	-
Total	48	19

The following full time equivalent numbers of staff received emoluments of:

	2016 No.	2015 No.
£60,001-£70,000	6	3
£70,001-£80,000	4	6
£80,001-£90,000	4	3
£90,001-£100,000	1	-
£130,001-£140,000	1	2
£140,001-£150,000	1	-
£150,001-£160,000	1	1
Total	18	15

Notes to the financial statements (continued)

10 Board members and executive officers (continued)

The emoluments of the highest paid director, the group director of finance were £134,217 excluding pension contributions (2015: £132,117).

11 Pensions

Group

The Group participates in the Shropshire County Pension Fund ("the SCPF") which is a defined benefit career average salary pension scheme. Triennial actuarial valuations are performed by a qualified actuary using the "projected unit" method. The most recent formal valuation of the Fund was completed at 31 March 2013. The group also operates a defined contribution pension scheme. The assets of that scheme are held separately from those of the group in an independently administered fund.

Contributions

The employer's contributions to the Shropshire County Pension Fund by the Trust for the year ended 31 March 2016 were £2,114,000 (2015: £2,104,000) and the employer's contribution rate has been fixed as 13.8% of pensionable pay until 31 March 2016 with regard to future service benefits. For 2016/17 this rate will remain at 13.8%. In addition, annual lump sum payments are being made in respect of past service deficits. The lump sum payment for 2015/16 was £477,600, and will be £497,200 in 2016/17.

Principal actuarial assumptions

	31 March 2016 % per Annum	31 March 2015 % per Annum
Rate of increase in salaries	3.5	3.6
Rate of increase in pensions in payment	2.0	2.1
Discount rate	3.6	3.4
Inflation assumption	2.0	2.1

Notes to the financial statements (continued)

11 Pensions (continued)

Mortality assumptions

The post retirement mortality assumptions used to value the benefit obligation at March 2015 and March 2016 are based on the PA92 series. The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	2016 No. of years	2015 No. of years
Retiring today:		
Males	23.9	23.9
Females	26.4	26.3
Retiring in 20 years:		
Males	26.2	26.1
Females	29.2	29

Amounts recognised in the statement of financial position:

	2016 £'000	2015 £'000
Fair value of employer assets	67,366	66,545
Present value of funded liabilities	(97,500)	(98,683)
Net liability	(30,134)	(32,138)

Analysis of the amounts charged to the statement of comprehensive income:

	2016 £'000	2015 £'000
Net interest cost	1,058	784
Current service cost	2,952	2,204
Administration expenses	60	59
Amount charged to operating costs	3,012	2,263
Total amount recognised in the statement of comprehensive income	4,070	3,047

Notes to the financial statements (continued)

11 Pensions (continued)

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

	2016 £'000	2015 £'000
Opening scheme liabilities	(98,683)	(76,329)
Current service cost	(2,952)	(2,194)
Interest cost	(3,338)	(3,497)
Contribution by members	(826)	(818)
Curtailment loss	-	(10)
Benefits paid	1,902	1,417
Actuarial gain/(loss)	6,397	(17,252)
	<u>(97,500)</u>	<u>(98,683)</u>
Closing scheme liabilities		

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

	2016 £'000	2015 £'000
Opening fair value of plan assets	66,545	58,225
Interest income	2,280	2,713
Contributions by the employer	2,114	2,104
Contribution by members	826	818
Benefits paid	(1,902)	(1,417)
Administration expenses	(60)	(59)
Actuarial (loss)/gain	(2,437)	4,161
	<u>67,366</u>	<u>66,545</u>
Closing fair value of plan assets		

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

	2016	2015
Equities	50.5%	52.0%
Bonds	25.7%	25.5%
Property	5.5%	4.1%
Other	18.3%	18.4%

Sensitivity Analysis

Disclosure Item	None	0.1% p.a. discount rate	0.1% p.a. inflation	0.1% p.a. pay growth	1 Year increase in life expectancy
	£'000	£'000	£'000	£'000	£'000
Liabilities	97,500	95,457	99,587	98,106	99,272
Assets	(67,366)	(67,366)	(67,366)	(67,366)	(67,366)
Deficit	30,134	28,091	32,221	30,740	31,906
Projected service cost for next year	2,664	2,600	2,771	2,684	2,742
Projected net interest cost for next year	1,046	1,000	1,121	1,068	1,110

Notes to the financial statements (continued)

12 Taxation

Group

	2016 £'000	2015 £'000
United Kingdom corporation tax		
Current tax on income for the year	-	-
Tax on profit on ordinary activities	-	-
	2016 £'000	2015 £'000
Current tax reconciliation		
Surplus on ordinary activities before taxation	11,101	15,543
Theoretical tax at UK corporation tax rate 24% (2015: 24%)	2,664	3,731
Effects of:		
- Income not taxable		
- Other short term timing differences		
- Tax free income due to charitable activities	(2,664)	(3,731)
Actual current taxation charge	-	-

There are no unrelieved tax losses carried forward (2015: £Nil) available to reduce the tax liability in respect of future surpluses.

Notes to the financial statements (continued)

13 Tangible fixed assets - properties

Housing Properties - Group

	Housing properties completed	Housing properties under development	Shared ownership properties completed	Shared ownership properties under development	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2015	430,684	28,565	4,570	(16)	463,803
Improvements to existing properties	6,803	-	-	-	6,803
Properties acquired	2,290	82,372	7	8	84,677
Schemes completed	54,372	(54,372)	-	-	-
Change of tenure	(2,466)	-	2,466	-	-
Transfer to assets held for sale	(2,720)	-	719	(8)	(2,009)
Disposals	(7,335)	-	(800)	-	(8,135)
At 31 March 2016	<u>481,628</u>	<u>56,565</u>	<u>6,962</u>	<u>(16)</u>	<u>545,139</u>
Depreciation and impairment					
At 1 April 2015	57,614	-	462	-	58,076
Impairment	800	-	-	-	800
Charged in year	8,184	-	80	-	8,264
Change of tenure	(24)	-	24	-	-
Released on disposal	(2,107)	-	(24)	-	(2,131)
At 31 March 2016	<u>64,467</u>	<u>-</u>	<u>542</u>	<u>-</u>	<u>65,009</u>
Net book value					
At 31 March 2015	<u>373,070</u>	<u>28,565</u>	<u>4,108</u>	<u>(16)</u>	<u>405,727</u>
At 31 March 2016	<u>417,161</u>	<u>56,565</u>	<u>6,420</u>	<u>(16)</u>	<u>480,130</u>

Notes to the financial statements (continued)

13 Tangible fixed assets – properties (continued)

Expenditure on works to existing properties

	2016 £'000	2015 £'000
Amounts capitalised – component replacement	6,803	7,594
Amounts charged to income and expenditure account	6,853	5,153
Total	13,656	12,747

Social housing grant

	2016 £'000	2015 £'000
Total accumulated SHG receivable at 31 March was:		
Recognised in the Statement of Comprehensive Income	2,447	1,928
Held as deferred Income	62,178	52,553
	64,625	54,481

Housing properties net book value, net of depreciation, and offices net book value (note 14) comprises:

	2016 £'000	2015 £'000
Freehold land and buildings	485,313	410,677
	485,313	410,677

The association considers individual schemes to be separate Cash Generating Units (CGUs) when assessing for impairment, in accordance with the requirements of Financial Reporting Standard 102 and SORP 2014.

During the year, as a result of the decision to close the Cambrian Care Hotel, which is owned by the Trust and was managed by another group member, an impairment charge of £800,000 was identified.

Notes to the financial statements (continued)

14 Tangible fixed assets - other

Group	Freehold buildings and land £'000	Sheltered scheme furniture, fixtures and fittings £'000	Computers and office equipment and furniture £'000	Plant and machinery and vehicles £'000	Total £'000
Cost					
At 1 April 2015	9,512	1,452	5,092	436	16,492
Additions	541	64	239	12	856
Disposals	-	-	(1,317)	(59)	(1,376)
At 31 March 2016	<u>10,053</u>	<u>1,516</u>	<u>4,014</u>	<u>389</u>	<u>15,972</u>
Depreciation and impairment					
At 1 April 2015	4,562	1,359	4,601	294	10,816
Depreciation charged in year	308	76	282	47	713
Released on disposal	-	(11)	(1,317)	(35)	(1,363)
At 31 March 2016	<u>4,870</u>	<u>1,424</u>	<u>3,566</u>	<u>306</u>	<u>10,166</u>
Other grants received					
At 1 April 2015	-	4	-	-	4
Additions	-	59	-	-	59
At 31 March 2016	<u>-</u>	<u>63</u>	<u>-</u>	<u>-</u>	<u>63</u>
Net book value					
At 31 March 2015	<u>4,950</u>	<u>89</u>	<u>491</u>	<u>142</u>	<u>5,672</u>
At 31 March 2016	<u>5,183</u>	<u>29</u>	<u>448</u>	<u>83</u>	<u>5,743</u>

The net book value of other tangible fixed assets includes £4,194 (2015: £8,769) in respect of assets under finance leases. Depreciation charged in the year on those assets amounted to £4,575 (2015: £4,575).

Notes to the financial statements (continued)

15 Investment in subsidiaries

As required by statute, the financial statements consolidate the results of The Wrekin Housing Group Limited with those of The Wrekin Housing Trust Limited, Choices Housing Association Limited, Old Park Services Limited, WHT (Subsidiary) Limited, Shropshire Housing Alliance, South Shropshire Furniture Scheme, Reviive CIC, Strata Housing Services Limited and FUSE Enterprise CIC, which were all direct or indirect subsidiaries of the company at the end of the year. The company has the right to appoint members to the boards of the subsidiaries and thereby exercises control over them.

The Wrekin Housing Trust Limited's principal activity is that of a social landlord. It is a company limited by guarantee without share capital and The Wrekin Housing Group Limited is the parent member with special voting rights in certain circumstances.

Choices Housing Association Limited's principal activity is that of a social landlord and provider of care and support services. The Wrekin Housing Group Limited is the parent company.

Old Park Services Limited's principal activity is the provision of housing and property related services and associated software to other social landlords. The parent company is The Wrekin Housing Trust Limited (which holds the entire issued share capital).

WHT Subsidiary Limited did not trade during the year. The Wrekin Housing Group Limited holds the entire issued share capital in the company.

Shropshire Housing Alliance is a company limited by guarantee and a registered charity. Its principal activities are the provision of housing support and advice services. The Wrekin Housing Group Limited is the parent company.

South Shropshire Furniture Scheme is a company limited by guarantee and a registered charity. The company's principal activities are the operation of a furniture recycling service and the provision of training and volunteering opportunities to unemployed people. The Wrekin Housing Group Limited is the parent company.

Reviive CIC is a community interest company which, until 31 March 2016, was jointly owned by Shropshire Housing Alliance and South Shropshire Furniture Scheme. On 1 April 2016 its trading activities were transferred to Old Park Services Limited. Its principal activity is that of a retail outlet for re-used and recycled household goods and the promotion of re-use as an alternative to disposal of household goods and waste.

Strata Housing Services Limited's principal activity is the provision of development services to its parent company, The Wrekin Housing Trust Limited (which holds the entire issued share capital).

FUSE Enterprise CIC's principal activities are the operation of social enterprises and the provision of consultancy services to potential or existing social enterprise businesses. The Wrekin Housing Group Limited is the parent company.

Notes to the financial statements (continued)

16 Investment properties non-social housing properties held for letting

	2016 £'000
At 1 April	10,942
Increase in value	159
At 31 March	11,101

Investment properties were valued at 31 March 2016. The investment properties comprise 117 units known as the Hedgerows development which are managed by the wholly owned subsidiary company of The Wrekin Housing Trust Limited, Old Park Services Ltd. The valuation was undertaken by Trevor Haggart Associates Limited, professional external valuers, in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors.

17 Properties for sale

Group	2016 £'000	2015 £'000
Properties held for outright sale	3,504	2,320
	<u>3,504</u>	<u>2,320</u>

18 Debtors

Group	2016 £'000	2015 £'000
Due within one year		
Rent and service charges receivable	1,435	989
Less: provision for bad and doubtful debts	(757)	(690)
	<u>678</u>	<u>299</u>
Garage rents receivable	31	34
Leaseholder charges receivable	54	52
Court costs and rechargeable repairs receivable	252	266
Prepayments and accrued income	2,986	2,908
Other capital grant received	1,478	1,809
Other debtors	881	282
Other taxation and social security	295	1,905
Trade debtors	592	729
Less: provision for bad and doubtful debts	(287)	(286)
	<u>6,282</u>	<u>7,699</u>
	<u>6,960</u>	<u>7,998</u>

Notes to the financial statements (continued)

18 Debtors (continued)

Company	2016 £'000	2015 £'000
Due within one year		
Amount owed by subsidiary companies	379	320

There are no special payment term, interest or security arrangements in place with regard to amounts owed by subsidiary companies.

19 Creditors: Amounts falling due within one year

Group	2016 £'000	2015 £'000
Bank loans	17	18
Trade creditors	9,964	7,762
Rent and service charges received in advance	1,133	938
Other taxation and social security	509	3,168
Pension	203	212
Accruals and deferred income	4,176	3,249
Social housing grant received in advance	60	1,768
Other creditors	256	222
Disposal proceeds fund (note 22)	308	719
Holiday pay accrual	156	156
Deferred grant income (note 21)	579	579
Finance leases	4	38
	<u>17,365</u>	<u>18,829</u>

Company	2016 £'000	2015 £'000
Amount owed to subsidiary company	421	364

There are no special payment term, interest or security arrangements in place with regard to amounts owed to subsidiary companies.

Notes to the financial statements (continued)

20 Creditors: Amounts falling due after more than one year

Group

	2016 £'000	2015 £'000
Bank loans	317,751	260,961
Finance leases	3	7
Accruals and deferred income	-	704
Recycled capital grant fund	220	134
Deferred grant income (note 21)	68,558	58,058
Disposal proceeds fund (note 22)	1,460	1,246
	<u>387,992</u>	<u>321,110</u>

21 Deferred grant income

	2016 £'000	2015 £'000
At 1 April	58,637	34,710
Grant received in the year	11,079	24,430
Released to income in the year	(579)	(503)
	<u>69,137</u>	<u>58,637</u>
At 31 March		
	<u>69,137</u>	<u>58,637</u>
Amounts to be released within one year	579	579
Amounts to be released in more than one year	68,558	58,058
	<u>69,137</u>	<u>58,637</u>

Notes to the financial statements (continued)

22 Disposals proceeds fund

Group

	2016 £'000	2015 £'000
At 1 April	1,965	1,192
Net sale proceeds recycled	598	765
Interest accrued	9	8
Acquisition of dwellings for letting	(804)	-
Balance at 31 March	<u>1,768</u>	<u>1,965</u>

	2016 £'000	2015 £'000
The above balance is disclosed as follows:		
Amount due within one year	308	719
Amounts due after more than one year	<u>1,460</u>	<u>1,246</u>
	<u>1,768</u>	<u>1,965</u>

The fund has been used to purchase social housing properties in accordance with permitted uses of the fund. No further expenditure has yet been committed with the approval of the Homes & Communities Agency.

23 Debt analysis

Group

	2016 £'000	2015 £'000
Due within one year		
Bank loans	17	55
Finance leases	<u>4</u>	<u>4</u>
	<u>21</u>	<u>59</u>
Due between one and five years		
Bank loans	21	35
Finance leases	<u>3</u>	<u>7</u>
	<u>24</u>	<u>42</u>
Due after more than five years		
Bank loans	<u>317,730</u>	<u>260,926</u>
Total debt	<u>317,775</u>	<u>261,027</u>

The bank loans are secured by fixed charges on individual properties and by a floating charge over the assets of The Wrekin Housing Trust Limited.

The interest rate in relation to £225m of debt is fixed for periods of between 6 and 24 years. The average rate of interest for all loans including margins at 31 March is 6.50%. The Trust has a total loan facility of £440 million.

Notes to the financial statements (continued)

24 Reserves

Revenue reserves include all retained surpluses and deficits in relation to current and prior periods.

At 31 March 2016, the revenue reserve included £30,134,000 in respect of the defined benefit pension liability (2015: £32,138,000).

Restricted reserves relate to the agreement with the former English Partnerships that The Wrekin Housing Trust Ltd retains all receipts from the sale of housing assets on the Woodside estate for reinvestment in the regeneration of the estate.

25 Financial commitments

Group	2016 £'000	2015 £'000
Capital expenditure		
Expenditure contracted for but not provided in the accounts	80,006	96,710
Expenditure authorised by the board but not contracted for	59,009	115,833
	<u>139,015</u>	<u>212,543</u>

The commitments will be financed through a combination of borrowings, which are available for draw-down under existing loan arrangements, social housing grant, expected shared ownership sales proceeds, property sales under the Wrekin Housing Trust Limited's Asset Renewal Strategy and cash generated from operating activities.

Operating leases

The future minimum lease payments of leases are as set out below. Leases related to office accommodation, furniture and vehicles.

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

	2016 £'000	2015 £'000
Within one year	1,390	1,241
One to five years	<u>4,205</u>	<u>3,684</u>

Company

The company had no financial commitments at 31 March 2016 (2015: £nil).

Notes to the financial statements (continued)

26 Cash flow from operating activities

	2016 £'000	2015 £'000
Surplus for the year	11,101	15,543
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	9,777	9,482
Decrease in stock	48	4
Decrease in properties for sale	825	235
Decrease /(increase) in debtors	467	(3,120)
Increase in creditors	150	6,719
Pensions costs less contributions payable	898	159
Carrying amount of tangible fixed assets	6,509	6,148
Adjustments for investing and financing activities:		
Proceeds from the sale of tangible fixed assets	(16,029)	(17,174)
Government grants utilised in the year	(579)	(503)
Movement in fair value of investment properties	(159)	(159)
Interest payable	18,311	15,062
Interest received	(29)	(27)
Net cash generated from operating activities	31,290	32,369

27 Financial assets and liabilities

Categories of financial assets and liabilities

	2016 £'000	2015 £'000
Financial assets that are debt instruments measured at amortised cost	14,157	9,919
Financial liabilities measured at amortised cost	(332,327)	(273,117)
	(318,170)	(263,198)

28 Contingent liabilities

The Group had no contingent liabilities at 31 March 2016 (2015: £nil).

Notes to the financial statements (continued)

29 Related party transactions

The company has taken advantage of the exemption available under Financial Reporting Standard 8 ('FRS 8') not to disclose transactions with the other members of the Wrekin Housing Group.

There are no other related party transactions to disclose.

30 Transition to FRS 102

The Group has adopted FRS 102 for the year ended 31 March 2016 and has restated the comparative prior year amounts in respect of The Wrekin Housing Trust Limited and Choices Housing Association Limited, those companies which are subject to FRS 102.

Changes for FRS 102 adoption

1. Holiday pay provision

A provision is now made for entitlement to holiday at the year-end which has not been taken by employees. This has been calculated based on payroll records and totalled £156k as a liability in opening reserves.

2. Grant Accounting

Grants were previously netted off the cost of the related asset. Under FRS 102, government grants must be accounted for using the accruals model or the performance model. As the Trust accounts for its properties at cost, it has adopted the accruals model for government grants, as required by SORP 2014.

Under the accruals model, the government grants have been allocated to the related assets and amortised over the useful economic life of those assets. The unamortised amount is held within deferred income, split between <1year and > than 1 year. The amount of amortised grant that has been recognised in opening reserves is £1.673m.

3. Defined benefit pension scheme

The net pension finance cost recognised in the income and expenditure account for the year ended 31st March 2015 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the statement of comprehensive income, of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). The change has had no effect on net assets as the measurement of the net defined benefit plan obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by a reduction in the actuarial losses presented within other comprehensive income

Notes to the financial statements (continued)

30 Transition to FRS 102 (continued)

	As previously stated 1 April 2014	Effect of transition 1 April 2014	FRS 102 (as restated) 1 April 2014	As previously stated 31 March 2015	Effect of transition 31 March 2015	FRS 102 (as restated) 31 March 2015
Fixed assets	£'000	£'000	£'000	£'000	£'000	£'000
	300,282	37,451	337,733	360,610	61,731	422,341
Current assets	15,955	-	15,955	17,411	-	17,411
Creditors: amounts falling due within one year	(10,714)	(503)	(11,217)	(18,092)	(579)	(18,671)
Net current assets	5,241	(503)	4,738	(681)	(579)	(1,260)
Total assets less current liabilities	305,523	36,948	342,471	359,929	61,152	421,081
Creditors: amounts falling due after more than one year	(224,779)	(34,208)	(258,987)	(263,052)	(58,059)	(321,111)
Pension Liability	(18,104)	-	(18,104)	(32,138)	-	(32,138)
Provisions for liabilities	-	(156)	(156)	-	(156)	(156)
Net assets	62,640	2,584	65,224	64,739	2,937	67,676
Capital and reserves	62,640	2,584	65,224	64,739	2,937	67,676

30 Transition to FRS 102 (continued)

	As previously stated 31 March 2015 £'000	Effect of transition 31 March 2015 £'000	FRS 102 (as restated) 31 March 2015 £'000
Turnover	71,596	503	72,099
Operating costs	(52,288)	(418)	(52,706)
Operating profit	19,308	85	19,393
Surplus on the sale of assets	11,026	-	11,026
Gain on revaluation of investment properties	-	159	159
Interest receivable and similar income	27	-	27
Interest payable and similar charges	(14,800)	(262)	(15,062)
Profit on ordinary activities before taxation	15,561	(18)	15,543
Tax on surplus on ordinary activities	-	-	-
Profit on ordinary activities after taxation and for the financial year	15,561	(18)	15,543

