

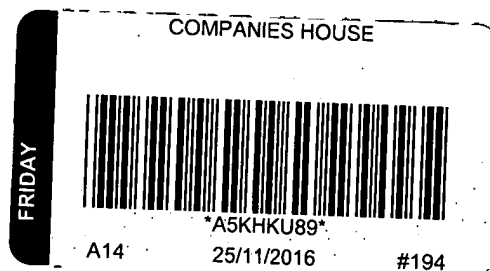
Company Number: 3777037



PLACES FOR PEOPLE GROUP LIMITED

FINANCIAL STATEMENTS

For the year ending 31 March 2016



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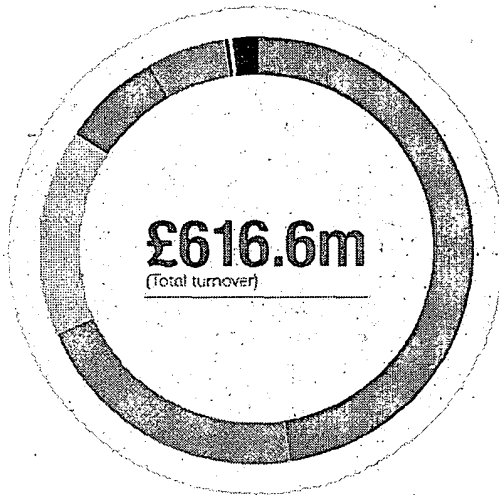
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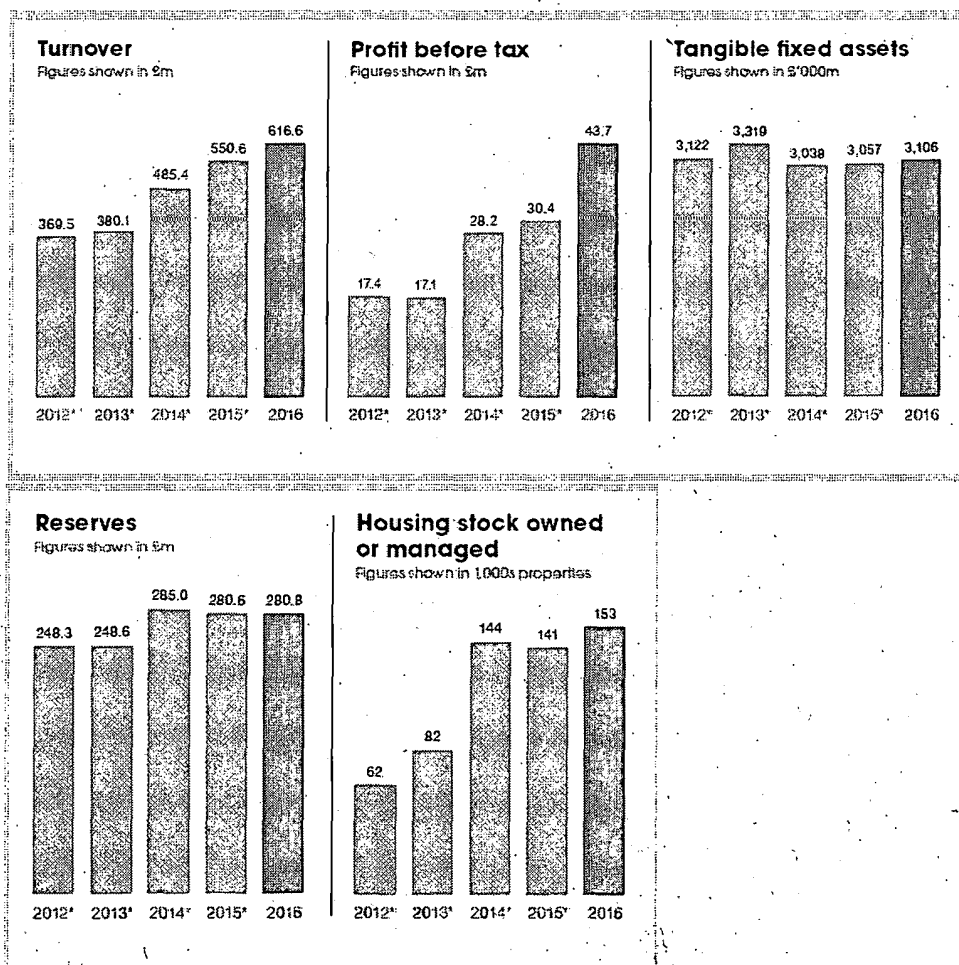
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2015-16 turnover by market



Key	%
Affordable housing	47.5
Leisure management	21.2
Development and construction	15.7
Property management	7.3
Non-social lettings	6.8
Placemaking and regeneration	0.4
Retirement	0.3
Other	1.8



*These figures are from the previous years' financial statements as reported under old UK GAAP. The 2016 figures are reported under the new Accounting Standard FR5102.

Places for People remains committed to providing more than just homes. We take a holistic approach to the places we build and manage.

Delivering strong performance

This has been another successful year for Places for People. Once again the Group delivered strong operational and financial performance in spite of challenges in the wider operating environment.

Our country remains in the grip of a housing crisis which shows little sign of abating. Demand for housing continues to outstrip supply and we are committed to doing our part to close the gap. Our mission is to deliver more high quality places that support strong communities. Across our Group of companies we have a development pipeline of over 15,000 homes making us one of the largest housebuilders in the UK.

Places for People remains committed to providing more than just homes. We are working to create aspirational homes and inspirational places so we focus on much more than bricks and mortar. We take a holistic approach to the places we build and manage, ensuring they have the infrastructure, services and public spaces needed to thrive.

This year the Government announced that housing association rents in England would be reduced by 1% each year until 2020. At Places for People we have reduced costs to counteract the reduction in income as well as continuing to increase efficiency to protect our services and development pipeline.

Strategic partnerships

This year we secured the contract to deliver up to 3,000 much-needed homes in Aberdeen through a new partnership with the city's council. We will build and manage 1,000 affordable rented homes and deliver 1,000 homes for sale without the need for government funds. Up to 1,000 further homes will be built after the initial phase as part of this ground-breaking partnership to transform the housing landscape in Aberdeen.

Elsewhere we continued to forge effective joint venture partnerships to maximise the difference we can make to communities around the country. In the former Olympic Park site at East Wick and Sweetwater we pressed forward with plans to build 1,500 homes in partnership with Balfour Beatty. Our Ruskin Square development in Croydon with Stanhope and Schroders is now entering its final phase. Our partnership with Urban Splash is creating much needed homes at Lakeshore in Bristol, Park Hill in Sheffield and Icknield Port Loop in Birmingham. We are also transforming Smith's Dock on Tyneside, the north east's largest regeneration project.

Active, healthy places

This has been a good year for our leisure business too. Places for People Leisure has a reputation for providing effective, efficient, award-winning leisure management services to local authorities around the country. This year we secured two new contracts and four contract extensions to run facilities on behalf of councils. In the last ten years we have designed and built more centres than anyone else in the sector and opened the doors of two brand new leisure centres this year alone. In 2015-16, each week, 64,000 children had swimming lessons in one of our facilities, helping Places for People Leisure to achieve its mission of 'more people, more active, more often'.

Robust governance

The Places for People Group board has seen some changes during the year with the departure of Ehsan Mani who had served diligently for seven years as a valued non-executive member. We were joined by Baroness Brenda Dean who brings with her a wealth of experience in the governance of large organisations. Executive Director, David Shaw retired from his position as Group Development Director. I joined with the board in thanking David for his contribution to the Group over his 15 years in the post. We also welcomed two long-standing members of the management team to the Group board, Colin Rae as Group Development Director in February 2016 and Pat Egan as Group Director, Affordable Housing in May 2016. I am grateful for the continued support and commitment of all our board members who each make a unique contribution by sharing their professional expertise and skills with the Group so generously each year.

A positive future

On behalf of the Group board, I would also like to acknowledge our colleagues across all of the Group's businesses. Our teams show incredible creativity as they constantly look to drive improvements in the organisation and keep us at the forefront of innovation in our businesses. In the face of a challenging operating environment we have maintained excellent services to our customers and continued to improve neighborhoods and support communities. I am incredibly proud to represent Places for People and look forward to another year of innovation and growth ahead.

Our ambitious business plans for the year were delivered across the board. Our diversity of operation spreads risk between social housing and non-social housing activities.

Our highlights

Performance across the Group's companies has been solid in the face of continued challenges in the wider economy and the Group has further diversified its offer as a multifaceted placemaking organisation. Our turnover reached £616.6m and we achieved a profit before tax of £43.7m. We now own or manage 152,783 homes and have assets in excess of £3 billion. We employ over 11,000 people and are active in 400 local authority areas.

Places for People recognised many years ago that we needed to promote a culture of innovation within the business. We were the largest landlord to be recognised in the top 10 most innovative housing organisations this year as we continue to spot trends and stay ahead by implementing practical and commercially viable initiatives.

We have diversified our offering of products and services and are capable of delivering complex, multi-use and multi-tenure projects from start to finish. We operate across the whole of the property value chain from initial procurement of sites, through planning and project management to the delivery of high quality places with supporting infrastructure and strong management. This flexibility in the market sets us apart and has given our organisation a degree of resilience that provides a strong foundation for future growth.

Our ambitious business plans for the year were delivered across the board. This year our new fund management business gained accreditation with the Financial Conduct Authority and we will soon launch a fund management service for investors looking to enter the residential property market. Our diversity of operation spreads risk between social housing and non-social housing activities, which include property management, regeneration, development and leisure management. This builds our resilience against further changes to the housing rent regime and welfare system. It also paves the way for new growth for the organisation. Our business model is predicated on listening to our customers and responding to their needs. In the UK we have a growing elderly population and the number of people requiring specialist support, accommodation and care is rising each year. To respond to this need we are refining our existing specialist housing and support services and have established Places for People Retirement.

Expanding our capabilities

Through Places for People Retirement we are developing two high quality retirement living sites in a joint venture with English Care Villages at Warwick and Tattenhall. These attractive retirement villages are being marketed to appeal to growing numbers of people seeking flexible housing options in later life. Girlings, our specialist lettings and management business dealing exclusively with the 55-plus market, also further strengthens our offering to the retirement market as we seek to meet the needs of people at all stages of the housing spectrum. We also recently launched Places for People Living+, the new name for our Individual Support business. Living+ will focus on providing specialist support services, older persons' accommodation based services and personalised homes for people with various support needs.

Creating social value

The Group's affordable housing businesses also continued to deliver services to customers in our 54,008 affordable rented homes around the UK. We continued to invest not only in the properties we own but also in the communities we serve, driving social return through our neighbourhood interventions. In 2015-16 we helped 570 people into employment, supported 1,695 individuals into learning, helped 63 businesses to start up or develop and involved 2,934 young people in capacity-building activities. Our financial inclusion strategies helped to boost household incomes by £2,366,078 through financial advice, and we provided 849 affordable loans to those unable to borrow from high street lenders.

Growing our business

Our property management businesses, Touchstone (private rented sector) and RMG (leasehold management) have delivered strong performances in the year. Touchstone secured a new contract with the Dolphin Square Foundation in London to deliver management services across a range of new developments in the city. RMG now has 76,402 leasehold properties under management in the private sector and a contracted order book of 24,919 units under construction, thanks to strong organic growth and the acquisition of F&S Property Services. Our public sector management portfolio also continued to grow, making us one of the UK's largest property managers.

Housebuilding

We have consolidated our construction capabilities through the integration of Allenbuild and ZeroC within the Group's existing development functions, which together provide development and construction services to the Group. This consolidated approach strengthens our ability to respond to challenges, capitalise on opportunities and operate more efficiently. In 2015-16 the Group, together with its joint venture partners, completed 1,119 new homes and started construction on a further 1,118 homes. At a time when building rates nationally continue to falter, we have tripled our

development pipeline. We remain committed to delivering high quality homes in attractive places with the infrastructure and services needed to make a place thrive.

Looking ahead

This has been a positive year. We have stepped up to the challenges presented by government policy change to deliver more new homes, and to create new products and services to meet our customers' needs. This forward momentum has been possible because of the commitment, hard work and innovation of our staff, the strategic direction provided by our board members and the participation and support of our customers, partners and stakeholders. I would like to thank them all for their contribution to this success.

In the coming year we will continue to push the boundaries and strengthen our position in the market as we seek to create more aspirational homes and inspirational places.

What we do

The Places for People Group is a leading property management, development, regeneration and leisure company. We now own or manage 152,783 properties, run 116 leisure facilities, and have assets in excess of £3 billion. We aim to deliver high quality places that support strong communities.

We have been developing homes since 1965 and continue to forge creative partnerships and find innovative ways to develop high quality homes and create vibrant places, whatever the prevailing political or economic environment. In 2015-16 the Group, together with its joint venture partners, completed 1,119 new homes and started construction on a further 1,118 homes. We aim to deliver over 15,000 new homes in the coming years.

With a supportive Group structure and a strong reputation for delivering large-scale regeneration, we have an unrivalled ability to achieve our vision to create and manage aspirational homes and inspirational places.

The Group provides services to over half a million people, working closely with local communities to help them meet their aspirations and improve their quality of life. As we extend our range of products and services, we are always exploring new ways to meet the challenges of the social and political environment we work in, while enhancing the sustainability of our operations.

As a not-for-dividend organisation with a strong social purpose, we use business methods to deliver social outcomes, taking commercial decisions and reinvesting any financial surplus back into the business.

Our SPIRIT values

Our vision is 'working to provide aspirational homes and inspirational places'

Our SPIRIT values help to define what we stand for and how we deliver our services. They support and engage our staff to achieve our vision. To continue our success, SPIRIT guides the behaviours of our staff.

Support

Recognising when and how customers and colleagues need help and offering support. Working with others, removing barriers and resolving issues. Listening:

Positive

Focusing on what 'I CAN DO' for customers and colleagues. Identifying options, alternatives and solutions.

Integrity

Delivering on promises and ensuring actions are in line with words. Being open and honest about the reality of situations, providing information and explanation.

Respect

Treating people fairly, valuing individual differences and appreciating their contributions.

Innovative

New ideas and not constrained by the way things have been done in the past. Being prepared to try things and learning from experience.

Together

Recognising value in working with others, both within a team and across the organisation. Believing more can be achieved by working effectively together.

Our placemaking approach

Our approach goes much further than simply bricks and mortar.

We look at what an area needs to thrive — whether it is new schools, leisure facilities or shops, job opportunities or specialist support services — and then we deliver them. Our business is about creating sustainable homes and communities, with green spaces and a complete infrastructure, where people can enjoy living for the long term.

Making a positive difference

Our commercial success enables us to make a profit which, in turn, means that we make an even bigger difference to our communities. We use our profit to give people a helping hand to reach their potential and to invest in the lasting success of the places we create.

We are also playing our part in tackling the UK's housing shortage, and ultimately, everything we stand for and everything we do is aimed at enriching lives and giving back to society. Over the last two decades, we have sought to break the mould of the traditional housing association and change forever the way places are built and managed.

Our ambitious strategy seeks to widen housing access, meeting demand and enabling customers to achieve their aspirations. These priorities have driven the Group to broaden its offer and find innovative ways of doing things.

Our collaborative reach

We lead on major regeneration schemes and neighbourhood renewal projects, and provide homes across a wide spectrum of tenures, including affordable rent, shared ownership, market rent and owner occupation, as well as specialist accommodation for older people and those requiring specialist support.

We are, above all, a placemaking business and believe in working collaboratively with other organisations to make the most of our skills and continue to grow. By working together with other forward-looking organisations, we are able to develop more great places and transform communities in an effective and sustainable way. And we can help our partners to achieve their placemaking and investment aims too.

Where we operate

We work across all four nations of the UK with a particularly strong presence in England and Scotland. We are a national organisation that thinks locally — building joint ventures and alliances with local authorities and other local partners across the UK.

The success of this approach is demonstrated by our involvement in Aberdeen, where we have signed a pioneering new 300 million partnership deal with the council to build thousands of new homes; in Manchester where our partnership with the council and the city pension fund is delivering new homes for rent; and in the Olympic Park in London where we are creating an entirely new mixed community.

Number of homes managed by region

Channel Islands	121
East Midlands	8,869
East	16,042
Isle of Man	2
London	17,362
North East	8,539
North West	33,324
Northern Ireland	118
Scotland	11,135
South East	26,253
South West	7,477
Wales	1,408
West Midlands	4,285
Yorkshire and Humber	17,848

Our major sites include:

East Wick and Sweetwater - Queen Elizabeth Olympic Park

1,500 new homes along with new retail, commercial and community facilities will be delivered through our joint venture with Balfour Beatty Investments in one of the UK's most prestigious residential developments.

Ruskin Square – Croydon

In partnership with Schrodgers and Stanhope, we're creating a stunning, contemporary 161-home development in the heart of Croydon's transformational regeneration, designed by Stirling prize-winning architects.

Brooklands - Milton Keynes

Our flagship £500 million development where 2,500 new mixed-tenure homes will be delivered, as well as three new schools, a hotel, commercial space, 100 acres of parkland, along with new roads and a busway.

Gilston Park Estate - East Hertfordshire

Our masterplan proposals for the 2,500 acre site can provide up to 10,000 new homes with extensive supporting infrastructure and facilities, which would bring over £500 million of investment into the local area.

Icknield Port Loop - Birmingham

In one of the UK's most significant brown field regeneration schemes, we're working in partnership with Urban Splash, Birmingham City Council and the Canal and River Trust, to develop 1,150 new homes along with commercial property and community facilities across the 43-acre site.

Aberdeen - City of Aberdeen

Up to 3,000 new homes will be created through a pioneering partnership model with Aberdeen City Council, which will see us partner in the building, ownership and management of homes to rent, targeting a range of local needs.

Our strategy

Our strategy for the coming three to five years is to grow the reach and impact of our businesses; so that we can play an increasingly strong role in boosting housing supply and strengthening accessibility to housing across the UK.

We will deliver our strategy by continuing to grow our market share as a cross-tenure property management business, by drawing in new forms of investment and building our market presence.

Growing our market share

We have developed our capabilities and skills by organic growth and acquisition. This has given us the ability to deliver a range

of activities to create places and assets in a way few, if any, organisations can.

Our acquisitions in recent years have accelerated our growth and helped us to provide a set of integrated solutions which are unique within the UK's property development and management market.

In 2015–16 we strengthened our position further by acquiring housebuilding and construction capabilities, and established a strong position in the retirement market. Our commercial success over the past year proves that the integrated solutions we offer are in demand, particularly among local government and other public sector agencies.

Our priorities

The Places for People Group Strategy and Business Plan for 2016–17 focuses on maximising the return on our investment and delivering social value. Our key objectives are to:

- Continue to drive efficiency and effectiveness in our businesses.
- Grow our businesses and investments, driving return and social value.
- Continue to market the Group's integrated solutions and the platforms to deliver this.

Continue to drive efficiency and effectiveness in our businesses

- Drive synergies and improve our margins and competitiveness
- Continue to drive effectiveness in all of our businesses to create more compelling business offers to win more work.
- Continue to innovate to improve our products and services to make a difference for our existing and future customers

Grow our businesses and investments, driving return and social value

- Grow our asset base
- Grow our management contracting business – by winning new work
- Work with others – joint ventures, new services and investment

Continue to market the Group's integrated solutions and the platforms to deliver this

- Seek opportunities to market our integrated solutions to investors and partners
- Develop existing joint ventures and strategic relationships to strengthen and broaden our integrated solutions offer
- Broaden our investor base, seeking ways to draw in new investment, including equity investment
- Forge new strategic relationships

Our markets

The Group operates in six key markets: affordable housing, property management, leisure management, development and construction, placemaking and regeneration, and retirement.

Affordable housing

We manage 54,008 affordable rented homes in the UK. Our affordable homes businesses are focused on implementing a range of changes to respond to new government policies, including the 1% rent cut and the new Right to Buy in England, and a range of UK-wide welfare changes that impact on our customers. Sustaining tenancies remains a priority. We continue to broaden our customer base by making our products and services available to a wider market. This continues to attract a higher proportion of economically-active customers.

We have a strong commitment to providing supported housing across England and Scotland through Places for People Homes, Places for People Living+ (formerly known as Individual Support), Cotman Housing Association and Castle Rock Edinvar Housing Association. In Scotland, we have continued to diversify and grow our business, taking advantage of emerging opportunities that extend and develop existing work with local communities, local authorities and health boards to provide a broad range of integrated services at a community level.

Property management

Our specialist market rent and tenancy management company, Touchstone, continues to deliver innovation through its partnerships with Moorfield, Dolphin Living and Matrix Homes. Alongside their work, we are developing a market rent fund.

Residential Management Group (RMG) is one of the leading residential property management businesses in the UK, providing management and support services to the public and private sectors. During 2015–16, this position was strengthened by the acquisition of F&S Property Services. Together with strong organic growth, RMG now has 100,000 units under contract in the private sector. In the public sector, RMG has grown its relationship with Westminster City Council and secured work with a number of other boroughs.

Leisure management

Through Places for People Leisure, we currently manage 114 local authority leisure centres and operate two private Places Gyms. In 2015–16 we were awarded two new leisure management contracts and a further four existing contracts were extended. During the 2015–16 year, construction has been underway on two Public Private Partnership (PPP) contracts in Hinckley and Wyre Forest. These two new leisure centres will open in summer 2016, in addition to two new sites in Sheffield and one in Tewkesbury, constructed by the local authority.

Development and construction

Our development and construction businesses collectively make us one of the largest developers of new homes in England and Scotland. We aim to deliver over 15,000 new homes in the coming years with significant developments in London, Milton Keynes, Aberdeen and Swindon.

Placemaking and regeneration

Many areas need ambitious and transformative regeneration and development programmes to drive investment in their communities. At the same time, public sector bodies continue to face unprecedented financial constraints and need to ensure that they achieve the best returns on the investment of their assets while supporting sustainable communities.

Our placemaking and regeneration business aims to respond to these challenges. Through our extensive network of joint ventures, we are building new homes in the Olympic Park and at Ruskin Square, Croydon. Over the past year, we continued to progress projects through our joint venture with Urban Splash, including Park Hill (Sheffield), Smith's Dock (North Tyneside) and Lakeshore (Bristol).

Retirement

Our retirement business is growing steadily, providing properties for sale, shared-ownership and rent that are complemented by a range of care and support services.

In 2014 we acquired Girlings Retirement Rentals. The company manages 2,472 properties in over 570 retirement developments throughout the UK. We are developing new retirement housing via Places for People Retirement and our Inspired Villages joint venture with English Care Villages, through which construction of retirement villages in Warwick and Tattenhall is underway.

We are now registered as a fund manager and are developing a retirement fund to enable us to grow our output even further.

In addition to these key markets, the Group generates turnover from a portfolio of private rented and commercial properties and other services, such as financial inclusion and energy, which add to the Group's wider placemaking ethos.

Operating environment

Understanding the operating environment in each of these markets has been key to our success to date. That insight and understanding will remain crucial in the coming years and forms a core part of our future strategy.

Over the past year we have seen significant changes in our operating environment. Some of these, such as global economic trends, the value of the pound, the economic consequences arising from the recent decision to leave the EU and the move towards localism, have an impact on all aspects of our business. But there have also been sector-specific developments. For example:

In the **affordable housing** sector, a series of government policy measures are likely to drive rationalisation in the housing association sector in England. These include a new rent settlement for social housing in England which delivers a cumulative 1% rent cut over the next four years, a new voluntary deal to extend the Right to Buy to housing association tenants in England, and the announcement that the Office for National Statistics has reclassified housing associations in England as public bodies.

In **development and construction**, we have seen continued constraints in housing supply. While there have been some signs that government reforms have boosted housebuilding, there is little sign that the current policy and delivery system is equipped to deliver the step change in housing supply required in England.

In the **leisure sector**, the market for contracted-out leisure services continues to grow as councils face increased spending cuts and seek new ways to sustain vital services. Over the past few years there has been a marked change in the way more councils have appraised and tendered their leisure facility options.

These include a more collaborative approach with longer contracts lasting a minimum of 10 years and a wider range of facilities than those offered by traditional leisure centres, including theatres, parks and outdoor tennis courts. Due to the financial pressure experienced by local authorities, these clients are increasingly anticipating to receive a receipt for the management of leisure facilities rather than to provide a subsidy.

Continued demographic pressures point towards increased demand for specialist housing for retired people. Despite these pressures and little sign of significant new market provision, there have been relatively few new policy interventions to boost supply of new specialist housing. We continue to work closely with our research partners, Government and politicians to develop models to boost specialist supply in future.

Our approach

The Group works across the whole of the property value chain. We offer a range of delivery models that enable different terms, risk profiles and fund requirements to be quickly appraised. These offers are proving competitive in the market place, appealing to both public and private sector investors. We then employ the skills of our property management and affordable housing companies, to agreed commercial terms and operational standards.

The wider Group experience in design, planning specification and construction is proving an added-value offer to investors as it ensures their property portfolio is robust, efficient and appropriate for their target markets. This end-to-end offer makes us a strong partner.

Managing cyclical pressures

A key strength of this integrated approach is the ability to deliver a business that is resilient and able to act both cyclically and counter-cyclically. If the market drops, the Group is well positioned to change the tenure of new housing to market rent for institutional funders in order to protect revenues. The diversity of the Group also strengthens this approach. Unlike many other large developers, we have a significant private rented business ready to manage and market a greater number of properties, if necessary.

In addition, more than 50% of Group turnover is now drawn from non-social housing activities. This builds in resilience against further changes to the social housing rent regime or other welfare changes. A key strength of our broad suite of management interests, such as Places for People Leisure, is that they demand relatively little capital.

Affordable housing

As a leading provider of affordable housing, we aim to reduce the reliance of the sector on government funding and play a full and active part in recent government initiatives.

- Performance of our affordable housing businesses exceeded targets and positions us amongst the best performing in the sector.
- Remodeled and relaunched our specialist support business under the Places for People Living+ brand.
- Invested £97 million maintaining and improving our homes, including a £3 million painting programme.
- Introduced an innovative fund to reinvest profits from the sale of homes back into the local area.

The challenge

A series of government policy measures are driving rationalisation in the housing association sector in England. These

include a new rent settlement for social housing which delivers an annual 1% rent cut for the next four years and a new voluntary deal to extend the Right to Buy to housing association tenants. These policy changes, combined with increasing customer expectations, have led us to continue our focus on driving efficiencies and maximising the benefits of economies of scale. In practice, this means concentrating on efficient service delivery and increasing our capacity to deliver across the housing market through organic growth and our partnership approach, while managing risk through careful analysis of the operating environment.

Key achievements

Improving on previous best

Our performance culture is based around high-quality, high-value services, evaluating success and continuous improvement. In 2015–16, our performance exceeded targets and positions us amongst the best in the sector.

Places for People Homes is the Group's social housing provider in England (excluding East Anglia), managing 38,466 properties. Despite the recent challenges of welfare reform, the organisation exceeded its current and former tenant arrears targets, achieving year-end performance of 2.5% and 0.54%. Across the 3,400 properties managed by Cotman Housing Association, there was a 31% fall in tenancy turnover, a reduction of almost a third in re-let times to 11 days, and a reduction in void repair costs from £1,414 to £830 per void property; all contributing towards high levels of customer satisfaction and driving strong financial performance.

Castle Rock Edinvar is one of Scotland's largest housing associations, managing 6,226 properties. A further 1,022 affordable homes are managed by its subsidiary, Places for People Scotland. Performance and customer satisfaction levels surpassed the previous year's, with highlights including improved profitability, 100% gas servicing and an impressive 25% increase in overall customer satisfaction to 93%.

Service delivery efficiencies

Amid the fast-changing operating environment, we are remodelling our affordable housing businesses in England to reflect the reduction in rental income. The strength of the Group has enabled us to reconfigure the services we provide to make the necessary savings without impacting on the Group's profitability.

We have continued to innovate and invest in technology to create efficiencies, and improve both our effectiveness and customer service, by streamlining operational processes and increasing customer self-service. This continued efficiency drive resulted in streamlining our lettings website, rationalising our landscapes and grounds maintenance operations and extending the service to new areas, rolling out new real-time repair-scheduling software and relaunching our online customer service portal.

During the year, we remodeled our specialist support business, Places for People Living+ (formerly Individual Support), to reflect the changing care market, the reduction in Supporting People funding and the opportunities arising from the ageing population, resulting in a new offer relaunched under the Living+ brand. It operates as a support specialist, providing accommodation and support for people with complex needs in England. Living+ was awarded a three-star 'outstanding' accreditation from the Centre for Housing and Support (CHS), making it just one of six providers nationally to achieve the highest standard.

Investing in homes and communities

We support the long-term sustainability of the neighbourhoods we manage through community investment, nationwide initiatives and innovative local projects. During 2015–16, we invested almost £97 million maintaining and improving homes, including a £3m national painting programme and completing over 140,000 repairs. Our new 'kerb appeal' programme invested a further £650,000 in 66 projects to improve the external appearance of our neighbourhoods.

We also introduced an innovative community investment fund whereby profits from the sale of homes are reinvested back into the local area. The sale of 16 homes created a fund of £900,000 that supported the provision of youth and community development workers, community events and social inclusion projects. Our Lottery-funded Aspire youth project in Lancashire supported an overall reduction in anti-social behaviour of 43% in one of our largest neighbourhoods. Places for People Homes, Living+ and Cotman all worked with Places for People Leisure to deliver a number of health and housing initiatives, including discounted swimming memberships, activity days and exercise classes for residents.

Sustaining tenancies

We continued to invest in our homes to help older people lead independent active lives and participate in their local community. Cotman's award-winning 'outreach for older people' contract has been extended for a further two years. The service provides floating support to help older people in Norwich retain independence and achieve better health

outcomes.

A focus on reducing social isolation through digital inclusion saw Castle Rock Edinvar begin to roll-out Wi-Fi access in its sheltered housing schemes, with all homes benefitting from free internet access by 2017. We also continued to invest in energy efficient technologies. Places for People Green Services focuses on developing new business opportunities and investing in innovative products around the green agenda. An opportunity facilitated by Places for People Green Services resulted in 170 solar panels being fitted to homes owned by Cotman to make heating more affordable and cut utility bills.

In Scotland, we secured a £3.2m government grant to install innovative heat batteries in homes to tackle fuel poverty. This was part of a much wider programme of works to meet the new Energy Efficiency Standard for Social Housing. The standard came into effect in Scotland last year and will see Castle Rock Edinvar invest over £5m in energy efficiency measures by 2020.

Property Management

Managing 98,840 properties across a range of sectors and tenures, we have several specialist management companies, all expert in their own areas of delivery.

Key highlights

- RMG exceeded 100,000 units contracted for management for the first time in its 100-year history.
- Touchstone secured its first on-site management contract positioning it to deliver many more build to rent contracts.
- Achieved average lettings times of 10 days across the Manchester Housing Investment Fund portfolio.
- Touchstone refreshed its brand identity and proposition to reflect its data-driven approach.

The challenge

The sustained growth in the private rented sector, now accounting for a larger market share than social rent, has continued to present both challenges and opportunities for the Group. Recent policy changes, such as the higher rate of stamp duty for buy-to-let properties, are expected to have a negligible impact on investment in market rent, dampening interest only among small buy-to-let landlords, with institutional investors continuing to capitalise on the rapidly expanding market. Our property management businesses continue to evolve at pace to meet the changing demands of investors and landlords, and the increasing expectations of tenants and leaseholders within this rapidly changing market.

Key achievements

Business growth

RMG, our specialist leasehold and block management company, exceeded 100,000 units contracted for management for the first time in its 100-year history. This 15% year-on-year growth was achieved by winning a number of new contracts and the acquisition of Southampton-based F&S Property Management, which has 4,400 units under management. This acquisition provides a strong platform for further growth on the south coast through an established, trusted brand. In the public sector, RMG continued to strengthen its relationship with Westminster City Council, increasing the number of homes in its private sector leasing scheme for homeless people and extending its offer through the introduction of a new public sector consultancy service, which has secured work for RMG with a number of other London boroughs. Since joining Places for People in 2013, RMG has become an important part of the Group's integrated development and management services, with 76,402 units under management and a contracted order book of a further 24,919 units under construction.

Integrated solutions

Our specialist market rent and tenancy management company, Touchstone, continues to deliver innovation through its partnerships with Dolphin Living, Matrix Homes and Moorfield. Touchstone is working with other Group companies to deliver over 400 new-build affordable homes in Central London for Dolphin Living through our integrated property management approach. Touchstone also helped to stabilise the much-publicised New Era estate in Hoxton, where a major challenge was to implement a new management regime. We are seeing more and more clients wanting this one-stop shop service. Through the pioneering Manchester Housing Investment Fund we manage and maintain market rented family homes across five suburban areas for Matrix Homes, achieving average lettings times of 10 days. The ownership structure – with Places for People taking a 20-year operating lease and Touchstone managing the homes – has helped forge a progressive template for other pension funds and local authorities to follow.

Build-to-rent opportunities

Touchstone is perfectly placed to deliver comprehensive management services to build-to-rent projects. Touchstone secured its first contract to deliver on-site management at Moorfield's 'The Keel' development on Liverpool's waterfront. At this conversion of an ex-HMRC building into 240 apartments, Touchstone worked with Moorfield and its partners through the design, marketing and mobilisation stages to deliver a genuinely new offer in the city's rental market. We expect that the sustained growth in the build-to-rent market will present further opportunities over the coming years. To further support its growth, Touchstone created a strategic alliance with Legal & General and Laing O'Rourke to work with the public sector to generate long-term revenue streams by developing market rent properties on public sector land.

Driving up standards

We are at the forefront of the emerging and increasingly well-regulated professional private rented sector and are focused on driving up standards. The growth of 25-34 year olds renting privately looks set to continue, with more people in this age group now renting privately than buying their own home (English housing survey 2014 to 2015, DCLG, 2016). This, coupled with continued investment in the sector, is giving customers more choice which, along with higher expectations, is driving increased competition. To stay ahead of its competitors in a fast-developing market, Touchstone refreshed its brand identity and its proposition to reflect its data-driven approach and renewed focus on customer service. RMG's investment in technology to improve services continued with the launch of new online customer self-service and digital communications.

Leisure Management

Leisure and recreational facilities are an important factor in creating successful places and are an important part of our placemaking approach.

Key highlights

- Being awarded two new leisure management contracts and four contract extensions with existing local authority clients.
- Winning ukactive 'Leisure Centre Operator of the Year' for the third consecutive year and 'Leisure Centre of the Year' for the second consecutive year.
- Being the only leisure operator nationally to be rated 'outstanding' by the UK Quality Scheme for Sport and Leisure (Quest) with the highest scoring sports development team for the second year running.
- £7.7 million capital investment in centre and equipment upgrades

The challenge

The continued growth of the low-cost gym market is increasing consumer choice and accessibility across the country, presenting an attractive alternative for those looking for gym-only membership or, in some cases, exercise classes, too. Responding to the emergence of the low-cost gym market around four years ago, Places for People Leisure was the first non-private management operator to introduce a low-cost gym-only offer. 53 of our sites are now part of this scheme, which has been an integral part of our membership growth to 142,000 members. During the year, we also opened our second budget gym under our Places Gym brand, in Corby, and began construction of our third, which opened in Preston in June 2016.

Key achievements

New contracts secured

Our leisure management service continues to be an attractive proposition to local authorities, enabling them not only to reduce their revenue costs but to increase participation and physical activity levels. Despite the local authority leisure contracting market becoming increasingly heated over the last two years, Places for People Leisure won two new leisure management contracts during the year, both 10-year contracts, for Dartford Borough Council and Sheffield City Council. A further four local authority contracts were extended – in Eastleigh, Horsham, North Somerset and Newport Pagnell – taking the number of centres managed to 114 along with two Places Gyms. In Eastleigh, we were awarded a 20-year contract extension to manage the new £28m replacement of Fleming Park Leisure Centre due to open late 2017.

A five-year extension from 2022 to the existing contract in Horsham includes the management of the new Broadbridge Heath leisure facility and the seven-year contract extension in Newport Pagnell includes a £250,000 refurbishment at Middleton Pool. Performance in the year was strong too with like-for-like income growth across existing contracts increasing by 3.1% during the year and an increase in Earnings Before Interest and Tax (EBIT) in those contracts of 5.2%.

More new centres

In the last 10 years we have designed and built more leisure facilities than any of our competitors. We have completed

12 new leisure centres, with a further two currently under construction and due to open in 2016 and 2017. Our outstanding track record of delivering 'Design, Build, Operate and Maintain' contracts continues to attract interest from local authorities looking to replace ageing leisure centres and to rationalise facilities to reduce costs. The new state-of-the-art centres we have built boast some of the finest facilities in the country, including four Sport England exemplar sites and two centres named 'Leisure Centre of the Year' in 2014 and 2015. The £25m Wycombe Leisure Centre exemplifies the positive impact the provision of modern facilities can have on participation levels. Within a month of opening in March 2016, the number of adults and children taking part in swimming lessons almost doubled and the number of members increased from 2,600 in the old centre to over 4,300. The state-of-the-art centre has greatly improved the leisure offer to local residents, quickly establishing itself as a destination of choice, whilst generating efficiencies for Wycombe District Council.

Innovation and engagement

As a social enterprise, not-for-dividend business Places for People Leisure's operations extend far beyond facilities management, widening the opportunity for all sectors of the community to take part in recreational physical and health related activity. Initiatives during the year included physical activity pathways for cardiac and heart failure patients, working with schools to raise awareness of the importance of activity and driving participation in gymnastics. We offer under-8s free swimming at all of our pools, when accompanied by a paying adult, thereby encouraging family participation, improving quality of life and engagement in physical activity. Almost 13,000 under-8s took part in the programme last year.

All pools are equipped with our exclusive Swimtag® technology offering free access to personal swimming data to all members. 6,400 regular swimmers covered 41,000km during the year, burning a collective 12 million calories every month.

We signed a formal agreement with children's holiday provider Fit for Sport, who will now deliver Places for People Leisure's holiday activity programmes. Places for People Leisure previously worked in partnership with Fit for Sport at West Bromwich Leisure Centre, conducting a successful pilot of the Sport England funded 'Engage to Compete' programme. 5,477 children from 22 primary schools participated in this pilot.

In 2014 we were awarded a three-year contract to deliver behaviour change weight management programmes for adults and children in Rotherham. In its first year, the initiative has supported 855 participants to lose or maintain weight, with 80% of people remaining with the programme – significantly higher than the national average – and a collective weight loss of 2,615kg.

Investing in people

As one of the leading apprenticeship providers in the leisure industry, we pride ourselves on our continuous investment in supporting both current and new employees to achieve quality apprenticeships with us. At any one time Places for People Leisure has around 400 staff undertaking apprenticeships. Last year, 76% apprenticeships were completed, above the industry average. Our Rising Stars management development programme produced another 15 graduates, with a current total of 58% of all graduates now working in senior operational roles across the leisure portfolio, including 88% of our first cohort of graduates from 2013. In partnership with British Gymnastics, we have created a jointly-funded role to drive participation in gymnastics and trampolining, exceeding the initial target of 5,000 participants in January 2016.

The future landscape

In December 2015, the Government launched 'Sporting Future', the first strategy for sport for more than a decade. Over recent years we have engaged closely with national stakeholders such as Sport England, National Governing Bodies of Sport and our Chartered Institute, CIMSPA. As a result, we have become well placed for the receipt of grants, chosen as an early reliable partner for innovative pilots and in turn this has enhanced our reputation. Many of our Directors and senior managers are on sector leadership groups and, as delivery strategies emerge for the next five years, we feel we are well placed to capitalise on these.

Development and construction

Places for People is among the top 25 housebuilders in the UK and one of very few housing associations to have an in-house construction capability. This integrated offering strengthens our ability to respond to challenges, capitalise on opportunities and operate more efficiently. Across the Group we have a development pipeline of over 15,000 new homes.

Key highlights

- Continued integration of our development and construction businesses further enhancing our capabilities, skills and acquisition and synergies.
- Successfully delivered year one of our 2015-18 HCA Affordable Homes Programme.
- Completed 279 new homes for affordable sale and rent in Scotland, including award-winning homes in East Dunbartonshire.

- Allenbuild completed their first construction projects for Places for People, converting former offices in Bristol and London into residential apartments.
- Secured the HCA's first custom-build development site, placing us at the forefront of a growing market.

The challenge

More new homes are needed in Britain to address the housing shortage caused by continued undersupply and growing demand in the market. Adding to the challenge is the need to increase volumes at a time of skill shortages and rising construction costs in some parts of the UK. The mortgage market has continued to improve in terms of both rates and availability, but affordability remains an issue for some.

Key achievements

Building more homes

Due to being selected to deliver a number of major housing projects and our continued success in securing new development land and planning consents, we have tripled our development pipeline of new homes, ensuring that we play a significant role in addressing the UK's housing shortage. Through the acquisition and integration of design-led housebuilder ZeroC and contractor Allenbuild, we are better able to manage the impact of skills shortages and rising costs with direct access to suppliers and sub-contractors and reduced overheads; another benefit of our integrated approach to development and construction.

Affordable housing

Despite major changes in the funding and policy environment, we succeeded in delivering our planned affordable housing programmes in England and Scotland by completing 314 new affordable homes and starting a further 400 on site.

The introduction of social housing rent reductions from April 2016 has had a major impact on the viability of developing new rental properties through the Homes and Communities Agency (HCA) Affordable Homes Programme (AHP) for 2015-18 in England. By converting some schemes to shared ownership, we met our commitment to deliver 35 new homes and started a further 127. During the year, successful bids for additional schemes have seen our AHP programme increase from 321 to 439 homes, all to be delivered without the need for new grant.

Through our affordable housing programme with the Scottish Government and the City of Edinburgh Council, we completed 279 homes for affordable sale and rent in Scotland. Developments included the multi-award winning dementia-friendly older person housing at Fortune Place in Edinburgh, which includes a Big Lottery funded garden room and programme of social activities, and the first 68 homes in the Harvesters Way regeneration project in Edinburgh. The first 19 homes were completed in the ground-breaking Falkirk Pension Fund initiative, the first local authority pension fund to directly invest funds in social and affordable housing in Scotland. The fund manager, Hearthstone Investments, has agreed a £15 million loan facility with Places for People and Castle Rock Edinvar to deliver and manage the initial phase of new homes.

Securing land

We have continued to secure high quality land in the right locations which has contributed towards the rapid growth of our development pipeline. Our success is based on our strong relationships with large, responsible landowners and our ability to work with them to create long-term value. Together with our comprehensive assessments of local market conditions and our extensive consultation and planning experience, we continue to deliver a wide range of homes — from one-bedroom city centre apartments to large, family homes in rural locations — across all tenures. In the last year, land has been secured through landowners including the Rothschild Foundation and the HCA — and, owing to our strong track record of delivering outstanding homes at the exemplary Poundbury estate in Dorset, a further two sites have been secured on land owned by the Duchy of Cornwall.

Placemaking and regeneration

Our focus has always been helping people reach their potential by creating the environments and places they need to thrive. We look beyond simple bricks and mortar to deliver what an area needs in order to prosper. The development and management of aspirational homes and inspirational places remains our priority into 2016 and beyond.

Key highlights

- 1,150 new homes to be built on the 43-acre Icknield Port Loop site.

- £300m Limited Liability Partnership (LLP) agreed with Aberdeen City Council that will see up to 3,000 new homes delivered across the city.
- Consent granted for East Wick's zonal masterplan which will deliver up to 900 new homes in the first phase of the Queen Elizabeth Olympic Park project.
- Second primary school completed at our 2,500 home Brooklands development in Milton Keynes.
- Secured planning consent for first two phases of major regeneration project at Smith's Dock, North Tyneside.

The challenge

Our major challenge remains the building of successful places, particularly in an environment where both the public and private sectors are being asked to achieve more with less resource. Within the process of creating successful places, we take care to include homes across a range of tenures, and provide the amenities and infrastructure for a place to thrive. All of this is achieved while ensuring our partners and investors achieve their social and community objectives, delivering an extensive placemaking service that is like nothing else offered in the UK.

Key achievements

Major contract wins

During 2015–16, we agreed a pioneering partnership with Aberdeen City Council to create up to 3,000 new homes in the city. The £300m Limited Liability Partnership (LLP) is the first of its kind to be signed in Scotland, and will deliver new homes across Aberdeen without any government subsidy or grant funding. Under its initial plans, the partnership will deliver 2,000 homes for rent with the potential for a further 1,000 properties in what is our largest housebuilding project in Scotland. We will take a placemaking approach to construction. Key services and infrastructure, such as shops, schools, transport links, and leisure and healthcare facilities, will be incorporated into the developments.

We also formed Icknield Port Loop LLP with Urban Splash, Birmingham City Council, and the Canal and River Trust. We can now develop Icknield Port Loop in Birmingham, one of the most significant brownfield regeneration schemes in the UK. A total of 1,150 new homes will be built on the 43-acre site.

Large-scale developments

Our landmark housing development at London's Queen Elizabeth Olympic Park is a step closer to delivering its first phase of a total of 900 new homes.

Consent was granted for East Wick's zonal masterplan in December 2015, and a detailed planning application for phase one of this development is now in production. The overall project will deliver a diverse range of housing for the capital, with up to 30 per cent of the total 1,500 homes being affordable and 500 available for private rent.

A second primary school opened in September 2015 at our award-winning Brooklands development in Milton Keynes. The first campus opened five years ago, and in total they provide 1,320 school places and 120 nursery slots. When complete, the Brooklands development will include 2,500 homes alongside parks, open spaces, and a local centre including shops and office space.

Urban Splash joint ventures

Our partnership with Urban Splash continues to flourish, and this was demonstrated through significant progress at Smith's Dock in North Tyneside and Park Hill in Sheffield. The redevelopment of the former Smith's Dockyard will create 815 new homes, and the securing of planning consent for the first two phases means we can start to build 34 waterfront townhouses and 80 apartments across two buildings known as the Smokehouses. Construction is scheduled to commence by August 2016.

In Sheffield, the first phase of the major regeneration project at Park Hill, the largest listed building in Europe, was completed. Sales and lettings have been underway, generating strong interest from buyers and renters alike. Phase two has now started, and 182 apartments will be delivered in total.

Other projects

The quality of our placemaking has been reflected in the demand we have experienced at our major development sites. Construction of Vita at Ruskin Square, Croydon, is on track to be completed in August 2016. Vita has an imposing 22-storey tower, with spectacular views over countryside and down towards the south coast, a superb roof garden and attractively designed private communal space at ground level. It will house 161 new mixed-tenure homes.

In Manchester, the final rental home was handed over in a ground-breaking deal between Places for People, Manchester City Council, and the Greater Manchester Pension Fund. The Manchester Housing Investment Fund represents a new partnership model that delivered 240 family homes across five sites in Manchester. Places for People secured a 20-year lease to let and manage 119 units as private rented sector family accommodation.

During 2015–16 we have continued to promote Gilston Park Estate in Harlow, our major strategic landholding to the north of Harlow, through the East Hertfordshire and Harlow District Plan processes. Our proposals for the 2,500-acre site, which can provide up to 10,000 new homes, are progressing positively. This major investment would bring over

£500 million of infrastructure investment by the Group into the area, and help drive sustainable economic growth and the regeneration of the neighbouring area in Harlow. During the year, we sponsored and attended a number of local events such as the Heart 4 Harlow awards and the Harlow Business Exhibition.

Our Placemaking Hub has also been established, giving clients a platform where they can access all the services required to develop mixed-tenure housing through an OJEU-compliant framework.

Retirement

Aware of the increasing housing and care needs of an ageing population, we have long understood the importance of the retirement market as a key growth area. Places for People Retirement's vision is 'to become a market leader in the provision of aspirational housing, financial and lifestyle services for the over 55's'. In aiming for this, we are building on a solid platform of work over many years.

Key highlights

- Places for People Retirement established to drive forward our ambitious growth plans in the retirement market.
- 4,593 homes for older people and 2,658 supported housing units managed.
- 257 homes in development across two luxury retirement villages.

The challenge

By 2030, 1 in 3 people in the UK will be aged 55 or over, and the number of people aged 60 or over is projected to rise from 14.7 to 20 million. People are not only living longer, but living more active lives. Combine this demographic shift with changes in pension law and care funding, and a market that has been generally slow to respond, and it is clear that there is a significant opportunity here for Places for People. There is currently a significant undersupply of suitable retirement accommodation and these changing demographics will only exacerbate the lack of supply. Our retirement businesses are well placed to create and provide aspirational, mixed-tenure homes increasing the choice and quality available to this target market.

Key achievements

A holistic retirement strategy

Places for People has a 50-year track record of providing high quality housing and support services, including homes for the over-55s and those requiring care. Across the Group we manage 4,593 homes for older people and a further 2,658 supported housing units. Our portfolio includes 80 supported housing schemes for over 55s in England and Scotland, and 310 units of rented Extra Care accommodation for over 55s across 8 specialist schemes. Through Places for People Living+ and Places for People Scotland Care and Support we provide personalised care and support to over 7,000 customers across the UK.

Building on the Group's existing capabilities and through partnerships with retirement housing specialists, we are now creating an expanded portfolio of investments and developments with excellent services and amenities, which offer security, outstanding quality of life and the flexibility to meet the changing needs of active and aspirational retirees. During the year we created Places for People Retirement, bringing together the Group's market rent and sale activity in the retirement market to maximise efficiencies and opportunities. This will enable the Group to deliver a comprehensive offering, including design, development, sales, management and care services.

Creating new retirement villages

One of the ways that Places for People is moving forward rapidly in the retirement market is through joint ventures. Working with English Care Villages, a joint venture partner with more than 25 years' experience in this market, construction of two retirement villages in Cheshire and Warwickshire began in 2015 with sales progressing well. Each retirement village offers a collection of luxurious apartments, supported by outstanding facilities within a safe and secure village environment.

The Warwick Gates development in Warwick will provide 118 assisted living apartments built in a cluster to create an attractive street scene and village environment. For those that want to live within the main village centre building there will be homes offering a greater level of care. The first 49 properties at Warwick were handed over in May 2016.

In the Cheshire village of Tattenhall, 95 spacious assisted living apartments and 18 close-care apartments are being developed. A further 56 units are being developed in the village centre building for those with higher dependency needs. The first homes at the Tattenhall retirement village will be handed over in August 2016.

Each village will offer high quality homes to buy or rent, combined with a range of social and leisure facilities, along with personalised care and support via the on-site team. These are being marketed under the 'Inspired Villages' brand.

Growing our market share

We are also progressing planning applications for developments from our own land bank, and seeking additional new investment and development opportunities. Looking ahead, Places for People Retirement will be working across the Group to identify opportunities in all areas of the market — accommodation, services, care and technology-driven innovation — to help strengthen our integrated offer. We have allocated £20m capital for our retirement development programme in 2016–17 and, together with our investment partner Octopus Investments, aim to substantially increase funding for retirement developments over the coming years. This will further enhance our position in the retirement village market, with a full set of services delivered on site to meet demand in this fast growing sector of the market. During the year, we gained fund management accreditation from the Financial Conduct Authority and will be developing a retirement fund to enable us to grow our output even further.

Retirement rentals

In 2012–13, we took our first step in increasing our presence by acquiring a portfolio of market rent retirement properties. In 2014, we acquired Girlings, the UK's leading retirement rentals business, which had previously managed a large retirement portfolio on our behalf. The demand for high quality rental homes in the retirement sector continues to grow as customers seek greater choice and lifestyle flexibility. Girlings is the market leader, renting 2,472 specialist retirement properties in more than 570 developments across the UK. In 2015–16, Girlings had 2,625 tenants in residence. It arranged the purchase of 44 new properties and the sale of 12, let 355, conducted 2,048 rent reviews and renewals for clients, and received 139 new client landlord instructions.

Financial review

Profit and loss for the year

The Group turnover for the year was £616.6m (2015: £564.3m), a 9% increase over the previous year.

This increase has predominantly been driven by an increase in non-social housing development and construction of £56m due to a full year results of Allenbuild and ZeroC for the Group and an increase in Leisure management turnover of £14m due to an increase in like-for-like sales and the commencement of four new contracts during the year. In addition, there has been an increase in turnover in the Group's retirement management, financial services and energy services. These increases in turnover have been partially offset by a reduction in social housing activities by £25m due to reduction in social housing property sales of £35m, a reduction in domiciliary care services of £2m partially offset by an increase in social housing lettings of £13m.

The Group had net current liabilities of £341.4m which reflects a higher level of borrowings due within one year in 2016 of £523.8m compared to 2015 of £54.5m. The Group has already refinanced £295.9m of these borrowings subsequent to 31 March 2016.

Treasury management

The table below shows the key treasury performance indicators for the year together with the comparative information for the previous four years.

	2016	2015*	2014*	2013*	2012*
Total loans (£m)	1.763	1.720	1.629	1.771	1.604
Interest cover before depreciation	2.1	1.6	1.6	1.5	1.4
Interest cover after depreciation	1.5	1.3	1.3	1.2	1.2
Operating cash interest cover	1.8	2.1	1.4	1.7	2.3
Liquidity	1.9	2.2	1.8	2	2.4
Gearing	55.1%	54.6%	50.8%	51.1%	49.2%

*These figures are from the previous years' financial statements as reported under old UK GAAP. The 2016 figures are reported under the new Accounting Standard FRS102

Group borrowings increased by £42.7m during the year. Group gearing, based on tangible assets at carrying value, rose

slightly from 54.6% to 55.1%. Both operating and profit based interest covers remained strong as a result of continuing robust cash generation and profitability from operating activities. The Group's policy is to retain minimal cash whilst ensuring that sufficient committed loan facilities are available and immediately accessible to finance a minimum of one year's cash flow. Cash projections cover a three-year period to effectively monitor future borrowing requirements including the refinancing requirements falling due in 2016–17. Since the end of March 2016, £295.9m has been refinanced.

The borrowing strategy is to contain interest rate risk to below 30% of the loan book, with the board exercising strict control over derivative transactions and their associated risks. This target has been met as currently 81.0% of debt is at fixed rates of interest at the end of the year, while a further 1.7% is hedged against adverse interest rate movements. The Group has moved to a more efficient structure over the last twelve months whereby a new treasury vehicle, Places for People Treasury plc, will be covering the entire affordable housing operations of the Group. This treasury vehicle will not have any on-lending to any commercial subsidiaries in the Group. The four affordable housing entities are Places for People Homes, Places for People Living+, Cotman and Castle Rock Edinvar. The structure will allow for a more efficient use of the Group's balance sheet and drive cheaper and more efficient borrowing costs. All refinancing within these four entities will be carried out in the new Treasury vehicle as and when it falls due. Facilities have already been refinanced in the new vehicle amounting to c£490m. The arrangements will be that any facilities required by each of the four affordable housing entities will be raised in Places for People Treasury plc with a straight pass through to the relevant entity and so each entity will only be liable for its own facilities.

The commercial parts of the Group are funded by project specific facilities and have no recourse to the core social housing assets of the Group.

The Group's investment activity is governed by strict counterparty credit criteria and investment limits. The Group continues to be compliant with covenants for funding arrangements. Further information on the Group's financial instruments, including a maturity profile, can be found in note 27 to the financial statements.

Pension funds

The board has reviewed its obligations arising from employee pension funds and is satisfied that its liabilities are properly identified, planned and accounted for. The Places for People Retirement Benefit Scheme (the Scheme) was closed on 1 September 2004 to new employees and was closed to future benefit accrual in October 2010. All new employees joining the Group now have the option of joining a pension scheme to which the Group contributes.

Change of Accounting Standards to FRS102

The financial statements to 31 March 2016 are the first financial statements to be produced under the new Accounting Standard FRS102. These financial statements also include the revised Housing SORP which was published in September 2014. The results for the year ended 31 March 2016 have been prepared and reported under FRS102 and the 2015 comparatives have also been restated in accordance with FRS102.

A full analysis of the changes that have been made as a result of the change of Accounting Standards is disclosed in note 34.

Value for money

Strategy, objectives and return on assets

The Group continues to develop a diverse asset base and set of businesses including core affordable housing operations but also an increasingly important range of supporting businesses that each contribute to the Group's overall vision of 'working to provide aspirational homes and inspirational places'.

The Group's strategy includes aiming to strengthen its financial position by managing its resources economically and effectively. As investment capital is limited, achieving effective resource management requires us to deliver value for money by understanding, and responding effectively to, our asset returns across the Group. Whilst different operations have different types of return, including but not limited to financial pay-back, there is always an inherent trade-off between investing in one type of asset rather than another.

Recognising this choice requires the Group to appraise its return on assets in a tailored way appropriate to each operation. As such we set out below how we monitor and continuously improve our return on core housing operations, including setting out some of the recent key metrics that have driven our resource allocation decisions. We then consider how we ensure other assets consistently deliver strong financial and social returns and achieve value for money.

Regulated housing operations - Neighbourhood Strategy

The Group's asset base is continually reviewed to ensure that we are making the most effective investments in the right properties at the right time. This is delivered through our Neighbourhood Strategy.

We continue to develop and deliver the Neighbourhood Strategy in order to assess and continually improve the return on investment from our affordable housing businesses' assets. This utilises our innovative 'Neighbourhub' dashboard product, which enables greater insight and understanding of housing management operational and financial performance.

The Neighbourhood Strategy dovetails with our wider Asset Investment Strategy to provide effective delivery of investment across our stock by:

- Delivering works packages that prioritise the replacement of building components and groups these together logically to maximise value for money
- Ensuring the appropriate balance is achieved between using internal and external contractors
- Delivering the works packages at a neighbourhood level rather than pepper-potted investment to individual properties
- Alignment with other works including compliance and cyclical decorating programmes.

Delivering our Neighbourhood Strategy

The Neighbourhood Strategy is implemented in four stages:

1. Categorisation of housing stock into defined neighbourhoods with aligned staffing structures and reporting systems at a granular level.
2. Development of a dashboard to monitor financial and operational performance management data, including turnover, arrears, void and repair costs over a three-year period.
3. Review of KPIs to assess return on assets focusing on surplus per property (SPP) — this leads to a Red, Amber, and Green (RAG) rating for all neighbourhoods, with clear resource allocation implications for short and long term returns.

The RAG rating is as follows:

Red - financially under-performing neighbourhoods where there is a question regarding the area's medium to long-term sustainability and there is a need for a detailed Option Appraisal to determine the future approach (for example remodelling or disposal).

Amber - financially under-performing neighbourhoods but where the Group has a long-term commitment and where a Neighbourhood Plan will drive improved performance.

Green - generally performing well and requiring continuous improvement rather than major intervention.

4. Addressing key issues facing 'Amber' areas through a comprehensive 'Neighbourhood Planning' approach and appraising options for 'Red' neighbourhoods.

Our Neighbourhood Strategy utilises a number of key measures which ultimately drive the overall SPP. This provides housing staff with a clear picture of their performance which can then be considered alongside depreciation costs, management costs and major works investment.

The key objective is to improve the neighbourhood SPP by creating sustainable tenancies and commercially managing neighbourhoods. The table below shows both the average SPP across the Group per unit with four years' of comparatives:

	2015-16	2014-15	2013-14	2012-13
Surplus per property before depreciation	£3,119	£3,080	£2,842	£2,522

In terms of neighbourhood bandings, as the following table indicates, over the last six years there has been a reduction in both 'Amber' and 'Red' neighbourhoods and an increase in 'Green' neighbourhoods. A significant achievement in 2013-14 was that our Neighbourhood Strategy has resulted in no areas being classed as 'Red'. This performance continued in 2014-15 and 2015-16 alongside a higher proportion of schemes being classified as 'Green' rather than 'Amber'.

Financial year — data analysed	Green	Amber	Red
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2010–11	88.0%	9.0%	3.0%
2011–12	91.0%	8.0%	1.0%
2012–13	93.5%	6.0%	0.5%
2013–14	94.5%	5.5%	0.0%
2014–15	96.5%	3.5%	0.0%
2015–16	97.5%	2.5%	0.0%

Of the 16 challenging 'Amber' neighbourhoods in 2015–16, 9 showed an increased SPP compared to 2014–15. The total increase for the 3,000 properties in these neighbourhoods was circa £410,000. In addition, the reduction in costs achieved in 2015–16 meant that the breakeven benchmark SPP figure was reduced by £308 per property meaning that these properties brought in an extra £959,000 in surplus, making £1.37m in total. This improvement was driven by undertaking an in-depth assessment of each of the most challenging neighbourhoods leading to a bespoke action plan being created. Action plans, in general, aim to see improvements on five KPIs: customer satisfaction, demand, profitability, tenure diversification and economic activity.

As a result, most areas have seen a detailed focus on issues such as ensuring the customer base is appropriate for the neighbourhood, reducing antisocial behaviour, improving customer involvement and increasing the kerb appeal of properties. Whilst the overall picture in terms of improving neighbourhoods and asset returns continues to be overwhelmingly positive, there are some neighbourhoods where there remains much to do to ensure we are getting the best from what we have.

Benchmarking

For several years we have benchmarked our places against a target SPP. The basic benchmark SPP set for 2015–16 was £2,277 which, as the earlier tables indicate, reflects a general strong and growing return on assets.

In addition, the annual assessment of the Group's neighbourhoods incorporates a more sophisticated approach to benchmarking at a regional level. The SPP continues to be calculated for each neighbourhood. This is then assessed against the contribution that each individual property needs to make to cover management costs, interest costs and a contribution to major works. This enables us to continue to clearly identify which neighbourhoods are meeting the minimum financial requirements. However, in order to drive continuous improvement and to set realistic expectations and benchmarks, a review of regional rent levels and turnover levels has enabled the model to be further developed to provide regional benchmarks against which the assessment and banding approach has been undertaken.

Benchmarking against HCA data

The Homes and Communities Agency (HCA) recently published new analysis on cost variation across the social housing sector. The analysis showed that registered providers have achieved real-term reductions in headline social housing costs per unit over the past five years. However, the report also highlighted a wide variation in headline social housing costs across the sector.

We have analysed our costs against those published by the HCA so that our board and customers fully understand how we compare. The headline social housing cost per unit for the Places for People Group for 2014–15 was £3,110. This places the Group below both the sector average (median quartile) of £3,550 cost per unit and the lower quartile benchmark, making us one of the most efficient providers in the sector.

These headline social housing cost figures include external lease payments for housing properties which we manage. These payments are made to other housing associations for leasing affordable housing stock. Including these payments within the figures distorts the comparison with the HCA's data, as these payments include an element for depreciation of the assets and the cost of finance for the assets, which are both excluded from the HCA's calculation of headline social housing cost per unit. Once those additional costs are stripped out the headline social housing cost per unit for the Places for People Group for 2014–15 it reduces to £2,930.

Across the Group, management costs, maintenance, and major repairs costs were all lower than the median quartile benchmark for the sector in 2014–15. Service charge and other costs remain above the median quartile benchmark but, as we set out later in this report, we have plans in place to reduce operational costs in the coming year.

Although the 2015–16 data is not yet available from the sector, the data in the table on the following page shows how the Group has compared to the prior year. In 2015–16, a decision was

taken to increase the spending on asset management within the Group and increase the level of improvements across our housing stock. As a direct result, the major repair costs per unit has increased in line with expectations. The management costs have fallen from 2014–15 to £710 per unit.

Places for People Group	Headline Social Housing Cost per unit	Management per unit	Service Charge per unit	Maintenance per unit	Major repairs per unit	Other per unit
HCA Benchmark Calculation 2015	£3,110	£720	£460	£860	£670	£410
2015 adjusted for lease payments	£2,930	£720	£460	£860	£670	£230
2016 excluding lease payments	£2,980	£710	£460	£900	£750	£160

2015 HCA Global Accounts Benchmarks

Upper Quartile	£4,300	£1,270	£610	£1,180	£1,130	£410
Median Quartile	£3,550	£950	£360	£980	£800	£200
Lower Quartile	£3,190	£700	£230	£810	£530	£80

Benchmarking to peer group

The use of the Neighbourhood Strategy to monitor return on assets has drawn out the importance of our detailed understanding of the absolute and comparative cost of providing a responsive repairs service for our customers. In addition to comparing our own performance across different neighbourhoods we also use our membership of a benchmarking club (M3) to allow us to compare ourselves with other registered providers operating in the sector.

We recognise that there is still work to do to move the cost of our responsive maintenance expenditure per property closer to the median quartile benchmark. We are continuing our programme of improving the efficiency of the repair service and we have targeted a further fall of £10 per property in our overall responsive maintenance expenditure per property. As part of this improvement we have invested in new technology and we are looking to improve the workflow around our repair processes; this will reduce the level of failure demand within the processes and improve the level of control and the efficiency of the mobile repair operatives.

In parallel with this we have extended our lean systems review of the repair service and focused on the absolute costs of providing a repairs service and removing the 'non-added value' elements of our maintenance expenditure. This ensures that the repair visit is maximised and that all work required is completed in that visit. Although this has the effect of increasing the average cost of a repair visit, it will reduce the number of visits and contribute to the overall reduction in maintenance cost. We are also focusing on our service delivery measures. We have improved the number of jobs completed in one visit; however, both this measure and our emergency response measure are both in the lower quartile. In the next year, we will be targeting these to aim to bring them in line with the median quartile for the sector.

In previous years we have reported on the average cost of a responsive repair; this is an industry standard measure and is as much a reflection of the transfer pricing mechanism adopted as the actual cost of the repair. For completeness we have included this measure in our assessment. However, we are now measuring the actual cost of a repair visit; this is stated below the previous measure and is a reflection of the full cost of a repair visit. This cost includes not just the direct costs of the individual repair but all the main indirect costs, and reflects the full cost of delivering the service. There is no industry benchmark for this. However, we have calculated this for 2015–16 so a comparison of the movement made can be seen.

This supports the other new measure we have introduced — the cost of maintenance expenditure per property.

We have continued to reinforce a repairs and maintenance framework that encourages and supports our customers to look after their home. This has included promoting the rights and responsibilities agenda in our landlord and tenant relationship. This has helped to manage customers' expectations and to stabilise repair demand, which is running at a similar level to 2014–15. The adoption of this agenda did lead to a small reduction in customer satisfaction; this has also stabilised and the lean improvement programme is focusing on the customer journey to simplify this process.

The table below shows Group performance data for repairs and maintenance against the benchmark comparisons published by the M3 benchmarking club.

Our full Value for Money Self-Assessment report can be found at www.placesforpeople.co.uk/valueformoney and includes information from across the business on achievements during 2015–16 and further areas for focus in 2016–17.

Service Measure	2015 - 16 KPI	2014–15 KPI	Benchmark Comparisons		
			Upper Quartile (Green)	Median Quartile (Amber)	Lower Quartile (Red)
Responsive maintenance expenditure per property*New*	£357	£409	£267	£318	£384
Average cost per responsive maintenance repair	£109	£99	£93	£100	£114
Average cost of a responsive repair visit *New*	£125	£144	n/a	n/a	n/a
Number of responsive repairs per property	2.9	2.9	2.4	3.0	3.6
Average repair cost per void property	£1,197	£1,217	£1,598	£1,964	£2,578
Number of void properties	4,068	3,992	n/a	n/a	n/a
Emergency response times	96%	97%	100%	99%	97%
% of jobs completed in one visit (RFT)	88%	86%	96%	90%	88%
Customer satisfaction with the responsive repair service	91%	91%	98%	96%	92%
Landlords gas safety certificates outstanding	0.00%	0.02%	0.00%	0.09%	0.19%

Note – The benchmark comparison are the latest Round 16 (2014–15) published by the M3 benchmarking club.

Corporate Social Responsibility

We are a business with a social as well as a commercial purpose, so creating social value and meeting our corporate responsibilities is at the heart of our operations.

We integrate responsible business principles into everything we do. By investing all profits back into our work, we sustain the extensive range of activities that improve people's lives.

Our board is responsible for developing, delivering and reviewing the Group's corporate responsibility strategy. It comprises four strands:

1. Neighbourhoods
2. People
3. Society
4. Environment

Working across the Group, we embed the strategy into every aspect of service delivery. We do this by helping customers to: access learning opportunities, improve their employment prospects, learn the skills required to maintain a tenancy, participate in their communities, and maximise their health and wellbeing.

Quantifying the financial impact of social value has always been challenging, so we use the recognised HACT social value methodology to assess our investment in social activity across the Group.

This year our Living+ business is working directly with HACT to integrate their social impact model into ECCO, our support planning system, to seamlessly and automatically calculate the social impact value of our support delivery. We will be the first company to develop an integrated support system with the HACT social impact model.

Neighbourhoods

The Group's neighbourhoods are successful and sustainable in the long term and customers are able to reach their potential.

People

We develop the potential of our people and customers in a diverse society.

Society

We work with others to create a fair society and sustainable communities.

Environment

We reduce our environmental impact.

Neighbourhoods

THE TOUCHSTONE FUND [CASE STUDY]

Launched in 2013 and now in its third successful year, the Touchstone Fund has helped hundreds of our customers work with frontline staff to create lasting positive change in their neighbourhoods. To ensure its continued relevance and to address the new challenges facing our customers, the thematic priorities change each year. The 2015–16 programme focused on sustaining tenancies and employment and learning.

The fund supported a range of projects that demonstrated local consultation, and had a positive impact on neighbourhoods and the Group's customers.

Successful bids in 2015 included an affordable warmth project at Spring Bank in Hull, an English Communications project with Salford Foyer and the Whinfield Job Club — a partnership between Places for People, DWP and Asda. Aspire, an award winning youth project offering education, training and pastoral activities to young people in Clayton Brook, also received funding along with digital inclusion projects Mega Bytes and Chips in Leaholme, Chichester and Bognor.

In 2015 – 16 the Touchstone Fund:

- Projects secured the help of 22 volunteers
- Projects engaged with 395 customers.

Our corporate social responsibility work is undertaken across all Group companies and is supported by Places for People Neighbourhoods — a charitable organisation established to support long-term sustainability and social value in the Group's neighbourhoods.

We want everyone to realise their potential and benefit from the economic, social and environmental vitality of our neighbourhoods. Our neighbourhoods are designed with the sustainability of the community in mind. For example, our new developments in Truro and Waddesdon have been designed around central allotment spaces with the aim of promoting social interaction.

We are committed to procuring our services locally and we champion the use of small businesses in our supply chains, with more than 660 SMEs supplying goods and services to the Group nationally. In addition this year, we have also helped to start or grow 63 businesses as a key element of our Economic Development Strategy, providing a boost to the local economy.

Each year the Group is involved in activities which help to make our neighbourhoods great places to live. Here are some of the 2015–16 highlights:

- We continued to celebrate the dedication and positive contribution that our customers have made to their communities and the lives of their neighbours. This year 36 of our customers received awards for their good work at our annual Good Neighbour Awards. 16 year old Josh Lee, a resident of our Lowestoft estate, received a Good Neighbour award after he helped his local community during the 2015 summer floods. Josh worked through the night, helping neighbours move their belongings upstairs.
- The 2015–16 Major Works Social Value Project saw the renovation of one of our complex needs schemes for young people in Bristol. Over five days a team of 40 volunteers from Places for People and our partners, Novus and Keepmoat, transformed the scheme providing training kitchens, well-being rooms and a beautiful outdoor space. One of our customers also received valuable work experience through their involvement in the project.
- In partnership with the London Borough of Hounslow and Hounslow Strategic Partnership, we participated in a comprehensive ethnographic research project on the Meadows Estate. This looked at connectivity across the community and its impact on wellbeing and access to mainstream services. A project involving local stakeholders and residents has been established to build the resilience of individual and community networks, particularly amongst our most vulnerable customers. This work will be evaluated during 2016–17.
- Places for People Leisure continued to offer under 8's free swimming when accompanied by a paying adult. The scheme

- has been successful increasing overall participation by families with children and now we have more than 12,500 children on the under-8's free swimming programme.
- Places for People signed an agreement with children's activity provider Fit for Sport to boost physical activity and completion amongst young children. The programme operates within schools by training staff to maximise playground activity time. Key to its success was wider support within the community through engagement with local families and parents to encourage greater awareness of the need to be more active. 5,477 children in Sandwell primary schools took part in the successful pilot and we are looking to roll the programme out within the next 12 months.
- The former council workshops in Armadale, West Lothian, were refurbished to become the new community base for the Armadale Shed. The local community was consulted on the equipment they wanted to have for their craftwork. The aim is for this to become a self-run community asset, providing a place for local people to socialise and develop new skills and hobbies.
- Places for People Homes held a community event in Springbank in Hull to complement the significant investment made in the wider area. The Get Out and Give day saw 18 members of staff come together with Albany Street Residents' Association to plant spring blooms. With funding from our partner, Willmott Dixon, we hired skips and encouraged residents to spring clean their properties and clear out unwanted items. The day was a huge success and the residents continue to volunteer their time to maintain the neighbourhood.

LEADING THE WAY ON APPRENTICESHIPS [CASE STUDY]

Places for People Leisure is one of the leading apprenticeship providers in its sector. Working with its partner, Lifetime Training, Places for People Leisure develops training that establishes clear pathways to promote staff progression and development. Apprenticeship opportunities are available for current employees as well as new recruits. The partnership won Active Leisure's Apprenticeship Provider of the Year Award 2013.

At any one time Places for People Leisure has around 400 staff undertaking apprenticeships. Last year, 76% of apprenticeships were completed; above the industry average.

Kelly Norton undertook a Lifetime Training Leadership and Management Apprenticeship to enhance her planning and budgeting capabilities which form a significant part of her role. When Kelly found out her course involved maths, she took extra tuition to ensure she was up to scratch in time for her exams. Kelly's manager has been extremely impressed with her enthusiasm throughout the Apprenticeship: "Kelly is willing to learn new things and is always thinking of new ideas to boost revenue and encourage new members."

Kelly commented: "Having started out as a Lifeguard and then progressing to Contract Marketing Manager in East Hampshire, completing my NVQ Level 3 and winning the Learner Award has helped me progress within Places for People Leisure."

Places for People is committed to creating an environment where our people and customers can achieve their full potential. We have created a working environment which supports our vision and values. We embrace diversity because we believe that what makes us different makes us stronger. Here are some of the 2015-16 highlights:

Key highlights

- We supported 570 people into employment and 1,695 people into training.
- Working with schools, colleges and other learning providers, we have provided work experience, apprenticeship programmes and promoted the industries in which we operate. For example, our construction business Allenbuild's 'Construction Ambassadors' visited local schools to talk to pupils about careers in the design and construction industry.
- We continued to invest in our people too. This included professional and technical training approved by organisations such as RICS, the National Federation of Property Professionals, and the Chartered Institute of Credit Management. 57 Neighbourhood Officers completed the Chartered Institute of Housing Level 3 Certification in Housing, 80 managers completed an accredited management development course, and 379 managers attended our Taking the Lead programme.
- In 2015 we launched our work experience programme offering paid learning opportunities to unemployed 18-24 year-olds. We had a good response to the programme with more than 150 applicants for 23 roles.
- As the Government continues its programme of welfare reforms, we have increased our focus on sustaining the tenancies of young people and their families. Our programmes offer a range of personal and skills development opportunities to help people maximise their potential as responsible, economically active citizens. In 2015-16, we carried out a research project looking at the housing barriers faced by young people and their aspirations. The results will inform a review of our Young People Strategy. Similarly, our Big Lottery funded, MoneyWise, Homesafe and PennyWise projects helped empower customers to improve their financial capability. Through the

provision of personalised support, customers have become better placed to cope with the impact of welfare reforms, such as the increasing cost of living, challenges relating to personal banking and managing household budgets more effectively. Castle Rock Edinvar increased household income by £1.2 million by providing welfare benefit advice.

- The Friday Night Project at Dock Street is an initiative supporting homeless young people in South Shields. Places for People Living+ secured £2,500 of funding to provide a range of activities in a safe and welcoming environment to divert customers from engaging in anti-social behaviour. Activities included arts and crafts, movie nights, drug and alcohol education sessions and internet access for customers who would otherwise be socially and digitally excluded. Following the success of this project in 2015-16, further funding has been secured to continue the project in 2016-17.
- Through the construction of affordable homes in 2016-16, we have supported 21 young apprenticeships and helped three people progress into employment.
- Places for People Leisure received funding of £70,000 from Sport England to undertake joint research to measure the relevance of customer experience in transitioning from being inactive to active. Places for People will invest £30,000 in this project.
- Colleagues from Places for People Homes in South Yorkshire teamed up with Places for People Leisure to deliver health and wellbeing support for customers. Homes' customers in Sheffield are now able to get a free seven-day membership pass to their local Places for People Leisure centre.
- Our annual Star Awards are focussed around our SPIRIT values, and are awarded to staff for their dedication to their job and leading by example. Over 500 individuals and teams were nominated for an award by their peers in 2015-16.

Society

VALUABLE SKILLS FOR VULNERABLE PEOPLE [CASE STUDY]

Helping Hands is a collaborative project with homelessness charity Fresh Start. The charity aims to improve the lives of vulnerable and isolated people in the Craigmillar and Southside areas of Edinburgh. Castle Rock Edinvar received a £73,117 grant from the Scottish Government's People and Communities Fund to finance the employment costs for two volunteer co-ordinators and accommodation overheads for one year.

The project provided opportunities for local people to increase their confidence, socialise and learn new skills through volunteering, gardening and cookery classes. Volunteers from Fresh Start also provided a decorating service to help new tenants personalise their homes.

In 2015, we welcomed the Scottish First Minister, Nicola Sturgeon, to the Thistle community, where she got involved in planting in the vegetable garden, where people can gain gardening skills and access to fresh food. She also spent time chatting with customers, staff and volunteers.

Following the success of this project further funds have been secured to continue the project in 2016-17.

We are committed to building strong communities with a sense of togetherness and to tackling inequality to create a fair and sustainable society. In our experience, mixed-income, mixed-tenure neighbourhoods provide sustainable places in the long term.

We address issues locally by engaging residents and building relationships with local partners. For example:

- We supported a range of national and local charities by responding to direct approaches from charities and contributing to employees' fundraising activities.
- We made direct donations to organisations such as The Christie (a cancer care, research and education charity in Manchester), West Coast Crash Wheelchair Rugby and the Douglas Bader Foundation (a charity which helps advance and promote the physical, mental and spiritual welfare of people who are affected by limb loss or other physical disability). We also provided match funding to support staff members who raised money for charities including Macmillan Cancer Support, NW Air Ambulance, The Alzheimer's Society and Sport Relief.
- Our housebuilder, Zero, continued its charitable activity in the south west of England through sponsorship of the Chichester Festival Theatre and the inaugural Maritime Literary Festival in Weymouth.
- Allenbuild undertook a range of activities to support charities in the south east of England including Woking and Sam Beare Hospice, Wandgas Football, DEBRA and the Children's Trust.

- In Granton, Edinburgh, we worked with the local authority to set up a local development forum to explore common aims and define community benefits across the development community.

In 2015–16, Group companies were involved in a range of activities to support their communities:

- In February 2016, 13 Cotman and Property Maintenance staff braved freezing temperatures to sleep out all night in a cardboard shelter as part of YMCA Norfolk's 'Sleep Easy' challenge raising £2,215.
- Staff from a local café, Granby Kitchen, provide a community kitchen once a month at Mellor's Lodge, one of our schemes for homeless families in Nottingham. The staff cook a three-course meal using donated stock from local supermarkets and retailers and these are sold for a small charge. Customers can pay for an extra meal and a wooden spoon is displayed at the counter for someone who does not have any money on that day to exchange for their meal. They are then encouraged to buy a wooden spoon on another occasion to help someone else.
 - January's Blue Monday event got 2016 off to a positive start for hundreds of Bristol residents in the Galleries Shopping Centre. Working with Bristol City Council, Citizens Advice Bureau and more than 40 partners, we created a one-stop-shop offering support on money, housing, benefits, physical and mental health, refugee rights, employment and training. By giving visitors the chance to chat with experts and engage in a range of activities, from acupuncture to cookery, the event encouraged people to make positive changes in their lives at what is a difficult time of year for many low-income households.
 - In Leicester, the 'Can anyone hear us?' project helps to provide confidence skills to young people. The young people staged a performance at the end of the ten week programme. The show was filmed and a prize was awarded to the young person who had shown the most improvement and enthusiasm during the project.

Environment

INNOVATIVE INSULATION TRANSFORMS HOMES (CASE STUDY)

The Ryton Croft estate lies five miles west of Tyneside in the small semi-rural town of Ryton. The estate was built in the late 1970s using a common non-traditional form of construction known as 'no fines' concrete. The homes had no cavity walling and poor heat retention, making them energy inefficient.

As part of our affordable warmth programme, Ryton Croft was selected to incorporate a series of thermal efficiency improvements, alongside the installation of new bathrooms and kitchens through a £3.75 million investment programme. The preferred solution was to apply internal wall insulation using the innovative Matilda's Blanket integrated wall-panelling solution. This was installed as an internal skin inside each home, drastically improving levels of insulation and raising each home's energy SAP rating by over a third.

The use of Matilda's Blanket has had the added benefit of providing new smooth, hard-wearing wall finishes, without the requirement for wet trades.

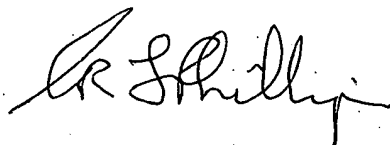
After extensive customer consultation and the showcasing of completed pilot properties, this year-long programme is on target for completion in August 2016, with some 154 homes benefiting from these improvements. Customers are already experiencing significant savings in their fuel bills. We are also working with the National Energy Action (NEA) fuel poverty charity to capture in-use energy consumption at Ryton Croft to carry out a comprehensive evaluation of the initiative.

We are committed to reducing the impact of our business operations on the environment. We work in cooperation with our customers, communities and other businesses to drive forward the green agenda and financial efficiencies. Over the past year, we have engaged in a variety of projects aimed at finding innovative solutions to reducing our impact on the environment and improving the quality of life of our customers, including the following examples.

- We expanded the implementation of our environmental management system, ISO14001, to include Touchstone and Allenbuild. We have also successfully implemented the energy management system, ISO50001. This makes us fully compliant with the Energy Savings Opportunity Scheme (ESOS) and the mandatory energy assessment established by the Government based on the EU Energy Efficiency Directive. Additionally, the ongoing accreditation proves our commitment to monitoring, measuring and reducing the energy use in our corporate offices, as well as our business travel.

- We have also become a partner in a project funded by the European Commission having been awarded nearly €1 million for investment in properties in need of renovation. The project aims to improve energy efficiency at a neighbourhood level.
- A research project, funded by Innovate UK, focusing on the circular economy was completed. We investigated the ways personal protective equipment can be recycled and reused instead of being sent to landfill.
- We are working towards achieving high energy efficiency ratings for all our properties by investing in property improvements, such as replacing windows, doors and boilers, as well as installing internal and external wall insulation to reduce energy costs to our customers. During the year we invested a total of £15.9 million in energy efficiency improvements to our homes.
- Thanks to our Green Services procurement framework, the installation of 170 solar photovoltaic (PV) panels on our Cotman properties is helping the environment and reducing customers' energy bills. In addition, 650 Castle Rock Edinvar properties in Scotland benefited from lower fuel costs through new technology from Sunamp — heat batteries that store heat energy from Solar PV panels and release it when needed. This project has been backed by a £3.2 million grant from the Local Energy Challenge Fund.
- In Hull, we have built new homes to Code for Sustainable Homes Level 4 standard, providing grey-water recycling, whole-house ventilation and high levels of insulation to reduce fuel and water usage and costs.
- We continue to implement energy efficiency measures in our retirement property portfolio, owned or managed through Retirement, Living+ and Girlings. These measures include Combined Heat and Power (CHP), energy monitoring, boiler plants and upgrades, water recycling, vegetable patches and greenhouses.
- In Edinburgh, we continue to work towards reducing fuel poverty, looking at the most effective solution for customers in our new homes. We have designed and implemented a district heating CHP plant in one of our developments, providing both a sustainable and affordable heat solution for our customers.
- ZeroC continues to promote its sustainability ethos, through its own design process and by promoting sustainable technologies wherever viable. For example, the Bickleigh Eco Village is a 93-unit scheme designed according to the Code for Sustainable Homes and Code 6 energy standards.
- Within our 116 leisure facilities, we have a large base heat load with a matching electricity demand operating up to 17 hours a day with CHP. This has significantly reduced our carbon emissions and delivered financial savings.
- We have undertaken considerable work on improving our corporate fleet. Having reduced the number of company cars, we have decreased the amount of our CO2 emissions. Additionally, we have replaced the racking within our vans with a material that is 30%-40% reusable. The emissions from the majority of our cars are capped at 120 g/km. We also have two electric cars and aim to add more of them to our corporate fleet in the near future.

The strategic report was approved by Chris Phillips, Group Chairman, on 19 July 2016



Directors' report

Principal activities of the Group

Places for People Group (the Group) is one of the largest property management and development groups in the UK. We build, rent, sell and manage homes, manage leisure facilities, provide employment and training opportunities, support new and existing businesses, and offer financial products and specialist care and support services to over 500,000 customers.

Performance for the year

The Group turnover for the year was £616.6m an increase of 9.3% from the previous year. The Group profit before tax for the year was £43.7m which is an increase of 43.7% from the profit reported in 2015 under old UK GAAP. A full review of the performance of the year can be found in the Financial Review section on pages 17 to 18.

Business review

Information that fulfils the business review requirements applicable to the Group can be found in this report, the Chairman and Chief Executive statements and the Strategic Report.

Measuring Success

Group top 10 performance targets

Critical Indicator	Target	2015-16 Performance
Total losses from empty homes	1.13%	1.04%
Total arrears	4.7%	3.0%
Repairs right first time	89%	88%
Gas servicing (properties)	100%	100%
Operational overall customer satisfaction	89%	91%
Places for People Leisure customer net promoter score	22%	31%
New properties occupied (let or sold)	115	87
New properties unoccupied (not let or not sold)	<100	4
Percentage of rent collected (Places for People Market Rent)	100%	100%
Number of RIDDOR-reportable incidents (rolling 12 months)	36	38

Health and safety

As always, the health, safety and welfare of our staff, contractors and customers continues to be a priority commitment throughout the Places for People Group. Health and safety is on the agenda from the very top of our Executive structure all the way to the front line service providers. We expect, and empower, our people to maintain the highest standards of safety wherever they work in our diverse organisation.

This year we have created a new role of Group Health and Safety Director, reporting directly to the Group Chief Executive. We recognised that this strategic leadership was needed for us to reach the next level in building a

Health and safety (continued)

positive safety culture and reducing our accident levels even further. Since taking up the role in August 2015, the Health and Safety Director has implemented wholesale changes in the way safety is managed by further embedding the ownership within each Company rather than centrally within the Group. There has also been a tightening up of the governance framework to ensure that information is effectively communicated both within and across all the Group companies. A Health and Safety Assurance Process has been introduced to report to Group board on levels of compliance with safety legislation at the end of each financial year.

At the end of 2015-16 we had achieved an accident rate under the Health and Safety Executive (HSE) 'all-industry' benchmark, which is a testament to the hard work of all staff in their drive to improve safety outcomes across the Group. To encourage this downward trajectory further, we have introduced rigorous Group-wide KPIs around reductions in accidents and increased near miss reporting, in conjunction with a comprehensive behavioural safety programme. Since its piloted introduction in areas of the Group with a higher risk profile, this programme has contributed to a 70% reduction in HSE reportable accidents over two years. We will build on this success by rolling out the programme across a number of other areas of the Group during 2016-17.

We have maintained a full health and safety training programme this year, with our target number of staff having been appropriately trained by the end of 2015-16. Specialist training continues to be carried out to an excellent standard in areas such as Places for People Leisure and our construction and development businesses. This training has included toolbox talks and safety seminars to staff at the frontline, IOSH Managing Safety to supervisors and Director-level health and safety training to the Executive board. This training continues to reinforce the message that safety is the responsibility of everyone, whatever they are or whatever role they perform in the organisation. This empowerment of staff will be a key feature of the look and feel of safety management in the organisation in the coming year and beyond.

Principal risks and uncertainties

The Group faces a number of significant risks across all its operations including housing management, development, property management and leisure management. All the Group's risks are monitored closely and managed to an acceptable level through a robust control environment and a high degree of scrutiny and challenge, as outlined below. These risks include the following key elements:

Interest rate risk

The Group's strategy is to contain interest rate risk within 30% of the loan book, with the board exercising a strict control over derivative transactions. Currently 84.4% of debt is either held at fixed rates of interest or hedged against adverse rate movements.

The Group manages its exposure to this risk through a mix of debt at fixed rates of interest and interest rate hedging techniques. It is estimated that each quarter percent increase in interest rates would increase interest payable costs by £0.7m per annum. Due to the low levels of cash and cash deposits held, the impact of a change in the interest rate on interest receivable is insignificant.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group's policy is to retain minimal cash whilst ensuring that sufficient committed loan facilities are available and immediately accessible to finance a minimum of one year's cash flow.

The Group is in compliance with all of its financial covenants contained within its loan documents and loan stocks trust deeds.

Foreign currency risk

The Group has no overseas subsidiaries and trades only in sterling. The Group has some debt which is denominated in foreign currency.

The Group's strategy is to mitigate currency risk arising from foreign currency denominated debt. This is achieved using cross currency interest rate swaps. Currency cash flow exposure is fully hedged; therefore a change in the foreign currency rate would be fully offset by the swaps.

Government and legislative

Last year the Government introduced a new rent settlement for social housing in England which delivers a cumulative 1% rent cut over four years.

To inform our strategy and business plan each year the Group develops a comprehensive analysis of the operating environment which provides facts, figures and commentary on government and legislative developments and key changes in the markets in which we are active. Following the rent reduction announcement, the Group has now taken steps to deliver

the savings required whilst maintaining profit margins and service standards. The Group continues to monitor closely other political changes such as the impact of the Housing and Planning Act 2016.

EU Referendum

On 23 June 2016, the UK public voted to leave the EU. This decision has created political and economic uncertainty which impacts on the markets.

The Group will continue to closely monitor the political and market reaction to the referendum result and we will adjust our risk mitigation framework as necessary.

Development and land risk

The Group holds a considerable amount of land stock and work in progress on its Balance Sheet.

The Group's ability to manage the build-out and performance of its major development projects is addressed through strong project management structures for each major development that allow for flexibility in product mix and build-out timetables. Furthermore, development risk is being shared through the formation of tailored joint ventures with specialist construction partners. Group flexibility and development options have been enhanced this year with the acquisition of both construction and development companies that broaden the commercial offerings available.

Employees

The percentage of staff from a BME background was 8.3% (2015: 7.94%) from a total of 5,475 full time equivalent employees (2015: 4,909). The percentage of female staff was 51.52% (2015: 56.93%). The percentage of disabled staff was 2.18% (2015: 1.88%). Unforced staff turnover was 12.19% (2014: 14.6%).

Engaging our employees is essential to our continued success. We inform, consult and involve our employees in a variety of ways, including digital news bulletins, focus groups, engagement surveys, an Ask the Executive online forum and annual staff recognition awards.

We also have an Employee Wellbeing strategy in place, including a bespoke wellbeing intranet site, online tools and a range of benefits including an employee assistance programme, which includes a confidential support helpline and access to doctors online.

We continue to invest substantially in employee development. This involves a range of accredited management courses to help managers improve their skills and ensure the future success of the business and a blend of face-to-face learning opportunities along with e-learning.

The Group values diversity and is committed to equality. Our policies and strategies recognise that all people have the right to their own distinctive and diverse identity. The Group aims to provide an inclusive and barrier-free service which is responsive to all communities and individual needs. This is reflected in the range of services that we provide to our diverse customer base.

We positively embrace our responsibility to meet these needs by having a diverse workforce which generally reflects local populations and that has the skills and understanding to achieve our objectives.

The Group has taken positive steps to develop best practice and play a strategic role in developing national policy and serves on key advisory boards within the sector including the Homes and Communities Agency's Equality and Diversity Advisory Board, the Housing Diversity Network and the Chartered Institute of Housing. We understand the business case for diversity and work hard to develop and sustain a diverse workforce, which is supported by our Disability Two Ticks standard.

The Group gives full and fair consideration to employment applications made by disabled persons having regard to their particular aptitudes and abilities. Recognising the benefits of a diverse workforce, the Group makes appropriate efforts to continue employing, and providing training as required, to employees who become disabled during their employment.

Modern Slavery Act

The Group is required to publish an annual statement for the purposes of the Modern Slavery Act 2015. The Group is completely opposed to modern slavery practices and it is committed to ensuring that those practices are not taking place in any part of its own business nor, as far as the Group can control the position, in its supply chain.

The Group's statement is published on our website

Board of directors

The board currently comprises the Group Chairman, seven non-executive directors and six executive directors. Details of the board members can be found listed on pages 68–73 and are also available to view on the Group's website at www.placesforpeople.co.uk. They have diverse backgrounds in industry and public life, and share a strong commitment to applying their expertise, skills and experience to ensure that Places for People's business is sound. All the non-executive directors are independent of management and have access to the Company Secretary for advice.

Non-executive directors are subject to re-election at intervals of no more than four years and may serve for a maximum of no more than ten years (except that years previously served are disregarded where a non-executive director is elected to chair the board). The letters of appointment of all directors are available for inspection at the registered office during normal business hours.

In accordance with the Companies Act 2006, the directors comply with: a duty to exercise reasonable care, skill and diligence; a duty to promote the success of the Company; a duty to act within their powers; a duty to exercise independent judgement; a duty to avoid conflicts of interest; a duty not to accept benefits from third parties and a duty to declare any interest in a proposed transaction or arrangement.

The board meets at least five times a year to direct overall strategy and take key financial and business decisions. Given the complex nature of the Group's business, members of the Board also meet in standing committees or working parties to examine specific areas of operation. The standing committees are: the Nominations & Governance Committee, the Remuneration Committee and the Audit & Risk Committee. Details of committee membership and attendance at board and committee meetings during the year are reported on page 76. Decisions to approve proposed financial and corporate transactions can also be delegated to the boards of Places for People Treasury plc and Places for People Ventures Limited as reported below.

Non-executive directors

The board has adopted guidelines for the appointment of non-executive directors which have been in place throughout the year. Those guidelines include a requirement for there to be a formal role profile in relation to each non-executive board appointment. During a previous recruitment process, the board had identified appointable candidates on the basis of their broad commercial experience and commitment to the Group's range of services. Baroness Brenda Dean was one such candidate and she was appointed to the Group's Regulated board in 2013. Having been identified as a candidate with valuable external experience and how with good experience of the Group, Brenda was asked to step up to the Group board in place of Ehsan Mani, who retired from the board on 30 September 2015. Brenda was appointed to the board on 1 October 2015.

The performance of each non-executive director during the year is formally appraised. The process involves self-assessment as to contribution and a meeting with the Group Chairman at which the director's contribution, attendance, training needs and possible areas for additional involvement are reviewed. The Senior Independent Director (Lynette Lackey) conducts the appraisal meeting for the Group Chairman and is assisted in that exercise by a meeting held with the other non-executive directors (in the absence of the Group Chairman) to review the Group Chairman's performance. Each non-executive director is required to declare interests held in organisations outside the Group. The independence of each non-executive director is assessed annually as part of the governance review.

Each non-executive director who held office during the year was independent.

Delegation of responsibilities by the board of directors

Ultimate authority for all aspects of the Group's activities rests with the board, the respective responsibilities of the Group Chairman and Group Chief Executive arising as a consequence of delegation by the board. The board has determined a clear division of responsibilities between the Group Chairman and the Group Chief Executive. The board is responsible for setting strategies and policies for the whole Group and co-ordinating the Group's activities. The board achieves that through a combination of intra-Group agreements, schedules of delegated authority, appointment of board members to subsidiary boards and the application of Group-wide policy standards on key issues.

Non-executive board members

Chris Phillips - Group Chairman

Chris was Managing Director of PB Securities, the UK subsidiary of Prudential Bache, for three years, before joining Lombard Odier as the Managing Director of its London broking business. He then joined Colliers International and after heading its residential consultancy business, became the first Managing Director of Colliers Capital (UK).

Chris has chaired a number of companies listed in the UK and Germany, and is currently non-executive Chairman of Hadleigh Waymoth, an independent advisory and fund management business, and London & Newcastle, a leading London-based

mixed-use property development company.

Chris joined the Places for People Group board in 2006 and was a senior independent director from 2008. He became Chairman in 2010.

Bharat Shah

Bharat is Chairman of the boards of Nijjar Holdings Limited, Smart-Sal, Alderbrooke Executive Search and West Bromwich Building Society Staff Retirement Scheme. He has been a business consultant and senior executive mentor since 2002. He was previously Chairman of the Sure Group (long-term property maintenance), and of the Picdar Group (digital asset management), both private equity backed businesses, Deputy Chairman of the Audit Commission, a Non-Executive Director of the West Bromwich Building Society and a Trustee of the Paul Strickland Scanner Centre.

Bharat trained as a Certified Accountant, worked for Eastman Kodak for 27 years, rising from 'shop floor' to the most senior executive position outside the United States as Chief Executive Officer of Eamer Kodak Consumer Imaging and Vice President, Eastman Kodak, and subsequently became Vice President of Singer, responsible for Europe, Africa, the Middle East and Asia.

Bharat joined the Places for People Group board in 2010.

Lynette Lackey

A Chartered Accountant with over 20 years' experience in real estate finance, corporate reporting and financial management. Lynette is also a Director of the London Chamber of Commerce and Industry, a Trustee of Landaid and past UK Chair of National Women in Property Association. She also spent ten years as a Partner with BDO Stoy Hayward, where she specialised in international real estate transactions.

Lynette joined the Places for People Group board in 2011.

Jon Lloyd

Jon is a Fellow of the Royal Institution of Chartered Surveyors and has over 36 years' experience in property development, investment and asset management. His career has included roles as Chief Executive of UK Coal, Head of group property for HBOS, Managing Director of the Northern Region of DTZ international property advisers and Managing Director of Yorkshire Water Estates.

Currently, he is a non-executive director of the Wriglington, Wigan and Leigh NHS Foundation Trust; Chairman of Reform Energy, an alternative energy development and generation company, has his own property and energy consulting business, Winkley Consulting, and until recently, was a non-executive director of Tilfen Land, a property investment and development company based in London. Outside his business interests, Jon supports the charities The Prince's Trust and Help For Heroes.

Jon joined the Places for People Group board in 2012.

Dr Cathy Garner

With over 25 years' experience, Cathy is an expert in innovation, specialising in innovation in cities and communities, with a research and policy background in social housing, urban regeneration and the links between universities and business. She is currently Director of the Work Foundation, an Independent Member to the London-Cambridge- Stanstead Corridor Commission, a member of the Standing Selection Committee for the National Centres of Excellence of Canada, a Trustee of the Council on Health Research and Development, a Fellow of the Royal Statistical Society and of the Royal Society of Arts.

She was previously Director of Housing Management and Research at the Housing Corporation and Head of Innovation at Scottish Homes; she served on the Strategic Advisory Board for Intellectual Property and was a member of the Cabinet Office Innovators' Council. In 2002, she founded an international charity addressing the health needs of the global poor for which she still writes and volunteers.

Cathy joined the Places for People Group board in 2011.

Nigel Hopkins

Nigel is Director of Resources for the Confederation of British Industries, Springboard Limited and a trustee of Instructus, the UK's largest provider, registration and certification authority for apprenticeships, having previously had a wide ranging international career, living and working in the UK, Europe and the USA.

He is a qualified accountant and has held senior management positions with Fiat, Laporte (Chemical), Burmah Castrol, United Technologies, Coopers & Lybrand, Ernst & Young and, most recently, Remploi, where he was Finance and Strategy Director at a time when the company was being transformed from one that was exclusively an employer of disabled people in a diverse range of industries, to one that placed 15,000 disabled and disadvantaged people into work each year.

Nigel joined the Places for People Group board in October 2013.

Joe Seet

Joe Seet is a Chartered Accountant with over 30 years' experience in specialist accounting, regulatory compliance, tax planning, investment funds, banking, financial services and corporate governance. His career spans treasury, wholesale and investment banking in senior finance roles with Chemical Bank, the National Bank of Kuwait, ScotiaMcLeod and Donaldson, Lufkin & Jenrette. He was a Partner in the investment firms, Beaumont Capital and Sunningdale Capital and Senior Partner of the Sigma Partnership, a well-regarded business advisory and compliance accounting firm. He is also a non-executive director of the Royal Yachting Association and chairs its Audit & Risk Committee.

Joe is also a professional investor, entrepreneur, financial advisor, expert advisor on corporate governance and regulatory matters, an accredited mediator specialising in professional partnership disputes and a member of the Taxation Committee of the London Society of Chartered Accountants.

Joe joined the Places for People Group Board in 2011 and chairs the Remuneration Committee.

Brenda Dean

Brenda is a member of the House of Lords and of the Privy Council. She is Chairman of Empiric Student Property plc and is an independent member of the Business Oversight Board of the Law Society. Her other roles include President of the Abbeyfield Society charity, a Trustee of University College Hospital Cancer charity and Vice President of the War Widows Association. Her past appointments include that of Chairman of the Housing Corporation; Chairman of Covent Garden Market Authority; Chairman of the Armed Forces Pay Review Body and President of the College of Occupational Therapists. She was a member of the Royal Commission on the Future of the House of Lords and of the House of Lords Appointments Commission.

She was a member of the National Committee of Inquiry into the Future of Higher Education – the Dearing Committee. She is a member of the Council of the University of Nottingham, and has been a Council member of City University, London, the Open University and the London School of Economics. Brenda started her working life in the trade union movement and was subsequently elected General Secretary of the Society of Graphical and Allied Trades (SOGAT), the printing, publishing and paper trade union.

Brenda joined the Places for People Group board in 2015.

Executive board members

David Cowans - Group Chief Executive

David has over 30 years' experience of housing, urban regeneration, mixed tenure and mixed use development, property and financial management, having led strategic change in both large and small organisations. He has an MBA from Birmingham University and is a Fellow of the Institute of Directors, a Fellow of the Royal Institution of Chartered Surveyors, a Chartered Member of the Institute of Housing, a Member of The Institute of Residential Property Management, a Fellow of the Royal Society of Arts and is visiting Fellow of Cambridge University.

Simran Soin - Group Finance Director

Simran is a Chartered Management Accountant with over 20 years' experience of financial management. Before joining Places for People in 2003, he held various senior finance positions in the chemicals sector for Courtaulds, ICI and INEOS, in the UK, the USA and the Far East. Simran has previously been both Group Financial Controller and Financial Resources Director for the Places for People Group.

Kieran Keane - Group Director, Corporate Services

Kieran is a Fellow of the Chartered Association of Certified Accountants and has over 30 years' experience in finance, risk assurance and operations management. Kieran has held a number of roles within the Group, including Chief Operating Officer, then Group Director, Operations and subsequently, Group

Director, Corporate Services. Previously, Kieran held senior positions within the utilities sector with a risk assurance brief covering Europe and the USA.

Mary Parsons - Group Director, Placemaking and Regeneration

Mary has over 20 years' experience in the development, construction and regeneration industry, working across the private, registered provider and consultancy sectors. She has been involved in some of the largest housing-led regeneration programmes in the UK. Previously, she worked in the consultancy business, specialising in public/private sector partnerships and housing market renewal, and also worked in the private sector on large-scale, mixed-tenure developments. Mary is Trustee of the Town & Country Planning Association and joined Places for People in 2004, becoming Group Business Development Director in 2010.

Pat Egan - Group Director, Affordable Housing

Pat has over 30 years' experience in affordable and mixed-tenure housing management, managing one of the largest registered providers in the UK. He has over 20 years' experience at a senior level in a variety of roles focusing on business transformation, including the transfer of Bristol Churches Housing Association into the Group.

Colin Rae - Group Development Director

Colin has over 30 years' experience working in the Development and Construction industry, from Chartered Quantity Surveying through to Development Management. Colin joined Places for People in 2002 and currently manages Places for People Group Development and Construction teams in England and Scotland. With a particular interest in high quality design, Colin has delivered a variety of mixed tenure projects within Places for People. He was appointed Development Director in 2014. A member of the Royal Institution of Chartered Surveyors, Colin holds directorships with both Homes for Scotland and a number of property development related companies and was previously (Voluntary) Chair of Turning Point Scotland. He currently sits on the Private Rented Sector Steering Group working with the PRS Champion in Scotland.

Chris Martin - Group Company Secretary and Legal Services Director

Chris is a solicitor with over 25 years' experience of legal practice and joined Places for People in 2008. Previously, he worked in private practice for 10 years, in a City law firm and as a partner in a US legal practice, and then in general counsel roles in UK and international businesses in a number of different industry sectors.

Corporate governance

Audit & Risk Committee

The executive directors are responsible for maintaining and reviewing the Group's systems of internal control. The Audit & Risk Committee is responsible to the board. It oversees, reviews and monitors the Group's application of accounting policies and standards, the appointment and remuneration of the external auditors, the resources and work programme of Business Assurance (the internal auditors), the risk management framework and the adequacy of internal control.

The members of the Committee during the year were E Mani (Chair and member until 30 September 2015), L Lackey (Chair from 1 October 2015), N Hopkins and J Lloyd (joined 1 October 2015).

The Committee receives and reviews reports from Business Assurance on a regular basis. The external auditors submit reports to the Committee when appropriate. The programme of reports reviewed in the year ensures that the Committee covers all material areas of risk on a regular basis.

The Committee also reviews regular presentations from management on the operation of controls throughout the business. It takes initiatives to satisfy itself that risk avoidance measures are fully embedded within the Group structure and to determine the effectiveness of management actions. The initiatives for this year included:

- The progress of new business acquisitions and any specific risks identified pre- and post-acquisition;
- A review of the Business Assurance function and its role in the current and future structure of the Group;
- Stress testing assumptions in the 2016-17 business plan and a review of accuracy/sensitivities in current and prior years.

The Committee meets separately with representatives of Business Assurance and external auditors on at least one occasion in each year without any members of executive management being present.

External audit

An external audit tender was conducted during the 2014-15 financial year and KPMG LLP was re-appointed as the Group's external auditor for a further three years.

During 2015-16, the audit partner presented KPMG's external audit strategy and fee proposal. The Committee considered

the Group's materiality limits, and the significant risk and areas of audit focus and the audit strategy and fee proposal were subsequently agreed. At the close of each financial year, the Committee receives a report on the external audit process and reports to the Group Board its findings as to whether it considers that the external audit process has been effective

Non-audit work

The Group has instructed KPMG LLP to carry out some non-audit work in the year where advantages of efficiency, cost or expertise were identified. The Audit & Risk Committee monitors the nature and scale of such instructions during the year and its approval is required for total non-audit fees in excess of a threshold agreed by the board. As a result of these control mechanisms, the board is satisfied as to the independence of the external auditor.

Issues considered by the Audit & Risk Committee

Following a review and debate about the issues that have impacted the Group in the year ended 31 March 2016, including debt re-financing, pensions and financial instruments and derivatives, the Committee identified that the only significant matter in relation to the integrity of financial reporting was in relation to the Group's property valuations.

The Committee has reviewed the judgements made in respect of the Group's properties and has considered the sensitivities surrounding the assumptions used in assessing the net realisable value of its properties. The Committee agreed with the judgements made by management and concluded that the valuations of the Group's properties are appropriate. The Committee was satisfied that, where necessary, appropriate provision had been made for any impairment in the carrying value of the Group's properties.

After reviewing the presentations and reports from management and consulting where necessary with the auditors, the Committee is satisfied that the financial statements appropriately address the critical judgements and key estimates (both in respect to the amounts reported and disclosures). The Committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised, challenged and are sufficiently robust.

Misstatements

Management confirmed to the Committee that they were not aware of any material misstatements or immaterial misstatements made intentionally to achieve a particular presentation. The auditors reported to the Committee the misstatements that they had found in the course of their work and no material amounts remain unadjusted.

Remuneration Committee

The Remuneration Committee determines and agrees the reward policy for the remuneration of the executive and non-executive directors and determines the total level of bonus for the executive team as a whole.

The members of the Committee during the year were J Seet (Chair), E Mani (until 30 September 2015), N Hopkins and B Dean (joined 1 October 2015).

There are no connections between the Group or any members of the board or the Committee and any remuneration consultants appointed during the year.

Nominations & Governance Committee

The Nominations & Governance Committee reviews the Group's governance arrangements and makes recommendations to the board on changes required.

The Committee also reviews the Group's succession planning and makes recommendations to the board on the recruitment and selection of board members and, on behalf of the board, approves recommendations made for appointments to the boards of Group subsidiaries.

The members of the Committee during the year were B Shah (Chair), C Garner, J Lloyd (until 30 September 2015) and B Dean (joined 1 October 2015).

Places for People Treasury plc

The Treasury board is responsible for advising the Group board in relation to managing the Group's financial assets, managing its financial liabilities and managing its liquidity position and considers any other matters referred to it by the Group board. The Treasury board may also be authorised by any entity within the Group to act on its behalf in connection with any finance transaction or all such transactions generally.

The Group board has also authorised the Treasury board to act on its behalf in connection with any finance transaction concerning the assets of any of the Group's subsidiaries having a status of registered provider of social housing in England and Wales or registered social landlord in Scotland, such transactions to include but not be limited to the terms of new or extended borrowing facilities, the approval of the terms of any purchase/sale of financial derivatives and the approval of the issuing of loan stock.

Places for People Ventures Limited

The Group board has delegated authority to the Ventures board in respect of corporate transactions

within certain limits and subject to certain controls.

The Group board has also authorised the Ventures board to act on its behalf in connection with any finance transaction concerning the assets of Places for People Ventures Limited or any of its subsidiaries, such transactions to include but not be limited to the terms of new or extended borrowing facilities, the approval of the terms of any purchase/sale of financial derivatives and the approval of the issuing of loan stock. Any Ventures subsidiary may authorise the Ventures board to act on its behalf to agree the terms of any such transaction.

Regulated board

The Group board has charged the Regulated board with considering the operational performance and compliance with applicable standards of the Group's regulated housing providers. Each provider retains its own board but the Group-wide role of the Regulated board promotes sharing of good practice and expertise across relevant parts of the Group.

Attendance at board and committee meetings

Directors' attendance at board and committee meetings, in relation to the number of meetings held, during the year ended 31 March 2016, is set out in the following table.

Board member	Group board	Audit & Risk	RemCom	NomGov	Venture	Regulated	Treasury
Phillips	7/7	N/A	N/A	N/A	4/4	4/4	8/8
Mani	5/5	3/3	2/2	N/A	1/2	N/A	4/4
Shah	6/7	N/A	N/A	2/3	4/4	N/A	7/8
Lackey	7/7	5/5	N/A	N/A	N/A	4/4	8/8
Seet	7/7	N/A	4/4	N/A	3/4	N/A	7/7
Garner	7/7	N/A	N/A	3/3	N/A	4/4	N/A
Lloyd	7/7	2/2	N/A	2/2	N/A	4/4	N/A
Hopkins	7/7	4/5	4/4	N/A	N/A	3/4	N/A
Dean	2/2	N/A	1/2	1/1	1/1	2/2	N/A
Cowans	7/7	N/A	N/A	N/A	4/4	4/4	8/8
Soin	7/7	N/A	N/A	N/A	4/4	N/A	8/8
Shaw	5/5	N/A	N/A	N/A	3/3	N/A	N/A
Keane	7/7	N/A	N/A	N/A	N/A	4/4	N/A
Parsons	7/7	N/A	N/A	N/A	4/4	1/1	N/A

N/A = not a board/committee member

Evaluation of board performance

The board conducts an annual evaluation of its own performance. This involves consideration of the following: whether a business plan was agreed prior to the start of the financial year; whether the plan was delivered and if it was not whether the board satisfied itself as to the reasons for change; whether the committees carried out the plans of work approved for them by the board; whether the board fulfilled its own plan of work for the year; whether requirements for new/additional/ replacement skills on the board (at executive and non-executive level) were considered during the year; whether any steps taken as a result were successful; whether the board assessed its level of compliance with its adopted code of governance and provided explanations for any non-compliance; and, whether time was made available for and the way in which meetings were conducted allowed open discussion of key issues between board members. The board's evaluation of its own performance in respect of the year under consideration produced the conclusion that the board has been effective.

The board has adopted the UK Corporate Governance Code (2014 version) and has complied with all of its provisions that are applicable to the Group while acknowledging that some of its provisions address the circumstances of listed companies and so are not appropriate to the Group's affairs. Specifically, Code provisions B.6.2, B.7, C.3, D.2 and E.1 contemplate dialogue with external shareholders or decisions being referred to shareholders on matters of director appointments, auditor appointments and director remuneration, the use of the AGM to communicate with investors

and the use of external facilitators in evaluations. The Group is not a FTSE 350 company and does not have external shareholders in the sense contemplated by the Code and therefore it addresses the need for scrutiny and evaluation through the Group board or an appropriate committee of the board and it engages with investors directly and through an annual investors forum.

Subsidiary boards

Places for People subsidiaries have governance arrangements appropriate to their size and field of activity. All of those governance arrangements feed into the Group's overall governance structure.

The main operating subsidiaries – Places for People Homes, Places for People Living+, Castle Rock Edinvar Housing Association, Cotman Housing Association, Touchstone Corporate Property Services, Residential Management Group, Girlings Retirement Rentals, Places for People Leisure, Allenbuild and ZeroC – all have their own boards, consisting of non-executive and/or executive directors, but always including members of the Group Board.

Viability statement

While the Financial Statements have been prepared on a going concern basis, the UK Corporate Governance Code requires the Directors to make a statement with regard to the viability of the Group. The Group's strategic plan covers a ten year period, over which the directors have made assumptions regarding the Group's revenues, operating costs and cash requirements. The projections for the first three years of the plan are based on current opportunities and an expectation of the rental incomes for the Group. There is inherently less certainty in the projections from year four to ten. The directors have therefore determined that three years is an appropriate period of the viability statement.

In assessing the Group's prospects and resilience, the directors produced projections which considered the Group's current business position and risk appetite. The projections also included the rent reductions announced by the Government on social housing rents together with the Group's mitigating actions to reduce costs. A rigorous stress testing exercise was undertaken on the Group's projections which included a review of the impact of further rent reductions and a downturn in the development market. This exercise confirmed the Group would be able to continue to settle projected liabilities as they fall due over a three year period.

Having assessed the prospects of the Group and the principal risks as outlined on pages 63 and 64 of the Directors' Report, the directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to March 2019.

Risk management and internal control

Risk management is at the heart of our approach to planning and running our business. The Group's management is responsible for identifying, quantifying and prioritising the potential risks involved in achieving our goals. Each risk is 'owned' and managed to ensure that controls are in place to reduce risks to an acceptable level in each area of operation. The relevant management activity may take place at project board, group function, subsidiary and/or joint venture level.

Any business involved with building new homes needs to have a clear strategic plan to guard against the risks of a downturn in the property market. The Group's breadth of activity strengthens our ability to do this, and is reason to be confident that we can thrive even during more challenging market conditions. Unlike many other large developers, we have a significant private rented business ready to market and manage a greater number of properties if necessary.

The Group has a clear strategy to carefully manage capital exposure, particularly exposure to the land market, favouring revenue-based contracts with landowners, rather than acquiring significant new land holdings. This strategy aims to strengthen our ability to withstand a drop in land values.

Risk appetite

The Group's risk appetite is a measure of a) what level of risk is 'acceptable' at any point in time and, more importantly, b) how much additional risk the Group is prepared to take (and in what areas) to achieve its strategic goals and objectives.

The Group's activities can be categorised under three headings:

1. Those areas where the Group has no appetite for risk, and will strive to reduce its residual risk levels as close to zero as possible
2. Those areas where the Group's current risk profile is broadly in balance with its risk appetite, i.e. there is no appetite to accept further risk
3. Those areas where the Group currently has appetite to accept additional risk, as it believes the potential benefits outweigh the potential downside.

The Group's current appetite for risk is set out in detail in the Group Risk Appetite Statement. This is summarised in the table below:

Risk Appetite	Group Activity
No inherent appetite for risk	Health and Safety Regulatory/Legal Compliance Financial Accounting Equality and Diversity
Residual risk profile in line with prevailing risk appetite	Most core operational activities including Places for People Homes, Places for People Living+, Cotman 'In-house' Facilities Management etc.
Appetite exists to accept further risk in order to achieve strategic goals and objectives	New Business Development New Product Development Mergers and Acquisitions External Contracting Opportunities

Risk appetite is a dynamic concept, and the Group's willingness to accept higher levels of risk will change over time, as economic and financial circumstances change. Risk appetite will remain under regular review by the Executive/board and all key strategic decisions will be undertaken in the context of the prevailing risk appetite at the time.

Internal control

The board is responsible for the Group's system of internal control. This has been designed to manage, and mitigate as far as possible, the risk of any failure to meet business objectives. It can only provide reasonable assurance – not absolute assurance – against material misstatement or loss. The board's approach to risk management is supported by an oversight structure which includes the Audit & Risk Committee.

The board has an on-going process to identify, evaluate and manage the significant risks faced by the Group. This was in place throughout the year and up to the date of the approval of the financial statements. The key elements of this process are as follows:

- Risk maps are maintained by each Group business which set out the key internal and external risks faced by that business. Controls in place to mitigate each risk are documented, as are any further actions considered necessary to reduce risk further. Risks are reviewed by subsidiary boards at each meeting and risk maps updated to reflect any necessary changes.
- The Group business plan sets out for each Group business its objectives for the coming year, along with the risks that might prevent achievement of those objectives and the controls and actions in place to mitigate those risks.
- The Group's Strategic Risk and Value for Money Group meets twice yearly to consider emerging strategic risks and to review and update the Group Strategic Risk Map.
- Group Risk Maps are subject to further scrutiny and challenge by the Regulated board, the Ventures board and by the Audit & Risk Committee.
- The reviews carried out by the Group's Business Assurance function are focused upon the key risks identified by management, ensuring that appropriate controls are in place to mitigate and manage risk to an acceptable level.

The Group board has reviewed the effectiveness of the system of internal control for the year ended 31 March 2016 and up to the date of signing these financial statements. It has not identified any weaknesses which resulted in material losses or contingencies or other uncertainties which require disclosure in the financial statements.

Statement of Compliance

The Group board has assessed the position and confirms that it has complied with the HCA's Governance and Financial Viability standard.

Donations

During the year the Group made charitable donations of £16,000 (2015: £13,000). The Group made no political donations (2015: £nil).

Annual General Meeting

The Annual General Meeting was held on 19 July 2016.

Statement of disclosure to the Auditor

At the time of approval of this report:

- So far as the directors are aware, there is no relevant audit information of which the Group's auditor is unaware; and
- The directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Statement of board's responsibilities in respect of the board's report, strategic report and the financial statements

The board is responsible for preparing the operating review and the 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 it has elected to prepare the financial statements in accordance with FRS 102 — The Financial Reporting Standard applicable to the UK and Republic of Ireland.

Under company law the board must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the board is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The board is responsible for keeping adequate accounting records that are sufficient to show and explain the Group and company's transactions and to disclose with reasonable accuracy at any time the financial position of the Group and company and to enable it to ensure that the financial statements comply with the Companies Act 2006 and the Accounting Direction for Private Registered Providers of Social Housing 2012. It has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The board is responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the board



C Martin
Company Secretary
19 July 2016

**Report of the Independent Auditor
For the year ending 31 March 2016**

Independent auditor's report to the members of Places for People Group Limited Only

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of Places for People Group Limited for the year ended 31 March 2016 set out on pages 43 to 88. In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2016 and of the Group's profit and the Company's result for the year then ended;
- have been properly prepared in accordance with UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements, the risk of material misstatement that had the greatest effect on our audit was as follows:

Impairment of general needs housing properties (Carrying value of general needs housing properties £1,843 million (2015: £1,838 million)) Risk vs. 2015: New

Refer to page 35 (Issues considered by the Audit & Risk Committee section of the Governance Report), page 51 (accounting policy) and page 60 (financial disclosures).

The risk

In July 2015, the Government announced that social housing rents in England would be reduced by 1% per annum for a period of four years commencing on 1 April 2016.

This change in government policy is considered to be an impairment trigger under FRS 102. As a result the Group was required to complete a detailed impairment review of their general needs housing rented stock in England at 31 March 2016; this stock represents 82% (2015: 83%) of the Group's total housing properties.

As explained in note 1 to the financial statements, when undertaking the impairment review to assess whether cash generating units are held at the lower of carrying amount or recoverable amount, recoverable amount is assessed using discounted cash flow techniques for all anticipated cash flows to generate a net present value, rather than using the Depreciated Replacement Cost; this is considered to be an appropriate method given the age of the Group's housing property portfolio.

Due to the current year impairment trigger and the level of professional judgment required in assessing these properties for impairment, we identified this area as a significant risk for our audit.

Our response

For general needs properties in England, we performed testing over the impairment calculations prepared by the Group. This work included an assessment of:

- The judgments associated with the identification of the cash generating units, using our knowledge of the industry and the types of housing properties within each scheme, and with reference to applicable accounting standards;
- The assumptions used within the calculations of recoverable amount of the properties, which included review of forecast income against budgets, testing the approval and monitoring controls over preparation of those budgets, comparison of assumed voids and arrears and maintenance costs to historical data, and review of forecast major repairs costs to a stock condition survey prepared by an external expert whose objectivity and competence we evaluated. We also evaluated the appropriateness of assumed inflation, rent reduction rates, and discount rates by comparison to external market data and in the case of discount rates also to our knowledge of the business; and
- The disclosures made in the financial statements in connection with the impairment review and provision.

**Report of the Independent Auditor
For the year ending 31 March 2016**

Independent auditor's report to Places for People Group Limited - *continued*

3. Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at £11.0 million (2015: £9.7 million), determined with reference to a benchmark of Group turnover, of which it represents 2% (2015: 1.8%). We consider total turnover to be the most appropriate benchmark as the Group is a not-for-profit organisation, therefore the focus is on revenue and any surplus generated is variable and reinvested.

We reported to the Audit & Risk Committee any corrected or uncorrected identified misstatements exceeding £560,000 (2015: £490,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 115 (2015: 133) reporting components, we subjected 45 (2015: 44) to audits for group reporting purposes. These audits accounted for 93.7% (2015: 99.7%) of Group revenue, 90.6% (2015: 95.3%) of Group profit before tax and 97.5% (2015: 98.8%) of Group total assets. For the remaining components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group audit team instructed the component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team approved the component materialities, which ranged from £4,500 (2015: £10,000) to £5.8 million (£9.7 million), having regard to the mix of size and risk profile of the Group across the components. The work on three (2015: two) of the 45 (2015: 44) components were performed by component auditors and the rest by the Group audit team.

Telephone conference meetings were held with the component auditor to discuss the findings reported to the Group audit team in more detail, and any further work required by the Group audit team was then performed by the component auditor.

4. Our opinion on other matter prescribed by the Companies Act 2006 is unmodified

In our opinion the information given in the Strategic Report and Governance Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

5. We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing to add or draw attention to in relation to:

- The directors' viability statement on page 37, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the Group continuing in operation over the three years to 31 March 2019; or
- The disclosure in note 1 of the financial statements concerning the use of the going concern basis of accounting.

6. We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for the members to assess the Group's position and performance, business model and strategy; or
- the issues considered by the Audit & Risk Committee section of the Governance Report does not appropriately address matters communicated by us to the Audit & Risk Committee.

Under the Companies Act 2006 we are required 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 financial statements are not in agreement with the accounting records and returns; or

**Report of the Independent Auditor
For the year ending 31 March 2016**

Independent auditor's report to Places for People Group Limited - *continued*

- certain disclosures of directors' remuneration specified by law are not made; or
 - we have not received all the information and explanations we need for our audit.
- We have nothing to report in respect of the above responsibilities.

Respective responsibilities of the directors and auditor

As explained more fully in the Statement of board's Responsibilities set out on page 39, the directors are 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 UK Ethical Standards for Auditors.

Scope of an audit of financial statements performed in accordance with ISAs (UK and Ireland)

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. This report is made subject to important explanations regarding our responsibilities, as published on our website at www.kpmg.com/uk/auditscopeother2014, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

The purpose of our audit work and to whom we owe our responsibilities

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 and section 128 of the Housing and Regeneration Act 2008. 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.



**Chris Wilson, Senior Statutory Auditor
for and on behalf of KPMG LLP, Statutory Auditor**

Arlington Business Park
Theale
Reading
RG7 4SD

19 July 2016

Places for People Group Limited
Consolidated statement of comprehensive income
For the year ending 31 March 2016



		2016	2015
	Notes	£'000	£'000
Group and share of joint ventures turnover		641,508	572,750
Less: share of joint ventures turnover		(24,924)	(8,440)
Group turnover	2	616,584	564,310
Cost of sales	2	(104,791)	(83,834)
Operating costs	2	(388,026)	(379,307)
Operating profit before interest		123,767	101,169
Share of operating profit/(loss) on joint ventures	16	3,145	(448)
Gain on revaluation of investment properties	14	772	184
Profit on sale of fixed assets	4	4,389	3,980
Interest receivable and similar income	7	12,940	8,511
Interest payable and similar charges	8	(101,343)	(108,661)
Profit on ordinary activities before taxation	9	43,670	4,735
Taxation	10	1,391	1,454
Profit on ordinary activities after taxation		45,061	6,189
Loss attributable to minority interests		326	411
Profit attributable to members of the parent company		45,387	6,600
Group profit for the financial year excluding joint ventures		43,124	7,572
Share of joint ventures profit/(loss) for the financial year		2,263	(972)
Total profit for the the financial year		45,387	6,600
Fair value gain/(loss) on interest rate and currency swaps		18,345	(20,177)
Deferred tax on interest rate and currency swaps		(3,303)	4,035
Actuarial gain/(loss) recognised in the pension scheme		806	(19,807)
Deferred tax arising on movement in the pension scheme		(2,667)	(758)
Movement in restricted reserves		(12)	16
Total comprehensive income for the year		58,556	(30,091)

The notes on pages 49 to 88 form an integral part of these financial statements.

Places for People Group Limited
Company statement of comprehensive income
For the year ending 31 March 2016



		2016	2015
	Notes	£'000	£'000
Turnover		27,338	15,939
Operating costs		(27,056)	(24,891)
Operating profit/(loss)		282	(8,952)
Interest receivable and similar income	7	6	10,501
Interest payable and similar charges	8	(288)	(1,549)
Profit on ordinary activities before taxation		-	-
Taxation	10	-	-
Profit on ordinary activities after taxation		-	-

The notes on pages 49 to 88 form an integral part of these financial statements.

There is no difference between the profit on ordinary activities after taxation and the profit for the year and their historical cost equivalents.

There is no other comprehensive income other than that reported above.

Places for People Group Limited
Consolidated statement of financial position
As at 31 March 2016

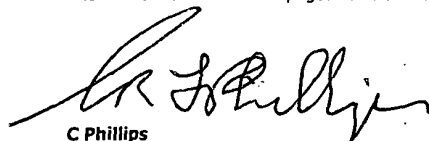
Company Number: 3777037



		2016		2015	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Intangible fixed assets					
Goodwill	11		11,776		17,164
Housing properties - depreciated cost	12		2,239,757		2,203,851
Fixed asset investments	14		681,842		637,238
Fixed Assets - Equity Loans - HomeBuy	15		101,529		115,761
Investment in joint ventures	16		1,733		
Other fixed assets	13		67,664		59,615
			<u>3,104,301</u>		<u>3,033,629</u>
Non current assets					
Debtors: amounts falling due after one year	18		5,402		7,044
Current assets					
Stock	17	245,675		219,925	
Debtors: amounts falling due within one year	19	79,619		75,686	
Investments	20	13,767		37,462	
Cash at bank and in hand		<u>38,910</u>		<u>12,815</u>	
		377,971		345,888	
Creditors: amounts falling due within one year	21	(719,556)		(227,127)	
Net current (liabilities)/assets			<u>(341,585)</u>		<u>118,761</u>
Total assets less current liabilities			<u>2,768,118</u>		<u>3,159,434</u>
Creditors: amounts falling due after more than one year	22	2,435,733		2,882,763	
Provisions for liabilities and charges	24	1,139		1,066	
			2,436,872		2,883,829
Provision for joint ventures	16				785
Pension liability	26		51,560		53,364
Capital and reserves					
Revenue reserves excluding pension liability		332,210		275,446	
Pension liability		<u>(51,560)</u>		<u>(53,364)</u>	
Revenue reserves including pension liability	25	280,650		222,082	
Restricted reserve	25	<u>172</u>		<u>184</u>	
Total capital and reserves			280,822		222,266
Non controlling interests			<u>(1,136)</u>		<u>(810)</u>
			<u>2,768,118</u>		<u>3,159,434</u>

The notes on pages 49 to 88 form an integral part of these financial statements.

The financial statements on pages 43 to 88 were approved by the Board of Directors on 19 July 2016, and signed on its behalf by:


C Phillips
Group Chairman

Places for People Group Limited
Company statement of financial position
As at 31 March 2016



	Notes	2016 £'000	2015 £'000
Fixed assets			
Investments	14	4,720	10,845
Current assets			
Debtors: amounts falling due within one year	19	9,923	2,621
Cash at bank and in hand		482	-
		<u>10,405</u>	<u>2,621</u>
Creditors: amounts falling due within one year	21	<u>(4,627)</u>	<u>(1,976)</u>
Net current assets		<u>5,778</u>	<u>645</u>
Total assets less current liabilities		<u>10,498</u>	<u>11,490</u>
Creditors: amounts falling due after more than one year	22	10,498	11,490
Capital and reserves			
Revenue reserves		-	-
		<u>10,498</u>	<u>11,490</u>

The notes on pages 49 to 88 form an integral part of these financial statements.

The financial statements on pages 43 to 88 were approved by the Board of Directors on 19 July 2016 and signed on its behalf by:

C Phillips
Group Chairman

Places for People Group Limited
Consolidated Statement of Changes in Reserve
For the year ending 31 March 2016



	Income & Expenditure Reserve £'000	Restricted Reserve £'000	Total Reserves £'000
Balance at 1 April 2015	280,393	184	280,577
Effects of adoption of FRS 102	(58,311)	-	(58,311)
Balance at 1 April 2015	222,082	184	222,266
Total Comprehensive income for the year			
Surplus for the year	45,387	-	45,387
Fair value gain on interest rate and currency swaps	18,345	-	18,345
Deferred tax on interest rate and currency swaps	(3,303)	-	(3,303)
Actuarial gain recognised in the pension scheme	806	-	806
Deferred tax arising on gain in the pension scheme	(2,667)	-	(2,667)
Movement in restricted reserve	-	(12)	(12)
Balance at 31 March 2016	280,650	172	280,822

Places for People Group Limited
Statement of Cash Flow
For the year ending 31 March 2016



	2016 £'000	2015 £'000
Net cash generated from operating activities (see note 1)	169,108	170,079
Cash flow from investing activities		
Purchase of housing fixed assets	(66,162)	(116,720)
Proceeds from disposal of other assets	100	12,147
Purchase of other fixed assets	(20,416)	(23,042)
Proceeds from sale of housing fixed assets	15,301	11,949
Purchase of subsidiary undertakings	(2,265)	(26,890)
Purchase of investments	(55,547)	(43,452)
Purchase of joint venture investments	(2,519)	(5,658)
Proceeds from sale of investments	35,398	18,078
Grants received	14,985	11,818
Interest received	12,940	6,146
Cash flow from financing activities		
Finance leases	(352)	(229)
Repayments of borrowings	(270,905)	(180,212)
New loans	300,578	243,291
Interest paid	(106,361)	(88,081)
Tax Paid	2,212	(4,973)
Net change in cash and cash equivalents	26,095	(15,749)
Cash and cash equivalents at beginning of year	12,815	28,565
Cash and cash equivalents at end of the year	38,910	12,816
Note 1		
Surplus for the year	45,387	6,600
<i>Adjustments for non-cash items to reconcile surplus for the year to net cash generated from operating activities</i>		
Depreciation, amortisation and impairment	49,615	27,021
Amortisation of intangible fixed assets	7,653	33,260
(Appreciation)/depreciation of fixed asset investments	(2,647)	1,699
(Gain)/loss on revaluation of investment properties	(772)	641
(Increase)/decrease in stock	(21,831)	51,282
Increase in debtors	(2,682)	(9,216)
Increase/(decrease) in trade and other creditors	15,207	(32,907)
Increase/(decrease) in provisions	73	(265)
Pension costs less contributions payable	(3,518)	(1,428)
Surplus on tangible fixed asset disposals	(4,389)	(4,841)
Interest payable	101,343	108,198
Interest receivable	(12,940)	(8,511)
Taxation	(1,391)	(1,454)
Cash flow from operating activities	169,108	170,079

The notes on pages 49 to 88 form an integral part of these financial statements.

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards and the Statement of Recommended Practice for Registered Social Housing Providers (SORP). A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - 'The financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis.

After making enquiries, the board has reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Group financial statements.

Significant estimates and critical judgements

Judgement and estimates that management has made in applying the above accounting regulations are included in the relevant accounting policies.

First time adoption of FRS102

This is the first year in which the financial statements have been prepared under FRS 102 and Housing SORP 2014. Refer to note 34 for an explanation of the transition. The Group has chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the EU), the disclosure requirements of Sections 11 and 12 and the presentation requirements, as appropriate, of 11.38A or 12.25B as permitted by paragraphs 11.2(b) and 12.2(b) of FRS102 in relation to recognising, derecognising, measuring and disclosing financial instruments.

Where the Group has entered into a hedging relationship as described in IAS 39 in the period between the date of transition and the reporting date for the first financial statements that comply with FRS102, it has elected to apply hedge accounting prospectively from the date all qualifying conditions for hedge accounting in IAS 39 are met.

The Group has not used the exemption available on transition to FRS 102 that allows entities to not restate business combinations effected before the date of transition, 1 April 2014. An explanation of how the transition to FRS102 has affected financial position and financial performance of the Group is provided in note 34.

Basis of consolidation

The financial statements are group statements and have been prepared by consolidating the results of the entities within the Places for People Group using the acquisition method for subsidiary entities and the gross equity method for joint venture entities as appropriate.

The principal bodies within the consolidation are:

Registered under the Co-operative & Community Benefit Societies Act 2014:

Castle Rock Edinvar Housing Association Limited
Cotman Housing Association Limited
Places for People Homes Limited
Places for People Living +

Registered under the Companies Act 2006:

Allenbuild Limited
PFPL (Holdings) Limited
Places for People Capital Markets Plc
Places for People Developments Limited
Places for People Scotland
Places for People Scotland Care and Support Limited
Places for People Treasury PLC
Residential Management Group Limited
Touchstone Corporate Property Services Limited
ZeroC Group (2008) Limited

Details of the principal Group entities are included in Note 30 to the financial statements.

Independence and Responsibility Agreements exist between the Group parent and the subsidiaries, which are the basis of the Group structure, and enable the board of directors to control the Group. All subsidiaries have coterminous year ends. Places for People Living+, Places for People Neighbourhoods, Castle Rock Edinvar Housing Association, Cotman Housing Association and Places for People Scotland Care and Support Limited each have charitable status.

Turnover

Turnover represents rental and service charge income receivable, income from the sale of properties, fees and revenue grants from local authorities and the HCA, leisure facilities management fees and other income.

Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Revenue grants

The Group has a substantial programme of major repairs expenditure, the majority of which is treated as an operating cost. A limited amount of this is funded from Social Housing Grant (SHG), with the majority being met from rental income. The SHG is shown as turnover along with other revenue grants received.

Taxation and deferred taxation

The Group is liable to United Kingdom Corporation Tax.

The charge for taxation for the year is based on the profit for the year end and includes current tax on the taxable profit for the year and deferred taxation. Deferred taxation is recognised in respect of all timing differences between the treatment of certain items for taxation and for accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 102.

VAT

The majority of the Group's turnover is exempt from VAT. However, certain activities are subject to VAT and give rise to a small amount of VAT recovery. Where appropriate, costs are stated including irrecoverable VAT.

Pensions

There are nine pension schemes, five of which are defined benefit pension schemes based on final pensionable salary, one of which is a Group-wide scheme. Details of the schemes are set out in Note 26. Contributions from the Group and participating employees are paid into independently administered funds. These payments are made in accordance with triennial calculations by professionally qualified independent actuaries. In the intervening years, the actuary reviews the continuing appropriateness of the rates of contribution.

All of the Group's defined benefit schemes referred to above were closed to new members as of 1 September 2004. Employees joining the Group from 1 September 2004 have the option of joining a stakeholder scheme to which the company contributes. The costs of the stakeholder scheme are accounted for in the year in which they occur.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The Pension scheme deficit is recognised in full. The movement in scheme deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Goodwill and amortisation

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets and liabilities of the acquired business or company at the date of acquisition. Goodwill has no residual value and the finite useful life of goodwill is assessed on an individual basis for each acquisition. Useful economic lives are currently assessed to be within a range of 2 - 5 years. The Group reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date. Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

Housing properties and land

Housing properties are stated at the lower of depreciated cost or economic value. The cost of properties is their purchase price together with costs of acquisition and improvements, including related development costs and interest payable. Properties purchased for improvement for sale are treated as current assets and all other housing properties are treated as tangible fixed assets. Properties held as current assets are stated at the lower of cost and net realisable value.

Land is stated at lower of cost or value. Land which is purchased for the development of properties which are planned to be built and subsequently owned and managed by the Group is recorded in fixed assets. Land purchased for the development of properties to be sold is held within stock in current assets.

Social Housing Grant and other capital grants

Government Grants are included within creditors in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred.

When SHG in respect of housing properties in the course of construction exceeds the total cost to date of those housing properties, the excess is shown as a current liability.

Where SHG or housing association grant is retained following the disposal of property, it is shown under the Disposal Proceeds and Recycled Capital Grant Funds in Creditors: amounts falling due after more than one year. These funds will be used for the provision of new social housing for rent and sale.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Depreciation of housing properties

Fixed assets, other than freehold land, are depreciated in accordance with FRS 102 at rates calculated to reduce the net book value of each component element to its estimated residual value, on a straight line basis, over the expected remaining useful economic life of the component. Freehold land is not depreciated. The estimated lives of assets and components is as shown in the table below.

<u>Assets</u>	<u>Depreciation period (years)</u>
<u>Rented housing & commercial properties:</u>	
Kitchens	20
Bathrooms	20
Boilers	15
External windows & doors	30
Roofs	45
Fire safety systems	20
Fencing	30
Digital TV aerials	10
Lifts	20
Social Alarms	From 20-40
Surveys	15
Initial and replacement scheme assets	From 1 to 5
Other elements (new build)	100
Other elements (rehab)	80
Other elements (Leasehold)	Lesser of term of lease or 100 years
<u>Shared Ownership housing:</u>	
All elements (new build)	100
All elements (rehab)	80
All elements (Leasehold)	Lesser of term of lease or 100 years
<u>Other fixed assets:</u>	
Offices (new build)	100
Offices (rehab)	80
Office refurbishment	From 10-20
Offices (long leasehold)	Lesser of term of lease or 100 years
Offices (short leasehold)	Terms of lease
Plant & Equipment	5
Cars and commercial vehicles	5
Computer hardware, software and infrastructure	From 5-15

Impairment

For fixed assets with a remaining economic life less than 100 years, an impairment review is carried out at each reporting date in accordance with FRS 102 section 27.7. For all other assets an impairment review is undertaken when there is an indication the asset may be impaired. If assets are found to be impaired, the amount of impairment is disclosed in Note 3.

When undertaking impairment reviews to assess whether assets or cash generating units are held at the lower of cost or recoverable amount, recoverable amount is defined as its value in use. Recoverable amount is normally assessed using discounted cash flow techniques for all anticipated cash flows to generate a net present value.

Costs are assigned to all schemes on a detailed basis, including mixed tenure schemes.

The Group defines Cash Generating Units as schemes except where its schemes are not sufficiently large enough in size and it is more appropriate to consider individual assets. This approach supports effective appraisal of schemes as it aligns with management and operation of the business.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Capitalisation of interest and administrative costs

Interest is capitalised on loans financing schemes in development up to their completion. This is calculated by reference to the Group's cost of borrowing and the development costs.

Administration costs relating to development activities are capitalised based on an apportionment of the staff time directly spent on this activity.

Improvements to property

The Group capitalises expenditure on housing properties which results in an increase in either the existing use value of the property or the disposal value of the property.

Stock

The cost of stock includes acquisition and development costs together with capitalised interest and administration costs. Stock is stated at the lower of cost and net realisable value with any provisions being charged to cost of sales. The land held within stock relates to the development of properties which are to be sold by the Group.

All land and property held within stock is subject to regular appraisal to confirm the assets are recoverable at least at the carrying value.

Included within stock are amounts in respect of the expected percentage of sales under first tranche disposal for shared ownership properties. Proceeds from first tranche disposals are recognised in turnover.

Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets, and are depreciated over the shorter of the lease term and their economic useful lives. Obligations under finance leases are included in creditors net of the finance charge allocated to future periods. The finance element of the rental is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Finance issue costs

The cost of raising loans is amortised over the period of the loan. The deferred cost is offset against the liability and included within note 22, Creditors: amounts falling due after more than one year, in accordance with FRS 102.

Assets leased to other bodies

The Group has developed a number of housing properties which have been leased to other organisations. These are shown as stock whilst in development, and as long-term debtors once lease agreements are in place. The lease income is shown as turnover.

Special needs housing managed by voluntary agents on behalf of the Group

Due to the nature of the relationship between the Group and its managing agents, these financial statements exclude the financial performance of the projects managed by our agents.

Leaseholder service charge sinking fund

The Group is required to set aside sums in respect of future maintenance of certain properties subject to leasehold arrangements. These sums are held in a separate bank account to which interest is added and tax deducted. Amounts accumulated in the fund are included within current asset investments, and within note 21, Creditors: amounts falling due within one year.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Restricted reserve

The Group has a reserve which is only expendable in accordance with the wishes of the funder. The transfers to/from restricted reserves are shown in the Statement of Comprehensive Income.

This reserve relates to the Grace Gillett Legacy which represents a bequest to the Group for future support of a scheme in Bristol.

Financial instruments

Financial instruments are initially recorded at fair value. Subsequent measurement depends on the designation of the instrument as follows:

- Debt service reserves held in trust as security against debt holdings are categorised as held-to-maturity and measured at amortised cost using the effective interest method.
- Loans and mortgages receivable are categorised as loans and receivables and measured at amortised cost using the effective interest method.
- Other assets, including trade investments and joint venture investments and assets that are short term in nature such as cash and receivables are predominantly categorised as loans and receivables.
- Financial liabilities are predominantly measured at amortised cost using the effective interest method.
- Discounted bonds are shown at their redemption value less deferred interest. Deferred interest represents the discount on the issue of the discounted bonds, and discounts are recognised in the profit and loss account on an effective yield basis.

The effective interest rate includes interest and all significant directly attributable incremental fees and costs.

Derivatives, comprising interest rate and currency swaps, are held at fair value. All swaps are considered effective in managing the risk they are designed to mitigate. Valuation movements in those instruments that meet the specific requirements of IAS 39 are recognised through other recognised income. Other movements are recognised in the profit and loss account.

Derivatives require fair value measurement each year and consequently they are subject to categorisation under the hierarchy approach.

The Group assesses financial assets for impairment at the balance sheet date. Impairment losses are recognised in the Statement of Comprehensive Income.

Further details on financial instruments are given in note 25.

Financial assets (including debtors) - impairment

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the profit and loss account.

2. TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING PROFIT

	2016				2015			
	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating profit £'000	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating profit/(loss) £'000
Social housing lettings (note 3)	270,185	-	(161,528)	108,657	257,000	-	(154,513)	102,487
Other social housing activities								
Social housing property sales	8,002	(5,308)	(599)	2,095	41,519	(21,302)	(1,384)	18,833
Shared Ownership property sales	2,658	(2,067)	(170)	421	4,562	(3,655)	(167)	740
Charges for support services	11,043	-	(10,386)	657	11,610	-	(11,218)	392
Domiciliary care	743	-	(701)	42	2,826	-	(3,209)	(383)
Other	-	-	(9,812)	(9,812)	-	-	-	-
Total	292,631	(7,375)	(183,196)	102,060	317,517	(24,957)	(170,491)	122,069
Non social housing activities	323,953	(97,416)	(204,830)	21,707	246,793	(58,877)	(208,816)	(20,900)
Total	616,584	(104,791)	(388,026)	123,767	564,310	(83,834)	(379,307)	101,169
Analysis of turnover								
		2016 £'000	2015 £'000					
Social housing turnover		292,631	317,517					
Non social housing activities								
Non social housing development and construction		98,765	42,841					
Non social housing lettings		35,804	34,633					
Leisure facilities management		130,692	117,285					
Property management services		44,800	43,944					
Retirement management services		1,941	841					
Other		11,951	7,249					
Total		616,584	564,310					

3. INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	2016			2015	
	General needs housing £'000	Supported housing & housing for older people £'000	Other £'000	Total £'000	Total £'000
Income					
Rent receivable net of identifiable service charges	187,819	19,743	11,212	218,774	211,855
Service charge income	12,423	10,689	1,023	24,135	23,713
Revenue grant	5,419	-	-	5,419	5,484
Amortised government grants	12,128	2,154	700	14,982	13,762
Other income	2,093	4,489	293	6,875	2,186
Turnover from social housing lettings	219,882	37,075	13,228	270,185	257,000
Expenditure on social housing lettings activities					
Management	(29,677)	(6,726)	(589)	(36,992)	(37,156)
Service charge costs	(12,812)	(10,387)	(1,085)	(24,284)	(23,961)
Routine maintenance	(27,781)	(3,363)	(522)	(31,666)	(32,011)
Planned maintenance	(13,207)	(2,105)	(285)	(15,597)	(12,678)
Major repairs expenditure	(2,437)	(396)	(81)	(2,914)	(4,213)
Bad debts	(1,209)	(175)	(24)	(1,408)	(2,120)
Depreciation on housing assets	(27,220)	(4,124)	(1,328)	(32,672)	(29,902)
Impairment of housing properties	(826)	(376)	-	(1,202)	(177)
Leases relating to housing properties	(10,363)	-	-	(10,363)	(9,457)
Other costs	(2,702)	(1,274)	(454)	(4,430)	(2,838)
Operating costs on social housing lettings	(128,234)	(28,926)	(4,368)	(161,528)	(154,513)
Operating surplus on social housing lettings	91,648	8,149	8,860	108,657	102,487
Void losses	(1,517)	(727)	(64)	(2,309)	(2,368)

4. GROUP PROFIT ON SALE OF FIXED ASSETS

2016			
	Turnover £'000	Cost of sales £'000	Operating costs £'000
Sale of housing assets	15,447	(11,058)	
Sale of other fixed assets	1,090	(1,090)	-
Total	16,537	(12,148)	-
Group 2016 Operating profit/ (loss) £'000			
			4,389

2015			
	Turnover £'000	Cost of sales £'000	Operating costs £'000
Sale of housing assets	14,369	(9,737)	(660)
Sale of other fixed assets	8	-	-
Total	14,377	(9,737)	(660)
Group 2015 Operating profit/ (loss) £'000			
			3,972

5. DIRECTORS' EMOLUMENTS

The Group is administered by a Board of Directors. The directors received remuneration as set out below.

		GROUP	
		2016 £'000	2015 £'000
Expenses not chargeable to United Kingdom income tax reimbursed to directors:			
Non-executive directors		11	14
Executive directors		16	15
Aggregate emoluments (excluding pension contributions):			
Non-executive directors		348	249
Executive directors		1,616	1,539
Pension contributions:			
Executive directors		92	90
Total remuneration		2,083	1,907

The number of directors who received emoluments in the following ranges was:

	2016 No.	2015 No.
£240,000 - £249,999	-	1
£250,000 - £259,999	1	1
£260,000 - £269,999	1	-
£300,000 - £309,999	-	1
£310,000 - £319,999	1	-
£330,000 - £339,999	-	1
£340,000 - £349,999	1	-
£480,000 - £489,999	-	1
£530,000 - £539,999	1	-
Highest paid director:	530	483

The Group Chief Executive is not a member of the Group's pension scheme, and does not receive any enhanced or special terms or contributions to any individual pension arrangement.

6. EMPLOYEE INFORMATION

The average number of employees expressed as full time equivalents (including the executive directors) employed during the year was:

	GROUP		COMPANY	
	2016 No.	2015 No.	2016 No.	2015 No.
Managing housing services	1,970	1,918	21	14
Developing and selling houses	136	45	4	5
Central administration services	549	344	315	270
Care services	672	662	-	3
Leisure service activities	2,148	1,940	-	-
	<u>5,475</u>	<u>4,909</u>	<u>340</u>	<u>292</u>

Average number of employees is calculated by ascertaining for each calendar month in the financial year, the number of persons, by category, employed by the Group. The monthly numbers are then added together and divided by the number of months in the financial year.

	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Staff costs (for the above persons):				
Wages and salaries	160,455	137,365	12,812	11,052
Severance pay	1,305	1,004	137	97
Social security costs	12,409	10,311	1,270	1,106
Pension payments	8,144	6,785	1,125	967
	<u>182,313</u>	<u>155,465</u>	<u>15,344</u>	<u>13,222</u>

Staff costs (for the non-executive members of the board):

Wages and salaries	348	249	-	-
Social security costs	33	27	-	-
	<u>381</u>	<u>276</u>	<u>-</u>	<u>-</u>

The number of senior staff who received emoluments in the following ranges was:

	2016 No.	2015 No.
£60,000 - £69,999	31	39
£70,000 - £79,999	14	33
£80,000 - £89,999	19	8
£90,000 - £99,999	8	5
£100,000 - £109,999	6	8
£110,000 - £119,999	5	6
£120,000 - £129,999	5	5
£130,000 - £139,999	2	2
£140,000 - £149,999	3	5
£150,000 - £159,999	3	2
£160,000 - £169,999	2	-
£170,000 - £179,999	5	2
£180,000 - £189,999	-	3
£190,000 - £199,999	1	-
£210,000 - £219,999	-	1
£220,000 - £239,999	1	-
£250,000 - £259,999	1	-
£270,000 - £279,999	-	1

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	GROUP		COMPANY	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
On financial assets not at fair value through the statement of comprehensive income:				
Interest on fixed asset investments	11,243	8,437	-	-
Dividend received	179	-	-	10,500
Other interest receivable from deposits	1,428	74	6	1
Share of joint ventures interest receivable and other income	90	-	-	-
	<u>12,940</u>	<u>8,511</u>	<u>6</u>	<u>10,501</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	GROUP		COMPANY	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
On financial liabilities not at fair value through the statement of comprehensive income:				
On bank loans and overdrafts	99,273	100,361	288	1,549
Finance charges on hire purchase or lease agreements	192	37	-	-
Other finance charges	129	-	-	-
In respect of Recycled Capital Grant Fund	184	130	-	-
	<u>99,778</u>	<u>100,528</u>	<u>288</u>	<u>1,549</u>
Share of joint ventures interest payable and similar charges	474	430	-	-
Unwinding of SHPS pension liability discount	308	877	-	-
On defined benefit pension scheme:				
Expected return on pension assets	(4,729)	(6,755)	-	-
Interest on scheme liabilities	6,506	7,397	-	-
	<u>1,777</u>	<u>642</u>	<u>-</u>	<u>-</u>
On financial liabilities at fair value through the statement of comprehensive income:				
Fair value loss on interest rate and currency swaps	1,221	7,440	-	-
	<u>103,558</u>	<u>109,917</u>	<u>288</u>	<u>1,549</u>
Less: capitalised interest	(2,215)	(1,256)	-	-
	<u>101,343</u>	<u>108,661</u>	<u>288</u>	<u>1,549</u>

9. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	GROUP		COMPANY	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):				
Depreciation and impairment:				
Tangible fixed assets	49,270	41,045	-	-
Amortisation of goodwill	7,653	34,827	-	-
Profit/(loss) on disposal of tangible fixed assets other than housing assets	-	(8)	-	-
Payments under operating leases				
Motor vehicles	4,147	3,512	-	128
Office equipment	277	486	-	-
Housing properties	16,847	16,181	-	-
Other operating leases	1,241	807	-	-
Auditor's remuneration:				
In their capacity as auditor	319	250	-	22
In respect of all other services	30	5	-	-
Other Auditor's remuneration:				
In their capacity as auditor	-	7	-	-
In respect of all other services	-	1	-	-
	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>

10. TAX ON PROFIT ON ORDINARY ACTIVITIES

	GROUP	
	2016 £'000	2015 £'000
(a) Analysis of charge in period		
Tax on profit on ordinary activities (note 10b)		
United Kingdom corporation tax	109	1,824
Adjustments to tax charge in respect of prior periods	(72)	(19)
Share of joint venture current tax	418	93
	<u>455</u>	<u>1,898</u>
Deferred tax (note 10c)		
Origination and reversal of timing differences	(1,753)	(3,352)
Adjustments to deferred tax in respect of prior periods	(91)	-
	<u>(1,844)</u>	<u>(3,352)</u>
Total tax credit	<u>(1,389)</u>	<u>(1,454)</u>
(b) Tax expense/(income) included in other comprehensive income		
Deferred Tax		
Origination and reversal of timing differences	6,024	(3,277)
Origination and reversal of timing differences-prior year	(54)	-
	<u>5,970</u>	<u>(3,277)</u>
(b) Factors affecting tax credit for period		
The tax assessed is different than the standard rate of corporation tax in the UK (20%). The differences are explained below:		
Taxable Group profit	43,670	4,735
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2015:21%).	8,734	994
Expenses not deductible/(income) not taxable	3,768	10,005
Exempt charitable income	(4,701)	(4,666)
Movement in unrecognised deferred tax	(8,710)	(7,305)
Rate difference	(318)	(355)
Adjustments to tax charge in respect of prior periods	(162)	(127)
Tax on profit on ordinary activities (note 10a)	<u>(1,389)</u>	<u>(1,454)</u>
(c) Factors that may affect future tax charges		
Provision for deferred tax		
Accelerated capital allowances	830	547
Other short term timing differences	(7,436)	(10,869)
Capitalised interest	6,399	7,072
Tax Losses	(6,913)	(5,297)
Pension through other comprehensive income	(3,252)	(5,952)
	<u>(10,372)</u>	<u>(14,499)</u>
Provision at 1 April	(14,499)	(7,870)
Expense/income in the year in profit and loss	(1,843)	(3,352)
Expense/income in the year in profit and loss in other comprehensive income	5,970	(3,277)
Provision at 31 March at 20% (2015: 21%) (note 19)	<u>(10,372)</u>	<u>(14,499)</u>

11. GOODWILL

	GROUP 2016 £'000
Cost	
At 1 April 2015	30,529
Additions	2,264
At 31 March 2016	<u>32,793</u>
Amortisation	
At 1 April 2015	(13,364)
Charge for year	(7,653)
At 31 March 2016	<u>(21,017)</u>
Net book value at 31 March 2016	<u>11,776</u>
Net book value at 1 April 2015	17,164

12. GROUP HOUSING PROPERTIES

	Housing properties and land £'000	LSE & shared ownership housing properties £'000	Housing properties in the course of construction £'000	LSE & shared ownership properties in the course of construction £'000	Total housing properties £'000
Cost					
At 1 April 2015	2,331,501	174,214	21,205	38	2,526,958
Additions	-	-	84,558	697	85,255
Change of tenure	(4,989)	1,325	(68)	36	(3,696)
Transfer to completed schemes	68,882	676	(68,882)	(676)	-
Disposals	(6,687)	(6,922)	-	-	(13,609)
At 31 March 2016	2,388,707	169,293	36,813	95	2,594,908
Depreciation					
At 1 April 2015	(309,398)	(13,709)	-	-	(323,107)
Charge for year					
Depreciation	(35,606)	(1,566)	-	-	(37,172)
Impairment	(857)	-	-	-	(857)
Eliminated on disposal					
Depreciation	4,622	641	-	-	5,263
Impairment	263	-	-	-	263
Change of tenure					
Depreciation	469	(10)	-	-	459
Impairment	-	-	-	-	-
At 31 March 2016	(340,507)	(14,644)	-	-	(355,151)
Net book value at 31 March 2016	2,048,200	154,649	36,813	95	2,239,757
Net book value at 1 April 2015	2,022,103	160,504	21,205	38	2,203,851

LSE denotes Leasehold Schemes for the Elderly.

Additions to housing properties in the course of construction during the year include an apportionment of staff time directly spent on the administration of development activities amounting to £1.8m (2015 £2.0m).

	2016 £'000	2015 £'000
Housing properties comprise, at cost:		
Freehold	2,195,392	2,131,544
Long leasehold	388,245	387,017
Short leasehold	11,271	8,397
	2,594,908	2,526,958
Additions to completed properties	2016 £'000	2015 £'000
Completed properties acquired	1,727	43,029
Properties newly built/rehabilitated	30,670	31,167
Major Works to existing properties	36,724	30,411
Other works	438	221
	69,559	104,828

The UK Government's decision to reduce social housing rent for registered providers was considered to meet the criteria to trigger a detailed impairment review of relevant assets as this could impact the income streams of many Cash Generating Units.

Following an impairment review 98 units (2015: 13 units) were considered to be impaired, with a carrying value before recognition of the impairment loss of £5,999,000 (2015 £450,000).

13. GROUP OTHER FIXED ASSETS

	Commercial and office properties						
	Motor vehicles	Plant & specialist equipment	Computer equipment	Freehold offices	Long leasehold	Short leasehold	Fixtures and Fittings
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 1 April 2015	455	936	28,850	19,769	11,174	13,109	18,291
Additions	169	1,095	5,916	1,226	2,594	3,743	5,673
Change of tenure	-	-	-	(1,162)	171	310	-
Disposals	(18)	(79)	(16,515)	-	(1,485)	(1,675)	(1,427)
At 31 March 2016	606	1,952	18,251	19,833	12,454	15,487	22,537
Depreciation and Impairment							
At 1 April 2015	(127)	(599)	(17,519)	(977)	(3,365)	(4,010)	(6,372)
Charge for year	(151)	(873)	(3,360)	(248)	(96)	(1,825)	(4,688)
Change of Tenure	-	-	-	310	(68)	(242)	-
Eliminated on disposal	16	77	16,514	-	1,485	1,583	1,424
At 31 March 2016	(262)	(1,395)	(4,365)	(915)	(2,044)	(4,494)	(9,636)
Depreciation and Impairment							
Charge for year	-	-	-	(345)	-	-	-
At 31 March 2016	-	-	-	(345)	-	-	(345)
Net Book Value at 31 March 2016	344	557	13,886	18,573	10,410	10,993	12,901
Net book value at 1 April 2015	328	337	11,331	18,792	7,809	9,099	11,919

14. FIXED ASSETS - INVESTMENTS

	GROUP		COMPANY	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
External investments and investment in related undertakings	262,326	233,363	4,720	10,845
Investment property	419,516	403,875	-	-
Total fixed asset investments	681,842	637,238	4,720	10,845

External investments and investment in related undertakings

	GROUP		COMPANY	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Cost at 1 April	233,363	164,843	10,845	69,611
Additions in year	63,727	69,426	245	4,424
Disposals in year	(34,614)	(906)	(6,370)	(63,190)
Cost at 31 March	262,476	233,363	4,720	10,845
Accumulated impairment at 1 April	-	-	-	-
Provision raised in the year	(150)	-	-	-
at 31 March	(150)	-	-	-
Net book value at 31 March	262,326	233,363	4,720	10,845
Debt Service Reserves	88,568	77,071	-	-
Grace Gillett Trust	171	184	-	-
Trade investment	-	150	-	-
Other external investments	1,410	1,110	-	-
Investment in related undertakings	-	-	296	6,421
Investment in joint venture undertakings	172,177	154,848	4,424	4,424
	262,326	233,363	4,720	10,845

Investments in Debt Servicing Reserves are held in trust for the Group by the Prudential Trustee Company as security against the 6.625% Eurobond 2038, the 5.09% secured Bond 2024, and by Abbey National Treasury Services as security against a fixed rate loan of £80 million. The reserves equate to one year's payment of interest and principal and are shown at cost.

The Grace Gillett Trust resulted from a legacy left to support the residents of a scheme in Bristol.

Investment in joint ventures

Joint venture	Group interest	Nature of business
Boxed Energy Limited	50% held through PFP Green Services Limited	Investment in Biomass boilers
Namegrace Limited	50% held through Residential Management Group Limited	Property dealing
Smiths Dock LLP	50% held through PFP Ventures Limited	Property development
Warwick Gates LLP	50% held through PFP Ventures Limited	Property development
Tattenhall Care Village LLP	50% held through PFP Ventures Limited	Property development
Urban Splash Park Hill LLP	50% held through PFP Ventures Limited	Property development
Lakeshore Timber Building LLP (US)	50% held through PFP Ventures Limited	Property development
Allenbuild Limited	50% held through PFP Ventures Limited	Property construction
MDH Group Limited	50% held through PFP Group Limited	Property development
PFP Urban Splash JV LLP	50% held through PFP Homes Limited	Property development
Brooklands Milton Keynes LLP	50% held through PFP Homes Limited	Property development
Ruskin Square Phase One LLP	50% held through PFP Ventures Limited	Property development

Investment Properties	2016	2016	2016
	Completed Properties £'000	Properties held in the course of construction £'000	Total £'000
At 1 April 2015	403,495	380	403,875
Additions	-	16,275	16,275
Change of Tenure	(1,247)	291	(956)
Transfer at cost	16,936	(16,936)	-
Revaluation in year	772	-	772
Disposals	(450)	-	(450)
At 31 March 2016	419,506	10	419,516

15. FIXED ASSETS - EQUITY LOANS

	GROUP 2016 £'000	GROUP 2015 £'000	COMPANY 2016 £'000	COMPANY 2015 £'000
Gross valuation				
At 1 April 2015	145,467	166,995	-	-
Additions in year	1,811	1,073	-	-
Net appreciation in year	3,135	5,159	-	-
Disposals in year	(23,043)	(27,760)	-	-
At 31 March	127,370	145,467	-	-
Other associated liabilities				
At 1 April 2015	(29,707)	(35,507)	-	-
Additions in year	(200)	(241)	-	-
Net appreciation in year	(488)	(560)	-	-
Disposals in year	4,554	6,602	-	-
At 31 March	(25,841)	(29,706)	-	-
Net book value at 31 March	101,529	115,761	-	-

16. JOINT VENTURES

	GROUP 2016 £'000	GROUP 2015 £'000	COMPANY 2016 £'000	COMPANY 2015 £'000
Share of assets				
Share of fixed assets	1,234	1,704	-	-
Share of current assets	80,894	49,096	-	-
	82,128	50,800	-	-
Share of liabilities				
Liabilities due within one year or less	(14,956)	(2,653)	-	-
Liabilities due after more than one year	(65,439)	(48,932)	-	-
	(80,395)	(51,585)	-	-
Share of net assets/(liabilities)	1,733	(785)	-	-
Share of operating profit/(loss) during the year	3,145	(448)	-	-

17. STOCK

	GROUP 2016 £'000	GROUP 2015 £'000	COMPANY 2016 £'000	COMPANY 2015 £'000
Land	120,315	134,741	-	-
Properties in construction	91,420	42,884	-	-
Completed properties	33,124	40,552	-	-
Other	816	1,748	-	-
	245,675	219,925	-	-

Stock of housing properties comprises acquisition and development expenditure. Capitalised development interest charged to stock during the year is £0.8m (2015:£0.25m).

18. DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	GROUP 2016 £'000	GROUP 2015 £'000	COMPANY 2016 £'000	COMPANY 2015 £'000
Agency leases	109	72	-	-
Loans and advances to customers	847	577	-	-
Mortgages	4,446	6,395	-	-
	5,402	7,044	-	-

19. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		COMPANY	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Rental debtors	13,263	9,570	-	-
Less: Provision for bad and doubtful debts	(4,257)	(4,228)	-	-
	9,006	5,342	-	-
Other trade debtors	13,628	21,480	146	165
Loans and advances to customers	-	372	-	-
Mortgages	365	736	-	-
Deferred tax	10,372	14,498	-	-
Corporation tax	-	407	-	-
Capital debtors	25,477	10,023	-	-
Derivative Fin Instruments	4,063	-	-	-
Other taxes	336	1,519	-	-
Amounts due from related undertakings	-	-	8,315	209
Sundry debtors, prepayments and accrued income	16,285	21,223	1,448	2,228
Loans to employees	87	86	14	19
	<u>79,619</u>	<u>75,686</u>	<u>9,923</u>	<u>2,621</u>

20. CURRENT ASSET INVESTMENTS

	GROUP		COMPANY	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Bank deposits repayable within one month	13,767	33,100	-	-
Cash held as security	-	4,362	-	-
	<u>13,767</u>	<u>37,462</u>	<u>-</u>	<u>-</u>

21. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		COMPANY	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Housing and bank loans principal payable within one year	361,047	52,835	-	-
Debentures/stocks principal payable within one year	162,731	1,622	-	-
Derivative financial instruments held to manage the interest rate profile and currency risk	-	3,194	-	-
Amounts in respect of joint venture undertaking	9,831	10,815	-	-
Recycled Capital Grant Fund	4,839	9,135	-	-
Finance leases	1,438	1,383	-	-
	<u>539,886</u>	<u>78,984</u>	<u>-</u>	<u>-</u>
Interest on housing loans	24,286	30,276	-	4
Deferred government grant	15,270	13,766	-	-
Trade creditors	11,186	9,977	3,220	23
Corporation tax	-	-	604	-
Other taxes	2,284	-	778	170
Capital development creditor	27,870	32,156	-	-
Other creditors and accruals	85,172	50,285	25	1,779
Payments received on account	7,867	6,788	-	-
Prepaid rent	4,388	3,695	-	-
Social housing pension liability	1,347	1,200	-	-
	<u>719,556</u>	<u>227,127</u>	<u>4,627</u>	<u>1,976</u>

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

	GROUP		COMPANY	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Debt				
Debenture stock/bonds	948,850	950,006	-	-
Discount on bond issue	(13,502)	(15,204)	-	-
Amounts due to related undertakings	-	-	10,498	11,490
Housing and bank loans	811,411	791,270	-	-
Amounts due in respect of joint venture undertakings	24,190	18,107	-	-
Revaluation of foreign currency denominated debt	(8,434)	(24,379)	-	-
	<u>1,762,515</u>	<u>1,719,800</u>	<u>10,498</u>	<u>11,490</u>
Derivative financial instruments held to manage the interest rate profile and currency risk	51,481	80,414	-	-
Other financial liabilities				
Obligations under finance leases	3,226	3,387	-	-
Development creditors	-	556	-	-
Recycled Capital Grant Fund (note 23)	50,390	44,240	-	-
Disposal Proceeds Fund (note 23)	391	844	-	-
	<u>54,007</u>	<u>49,027</u>	<u>-</u>	<u>-</u>
Debt and other financial liabilities	<u>1,868,003</u>	<u>1,849,241</u>	<u>10,498</u>	<u>11,490</u>
Less : amounts falling due within one year (note 21)	<u>(539,886)</u>	<u>(78,984)</u>	<u>-</u>	<u>-</u>
	<u><u>1,328,117</u></u>	<u><u>1,770,257</u></u>	<u><u>10,498</u></u>	<u><u>11,490</u></u>
Deferred government grant	1,033,088	1,028,449	-	-
Homebuy grant	60,977	70,503	-	-
Social housing pension liability	13,551	13,554	-	-
Creditors falling due after more than one year	<u>1,107,616</u>	<u>1,112,506</u>	<u>-</u>	<u>-</u>
Total creditors falling due after more than one year	<u><u>2,435,733</u></u>	<u><u>2,882,763</u></u>	<u><u>10,498</u></u>	<u><u>11,490</u></u>

The total value of loans subject to a guarantee is £105,000,000 (2015: £105,621,000).

All secured loans are supported by specific charges on the Group's housing properties and are repayable at varying rates of interest from, 0.92063% - 18.03%, in instalments.

Included within housing and bank loans is the amount of £13,515,000 (2015: £15,204,000) which relates to the cost of debt issue.

Analysis of debt

These are repayable as follows:

	GROUP		COMPANY	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
In less than one year	539,886	78,984	-	-
In one year or more but less than two years	215,500	452,843	-	-
In two years or more but less than five years	213,648	308,800	-	-
In more than five years				
By instalments	203,473	233,735	-	-
Not by instalments	695,496	774,879	10,498	11,490
	<u>1,868,003</u>	<u>1,849,241</u>	<u>10,498</u>	<u>11,490</u>

23. RECYCLED CAPITAL GRANT AND DISPOSAL PROCEEDS FUND

RECYCLED CAPITAL GRANT FUND

	Homes and Communities Agency		Greater London Authority	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
At 1 April 2015	28,998	17,217	12,833	6,208
Inputs to RCGF: Grant recycled	10,119	11,689	3,870	6,586
Interest Accrued	128	92	55	39
Recycling of grant: New Build	(7,615)	-	-	-
Repayment of grant to the HCA/GLA	-	-	(998)	-
At 31 March 2016	31,630	28,998	15,760	12,833
Amounts 3 years old or older where repayment may be required	2,814	5,259	1,834	-

DISPOSALS PROCEEDS FUND

	Homes and Communities Agency		Greater London Authority	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
At 1 April 2015	844	730	-	-
Inputs to RCGF: Grant recycled	126	-	-	-
Recycling of grant: New Build	(579)	114	-	-
At 31 March 2016	391	844	-	-
Amounts 3 years old or older where repayment may be required	230	517	-	-
Recycled capital grant fund in respect of Scottish subsidiaries	3,000	2,410	-	-
Total Recycled Capital grant fund	50,781	45,085	-	-

24. PROVISIONS FOR LIABILITIES AND CHARGES

	GROUP			
	At 1 April 2015 £'000	Provision in year £'000	Expenditure in year £'000	At 31 March 2016 £'000
Facilitating access to home ownership	513	112	(562)	63
Legal claims	373	46	(97)	322
Dilapidations provision	81	-	(2)	79
Other provisions	99	10	(14)	95
Onerous lease and contracts provision	-	580	-	580
	1,066	748	(675)	1,139

25. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors has established the Audit & Risk Committee, which is responsible for developing and monitoring the Group's risk management policies. The Committee reports regularly to the board of directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit & Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to risks faced by the Group. The Group Audit & Risk Committee is assisted in its oversight role by Business Assurance. Business Assurance undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit & Risk Committee.

The Group's treasury function is responsible for the management of funds and control of the associated risks. Its activities are governed in accordance with board approved policy and are subject to regular audit. The function does not operate as a profit centre.

The net cash generated from operating activities was £169m (2015: £170m). Bank balances and short term investments were £52.7m at the year end (2015: £50.3m). In addition to this, the Group had further available facilities of £260.5m (2015: £221.0m) and has established a European Medium Term Note Programme of £645.3m (2015: £330.3m) for future fundraising.

Market risk

Market risk comprises interest rate risk, currency risk and other price risk.

Interest rate risk

The Group's strategy is to contain interest rate risk within 30% of the loan book, with the board exercising a strict control over derivative transactions; currently 84.8% of debt is either held at fixed rates of interest or hedged against adverse rate movements.

The Group manages its exposure to this risk through a mix of debt at fixed rates of interest and interest rate hedging techniques.

It is estimated that each quarter percent increase in interest rates would increase interest payable costs by £0.7m per annum. Due to the low levels of cash and cash deposits held, the impact of a change in the interest rate on interest receivable is insignificant.

Currency risk

The Group has no overseas subsidiaries and trades only in sterling. The Group has some debt which is denominated in foreign currency. The Group's strategy is to mitigate currency risk arising from foreign currency denominated debt. This is achieved using cross currency interest rate swaps. Currency cash flow exposure is fully hedged, therefore a change in the foreign currency rate would be fully offset by the swaps.

Other price risk

The Group is impacted by general changes in price levels and specifically the Retail Price Index (RPI). This is because some payments to retail bond holders are directly linked to the RPI.

It is estimated that each quarter percent increase in RPI would increase interest payable costs by £0.1m per annum.

Credit risk

Credit risk arises from exposure to the risk of a loss if a counterparty fails to perform its obligations to the Group. This relates to exposures to financial institutions for investments and cash deposits placed, with corporates for credit granted in the course of operations and with individuals for rent receivable and loans granted.

The Group's credit exposure is virtually all within the United Kingdom.

Whilst the Group's maximum exposure to credit risk is best represented by the carrying value of the individual assets, in most cases the likely exposure is far less due to the nature of the debt held, credit status of counterparties, security held and other actions taken to mitigate the risk to the Group as described below:

- In respect of investments and deposits placed, the Group has established strict counterparty credit limits based on the overall level of its investment activity and the credit quality of the institutions with which investments are placed. External fund managers are employed to manage investment in government securities which are held as debt reserves to credit enhance certain loan stocks; these reserves are held at levels in excess of covenanted requirements in order to manage against the risk of short-term movements in financial markets.
- In respect of financial derivative instruments, the Group treasury team currently performs a weekly review of the credit ratings of all its financial institution counterparties. The credit risk on liquid funds and derivative financial instruments is managed through the Group's policies of monitoring counterparty exposure, concentration of credit risk through the use of multiple counterparties and the use of counterparties of investor grade quality.
- In respect of individuals, tenant arrears are reported each working day and dedicated teams are assigned to maximise debt recovery. In addition, more than half of arrears are collected directly from local authorities, reducing the Group's exposure to individual tenant's credit risk.
- Loans made to customers to purchase Group developed houses are secured by a charge against the relevant property.

25. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk and refinancing exposure

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Interest rate risk is considered to be a key component of both market and liquidity risk.

The Group is in compliance with all of its financial covenants contained within its loan documents and loan stocks trust deeds. The Group defines its refinancing risk as loans which do not include some form of amortisation or sinking fund.

The Group utilises short-term revolving bank debt as a consequence of its sales programme. Currently 43.7% of debt matures within the next 5 years, including 16.8% that matures during the next financial year.

Hedging

The Group hedges its interest rate risk by taking out interest rate swaps to fix the interest flows at between 4.040% and 6.279%. At 31 March 2016 the Group held interest rate swaps on floating rate debt of £30m. The interest rate swaps are held at fair value as disclosed in note 22.

The Group hedges its currency risk by taking out fixed/fixed cross currency interest swaps to fix the GBP value of both interest and principal repayable under foreign currency denominated debt. As at 31 March 2016 the Group held cross currency interest rate swaps with a mark to market value of £30.2m. The currency swaps are held at fair value as disclosed in note 22.

Liquidity Risk

The interest rate risk analysis below is considered to be a key component of the Group's liquidity risk.

Interest rate risk of financial instruments

For each class of interest bearing financial asset and financial liability, the following tables indicate the range of interest rates effective at the balance sheet date, the carrying amount on the balance sheet and the periods in which they reprice, if earlier than the maturity date.

Interest rate risk of financial assets as at 31 March 2016

	Effective interest rate %	Total amount £'000	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	4-5 years £'000	Over 5 years £'000
GROUP								
Fixed asset investments:								
Fixed rate	2.80%	42,257	-	-	-	-	-	42,257
Floating rate	0.33%	46,312	-	-	-	-	-	46,312
Share capital		150	-	-	-	-	-	150
Amounts due from joint venture undertakings		172,177	15,574	19,321	16,731	34,194	16,862	69,495
Investment in shared equity		101,529	20,819	16,830	12,842	9,809	9,644	31,585
		362,425	36,393	36,151	29,573	44,003	26,506	189,799
Current asset investments		13,767	13,767	-	-	-	-	-
Cash at bank and in hand		38,910	38,910	-	-	-	-	-
Long term debtors		5,402	381	654	434	434	435	3,064
		420,504	89,451	36,805	30,007	44,437	26,941	192,863

All financial assets carry a fixed interest rate unless otherwise shown.

Comparative figures as at 31 March 2015 were as follows:

	Effective interest rate %	Total amount £'000	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	4-5 years £'000	Over 5 years £'000
GROUP								
Fixed asset investments:								
Fixed rate	3.10%	40,857	-	-	-	-	-	40,857
Floating rate	0.31%	36,387	-	-	-	-	-	36,387
Share capital		150	-	-	-	-	-	150
Amounts due from joint venture undertakings		155,972	10,087	17,999	15,586	31,854	15,709	64,737
Investment in shared equity		45,255	9,280	7,502	5,724	4,372	4,298	14,079
		278,621	19,367	25,501	21,310	36,226	20,007	156,210
Current asset investments		37,462	37,462	-	-	-	-	-
Cash at bank and in hand		12,815	12,815	-	-	-	-	-
Long term debtors		8,049	1,000	876	610	610	611	4,342
		336,947	70,644	26,377	21,920	36,836	20,618	160,552

Trade and other receivables are not included in the above tables as they are non-interest bearing and are not subject to interest rate risk.

25. FINANCIAL INSTRUMENTS (Continued)

Interest rate risk of financial liabilities as at 31 March 2016

	Effective interest rate %	Total amount £'000	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	4-5 years £'000	Over 5 years £'000
Stocks and bonds:								
Fixed rate	5.50%	1,473,734	247,817	63,728	63,728	35,185	35,401	1,027,875
Discount on bond issue		(13,515)	-	-	-	-	-	(13,515)
Housing loans:								
Fixed rate	4.81%	810,143	134,580	32,953	199,107	110,205	8,403	324,895
Floating rate	1.89%	86,000	9,644	11,425	12,958	5,411	4,558	42,004
Index linked	3.23%	5,373	843	906	906	906	906	906
		901,516	145,067	45,284	212,971	116,522	13,867	367,805
Other financial liabilities		54,008	2,638	4,774	10,424	18,661	17,267	243
Derivative financial instruments held to manage interest rate risk		47,418	(4,063)	3,137	3,155	96	2,989	42,104
		<u>2,463,160</u>	<u>391,459</u>	<u>116,923</u>	<u>290,278</u>	<u>170,464</u>	<u>69,524</u>	<u>1,424,512</u>

All financial liabilities carry a fixed interest rate unless otherwise shown.

Cash collateral held under the terms of the swap arrangements was £6.59m (2015: £25.5m)

Comparative figures as at 31 March 2015 were as follows:

	Effective interest rate %	Total amount £'000	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	4-5 years £'000	Over 5 years £'000
Stocks and bonds:								
Fixed rate	5.54%	1,672,385	2,532	254,133	254,133	35,874	36,082	1,089,631
Discount on bond issue		(15,205)	-	-	-	-	-	(15,205)
Housing loans:								
Fixed rate	5.82%	786,102	50,501	266,659	41,400	32,637	97,196	297,709
Floating rate	1.96%	219,234	15,914	16,168	13,058	13,100	11,006	149,988
Index linked	4.71%	6,213	743	843	952	1,073	1,209	1,393
		1,011,549	67,158	283,670	55,410	46,810	109,411	449,090
Other financial liabilities		46,795	8,170	8,098	10,373	19,346	180	628
Derivative financial instruments held to manage interest rate risk		80,488	3,194	3,165	4,609	4,629	3,513	61,378
		<u>2,796,012</u>	<u>81,054</u>	<u>549,066</u>	<u>324,525</u>	<u>106,659</u>	<u>149,186</u>	<u>1,585,522</u>

Trade and other payables are not included in the above tables as they are non-interest bearing and are not subject to interest rate risk.

Borrowing facilities

At 31 March 2016 the Group had undrawn committed borrowing facilities expiring as follows:

	GROUP	
	2016 £'000	2015 £'000
In one year or less, or on demand	-	-
In more than one year but not more than two years	11,528	221,000
In more than two years	249,000	-
	<u>260,528</u>	<u>221,000</u>

£56.8m of the undrawn committed borrowing facilities require fixed charge security to be placed with lenders (2015: £56.0m).

25. FINANCIAL INSTRUMENTS (Continued)

Fair values of financial assets and financial liabilities

Set out below is a comparison by category of carrying values and fair values of all of the Group's financial instruments. None of the financial assets or liabilities have been reclassified during the year.

	Note	GROUP			
		2016		2015	
		Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Financial assets					
Fixed asset investments	14 and 15	783,371	787,062	752,999	753,003
Current asset investments	20	13,767	13,767	37,462	37,462
Cash at bank and in hand		38,910	38,910	12,815	12,815
Long term debtors	18	109	109	72	72
Mortgages and loans	18	5,293	5,293	8,080	8,080
Financial assets falling due within one year	19	52,626	52,626	36,931	36,931
		<u>894,076</u>	<u>897,767</u>	<u>848,359</u>	<u>848,363</u>

Included in the table above are rental debtors of £13.3m (2015: £9.6m). The debtors with arrears less than 30 days totalled £4.7m (2015: £3.6m), arrears more than 30 days but less than 90 days totalled £5.5m (2015: £3.8m) and arrears more than 90 days totalled £3.1m (2015: £2.2m). Also included in the table above is a provision of £4.3m (2015: £4.2m) relating to these rental debtors.

		GROUP			
		2016		2015	
		Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Financial liabilities					
Debenture stocks and bonds	22	948,850	1,087,562	950,006	1,112,253
Discount on bond issue	22	(13,502)	(13,502)	(15,205)	(15,205)
Housing loans	22	811,411	811,411	791,270	791,270
Amounts owed to joint venture undertakings	22	24,190	24,190	18,107	18,107
Revaluation of foreign currency denominated debt	22	(8,434)	(8,434)	(24,379)	(24,379)
Derivative financial instruments held to manage interest rate risk	22	51,481	51,481	80,488	80,488
Other financial liabilities	22	54,007	54,007	49,027	49,027
Financial liabilities falling due within one year	21	632,100	632,100	84,572	84,572
		<u>2,500,103</u>	<u>2,638,815</u>	<u>1,933,886</u>	<u>2,096,133</u>

Of the financial liabilities above £51.5m (2015: £80.5m) are derivative financial instruments with the remaining amounts being measured at amortised cost.

Investments in debt and equity securities

The fair value of held-to-maturity investments is determined by reference to their quoted bid price at the balance sheet date. The fair value of held-to-maturity investments after initial recognition is determined for disclosure purposes only.

Financial assets falling due within one year, long term debtors and mortgages

The fair value of these assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Financial liabilities

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Cash at bank and in hand

The fair value of cash is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

25. FINANCIAL INSTRUMENTS (Continued)

Interest-bearing borrowings

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date.

Derivative financial instruments

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Fair value hierarchy

The measurement of fair value for financial instruments has been done using a level 2 valuation technique. The definition of this technique per the standard is a valuation using inputs other than quoted market prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

26. PENSION OBLIGATIONS

The pension costs for Places for People Group relate to nine schemes of which employees and former employees are members. Details of each scheme are set out below.

The Places for People Group Stakeholder Scheme

Employees joining the Group from 1 September 2004 have the option of joining a defined contribution retirement benefit scheme - the Places for People Stakeholder Pension Plan and Group Life Assurance Scheme.

The total cost charged to the profit and loss account of £4,568,000 (2015: £4,444,000) represents contributions payable to this scheme by the company at rates specified in the rules of the plan. As at 31 March 2016, contributions of £393,000 (2015: £385,000) due in respect of the current reporting period had not been paid over to the scheme.

Group defined benefit scheme liabilities

	2016 £000	2015 £000
Places for People Group Retirement Benefit Scheme	51,422	52,544
PFPL (Holdings) Limited	431	699
Residential Management Group section of the Citrus Pension Plan	(293)	121
	<u>51,560</u>	<u>53,364</u>

The Places for People Group Retirement Benefit Scheme

The Group operates a defined benefit pension arrangement called the Places for People Group Retirement Benefit Scheme (the scheme).

The scheme is an independently administered defined benefit scheme based on final pensionable salary. The scheme was closed to new members as at 1 September 2004 and was closed to future accrual in October 2010. The most recent formal actuarial valuation was completed as at 31 March 2015 and has been updated by the independent actuary to take account of the requirements of FRS 102. The Group expects to contribute £5,700,000 to the scheme during the year to 31 March 2017.

The major assumptions used by the actuary were:

	GROUP	
	2016	2015
Price inflation	3.05%	3.05%
Rate of increase in pensions in payment LP15%	3.00%	3.00%
Rate of increase in pensions in payment LP12.5%	2.25%	2.25%
Discount rate	3.70%	3.50%

The mortality assumption used at 31 March 2016 is 115% S2PA CMI_2014 projections with long term rate of improvements of 1.0%. The mortality assumption used at 31 March 2015 was 115% S1PA CMI_2013 projections with long term improvement of 1%.

The actual return on the scheme's assets over the period to the review date, was a loss of £201,000.

26. PENSION OBLIGATIONS (Continued)

Amounts recognised in the balance sheet at 31 March 2016

	GROUP	
	Value at 31 March 2016	Value at 31 March 2015
	£'000	£'000
Fair value of assets	134,180	136,147
Present value of the scheme's liabilities	(185,602)	(188,691)
Deficit in the scheme	<u>(51,422)</u>	<u>(52,544)</u>

The major categories of assets as a percentage of total assets are as follows:

	2016	2015
Diversified growth funds	34%	34%
Equities	19%	21%
Gilts	31%	30%
Corporate bonds	15%	14%
Cash	1%	1%
	<u>100%</u>	<u>100%</u>

	2016 £'000	2015 £'000
Interest on assets	4,734	5,504
Interest on scheme liabilities	(6,528)	(7,079)
Amounts charged to other finance costs	<u>(1,794)</u>	<u>(1,575)</u>

Remeasurements recognised in other comprehensive income

	2016	2015
Actuarial gain / (loss) in pension scheme	<u>289</u>	<u>(18,377)</u>

The change in the fair value of the plan assets is analysed as follows:

	GROUP	
	2016 £'000	2015 £'000
As at 1 April	136,147	118,694
Interest on assets	4,734	5,918
Company contributions	2,625	2,560
Contribution by scheme participants		
Benefits paid	(4,393)	(3,224)
Return on assets less interest	(4,935)	12,199
As at 31 March	<u>134,178</u>	<u>136,147</u>

26. PENSION OBLIGATIONS (Continued)

The change in the present value of the defined benefit obligations is analysed as follows:

	2016 £'000	2015 £'000
As at 1 April	188,691	153,846
Interest costs	6,528	7,079
Benefits paid	(4,393)	(3,224)
Experience loss on defined benefit obligation	2,696	-
Gains from changes to demographic assumptions	(833)	30,990
Losses from changes to financial assumptions	(7,087)	-
As at 31 March	185,602	188,691

Amounts for current and previous four accounting periods

	2016 £'000	2015 £'000
Present value of defined benefit obligation	(185,602)	(188,691)
Scheme assets	134,178	136,147
Deficit	(51,424)	(52,544)
Experience gains and (losses) on scheme liabilities	-	-
Changes in assumptions used to value scheme liabilities	7,087	(30,990)
Experience adjustments on scheme assets	(4,935)	12,613

The Social Housing Pension Scheme (SHPS)

The Group participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK.

It is not possible for the Group to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the Group is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

26. PENSION OBLIGATIONS (Continued)

The Social Housing Pension Scheme (SHPS) (Continued)

Deficit contributions

Tier 1	£40.6m per annum
From 1 April 2016 to 30 September 2020:	(payable monthly and increasing by 4.7% each year on 1st April)
Tier 2	£28.6m per annum
From 1 April 2016 to 30 September 2023:	(payable monthly and increasing by 4.7% each year on 1st April)
Tier 3	£32.7m per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1st April)
Tier 4	£31.7m per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1st April)

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

	2016	2015
	£'000	£'000
Present value of provision	3,183	2,295
<i>reconciliation of opening and closing provisions</i>		
	2016	2015
	£'000	£'000
Provision at start of period	2,295	2,341
Unwinding of the discount factor (interest expense)	41	67
Deficit contribution paid	(238)	(231)
Remeasurements - impact of any change in assumptions	(21)	118
Remeasurements - amendments to the contribution schedule	1,106	-
Provision at end of period	3,183	2,295
<i>Income and expenditure impact</i>		
	2016	2015
	£'000	£'000
Interest expense	41	67
Remeasurements - impact of any change in assumptions	(21)	118
Remeasurements - amendments to the contribution schedule	1,106	-
	1,126	185
	2015	2015
	% per	% per
	annum	annum
Rate of discount	2.06	1.92

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

26. PENSION OBLIGATIONS (Continued)

The Scottish Housing Associations' Pension Scheme - defined benefit section ("the Scheme")

The Group participates in the scheme, a multi-employer scheme which provides benefits to some 155 non-associated employers. The scheme is a defined benefit scheme in the UK.

It is not possible for the Group to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the Group is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2012. This actuarial valuation showed assets of £394m, liabilities of £698m and a deficit of £304m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the scheme as follows:

Deficit contributions

From 1 April 2014 to 30 September 2027:	£26,304,000 per annum (payable monthly and increasing by 3% each on 1st April)
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The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

PRESENT VALUES OF PROVISION

	2016 £'000	2015 £'000	2014 £'000
Present value of provision	<u>11,715</u>	<u>12,459</u>	<u>12,123</u>

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	2016 £'000	2015 £'000
Provision at start of period	12,459	12,123
Unwinding of the discount factor (interest expense)	264	397
Deficit contribution paid	(962)	(935)
Remeasurements - impact of any change in assumptions	(46)	874
Provision at end of period	<u>11,715</u>	<u>12,459</u>

INCOME AND EXPENDITURE IMPACT

	2016 £'000	2015 £'000
Interest expense	264	397
Remeasurements - impact of any change in assumptions	(46)	874
	<u>218</u>	<u>1,271</u>

ASSUMPTIONS

	2016 % per annum	2015 % per annum	2014 % per annum
Rate of discount	<u>2.29</u>	<u>2.22</u>	<u>3.42</u>

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

26. PENSION OBLIGATIONS (Continued)

The Scottish Housing Associations' Pension Scheme - defined contribution section ("the DC Scheme")

From 1 April 2014 membership of the DC Scheme was opened to all staff members. All new employees joining the Scottish Companies will now be auto enrolled into the DC Scheme, to which the Scottish Companies contribute.

The total cost charged to the profit and loss account of £293,948 (2015: £252,680) represents contributions payable to this scheme by the Scottish Companies at rates specified in the rules of the scheme. As at 31 March 2016 contributions of £24,865 (2014: £23,642) due in respect of the financial year had not been paid over to the scheme.

The Places for People Leisure Group Retirement Benefit Scheme

PFPL (Holdings) Limited operates a defined benefit scheme. On 1 May 2004 the company transferred its assets from the O.C.S. Group Transfer of Undertakings pension scheme into a separate defined benefit scheme. This is a separate trustee fund administered by professional investment managers. As at 31 March 2016 there were 29 active members (2015: 31) of the scheme. Particulars of the pension scheme are shown below.

The liabilities set out in this note have been calculated based on the results of the full Scheme Funding Assessment as of 30 April 2013, updated to 31 March 2016, allowing for additional benefit accrual and benefits paid. The present value of the defined benefit obligation, the related current service cost and past service costs were measured using the projected unit credit method.

The company has agreed a funding plan with the trustees of the scheme, whereby ordinary contributions are made into the Scheme based on a percentage of active employees' salary. Additional contributions are agreed with the trustees to reduce the funding deficit where necessary.

The most recent actuarial valuation carried out at 31 March 2016 showed that the market value of the scheme's assets was £3,902,000 and that the actuarial value of those assets represented 90% of the benefits that had accrued to members after allowing for expected future increases in earnings.

The disclosures set out below are based on calculations carried out as at 31 March 2016 by an independent qualified actuary. The results of the calculations and assumptions adopted are shown below.

The amounts recognised in the Statement of Financial Position are as follows:

	GROUP	
	2016 £'000	2015 £'000
Present value of funded obligations	(4,333)	(4,485)
Fair value of scheme assets	3,902	3,786
Defined benefit liability	(431)	(699)

Total expense recognised in the Statement of Comprehensive Income

	2016 £'000	2015 £'000
Current service cost	169	135
Net interest on the net defined benefit liability	17	8
Total	186	143

26. PENSION OBLIGATIONS (Continued)

Total amounts taken to Other Comprehensive Income

	2016 £'000	2015 £'000
Actual return on scheme assets - gains and (losses)	(123)	242
less: amounts included in interest on the net defined benefit liability	(125)	(151)
Remeasurement gains and (losses)		
-Return on scheme assets excluding interest income	(248)	91
Remeasurement gains and (losses)		
-Actuarial gains and (losses)	408	(589)
Remeasurement gain/(loss) recognised in Other Comprehensive Income	160	(498)

Movements in the present value of the defined benefit obligation are as follows:

	2016 £'000	2015 £'000
Opening defined benefit obligation	4,485	3,636
Current service cost	(89)	132
Interest cost	169	162
Contributions by scheme participants	142	33
Actuarial loss/(gain) on obligation	(408)	589
Benefits paid	34	(67)
Closing defined benefit obligation	4,333	4,485

Changes in the fair value of scheme assets were as follows:

	2016 £'000	2015 £'000
Opening fair value of scheme assets	3,786	3,305
Expected return on assets	125	213
Actuarial gain/(loss)	(248)	29
Contributions by employer	294	273
Contributions by scheme participants	34	33
Benefits paid	(89)	(67)
	3,902	3,786

PFPL (Holdings) Limited expects to contribute £159,000 to its defined benefit pension scheme in 2017.

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2016	2015
UK Equities	39.20%	40.50%
Overseas Equities	27.90%	26.10%
UK government	2.10%	2.20%
Corporate Bonds	5.00%	6.70%
Other fixed Interest	7.60%	8.20%
Property	4.60%	4.60%
Hedge & Structure Funds	11.70%	10.30%
Cash/Trustee bank account	1.90%	1.40%
	100.00%	100.00%

26. PENSION OBLIGATIONS (Continued)

For the purposes of the FRS 102 disclosure only, the assets of the scheme have been taken at market value and the liabilities have been calculated using the following principal actuarial assumptions at 31 March 2016.

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2016	2015
Rate of RPI inflation	3.0%	3.0%
Rate of increase in salaries	3.0%	4.0%
Rate of increase in pensions payments	2.0%	2.0%
Discount rate	3.5%	3.2%
Rate of CPI inflation	2.0%	2.0%

The Places for People Leisure Limited Group Personal Pension Plan

PFPL (Holdings) Limited operates a defined contribution pension scheme for its directors and employees, the assets of which are held independently in a separately administered fund. The company also makes contributions to the personal pensions of a number of its directors. During the year the contributions payable amounted to £136,000. The unpaid contributions at the year end included within other creditors amount to £11,000.

The Touchstone Group Personal Pension Scheme

Touchstone Corporate Property Services Limited operates a defined contribution pension scheme for its directors and employees, the assets of which are held independently in a separately administered fund. The company also makes contributions to the personal pensions of a number of its directors. During the year the contributions payable amounted to £184,279 (2015: £206,448). The unpaid contributions at the year end included within other creditors amount to £33,304 (2015: £30,521).

Residential Management Group Limited Personal Pension Scheme

Residential Management Group Limited operates a defined contribution scheme for certain employees. The assets of the schemes are held separately from those of the company. The pension costs charge represents contributions payable by the company to the funds and amounted to a charge of £216,000 for the 12 month period to 31 March 2016 (2015: £163,000).

Residential Management Group Limited Retirement Benefit Scheme

Residential Management Group Limited also operates a defined benefit pension scheme, the Residential Management Group section (formerly the WMS Haywards section) of the Citrus Pension Plan ("Citrus"), with assets held in separately administered funds. The scheme provides retirement benefits on the basis of members' final salary.

An actuarial valuation of the Citrus scheme was carried out as at 31 March 2016. The major assumptions used by the actuaries are shown below:

	2016	2015
Rate of increase in salaries	3.2%	3.3%
Discount rate	3.6%	3.4%
Rate of inflation (RPI)	3.2%	3.3%
Rate of inflation (CPI)	2.2%	2.3%

26. PENSION OBLIGATIONS (Continued)

Mortality assumptions

In accordance with the published mortality table:

Males: PMA92 medium cohort (year of birth projection)

Females: PFA92 medium cohort (year of birth projection)

The amounts recognised in the statement of financial position are as follows:

	GROUP	
	2016	2015
	£'000	£'000
Assets	4,444	4,280
Liabilities	(4,151)	(4,401)
Net pension asset/(liability)	293	(121)

The fair value of the assets in the scheme and the expected rates of return were:

	2016		2015	
	Long term rate of return expected	Value	Long term rate of return expected	Value
	%	£'000	%	£'000
Assets analysed as:				
Equities	3.60	2,608	3.35	2,490
Corporate bonds	3.60	1,462	3.35	1,398
Bonds	3.60	356	3.35	362
Cash	3.60	18	3.35	30
Total market value of assets		4,444		4,280
Present value of scheme liabilities		(4,151)		(4,401)
surplus/(Deficit) in scheme		293		(121)

The expected return on assets for Citrus is based on the long term expectation for each asset at the beginning of the period.

Movement in liabilities during the year:

	2016	2015
	£'000	£'000
Scheme liabilities at beginning of year	4,401	3,551
Movement in year:		
Current service charge	122	93
Administration costs	25	24
Interest cost	147	154
Contributions by scheme participants	28	29
Benefits and expenses paid	(61)	(65)
Actuarial (gains) / losses	(511)	615
Scheme liabilities at end of year	4,151	4,401

26. PENSION OBLIGATIONS (Continued)

	GROUP	
Movement in assets during the year:	2016	2015
	£'000	£'000
Scheme assets at beginning of year	4,280	3,729
Movement in year:		
Expected return on scheme assets	147	210
Contributions by scheme participants	28	28
Employer contributions	205	194
Benefits paid	(154)	(40)
Actuarial gains	(61)	159
Scheme assets at end of year	4,445	4,280
Actual return on scheme assets:		
Expected return on scheme assets	147	210
Actuarial gains on scheme assets	(61)	159
Actual return on scheme assets	86	369
Analysis of amount charged to operating profit:		
Current service charge	122	93
Administration costs	25	24
Total operating charge	147	117
Analysis of amount charged to other finance income:		
Interest income on scheme assets	147	166
Interest on scheme liabilities	(147)	(154)
Net interest on net defined benefit liability	-	12
Total amount charged to the statement of comprehensive income:		
Total operating charge	147	117
Net interest on net defined benefit liability	-	(12)
Net interest on net defined benefit liability	147	105

26. PENSION OBLIGATIONS (Continued)

History of experience gains and losses:

	2016 £'000	2015 £'000
Scheme assets amount	4,444	4,280
Scheme liabilities amount	(4,151)	(4,401)
Surplus/(deficit) in scheme	293	(121)
Experience adjustment on scheme liabilities amount	511	(615)
Experience adjustment on scheme assets amount	(61)	159

27. CAPITAL COMMITMENTS

	GROUP		COMPANY	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Capital expenditure that has been authorised and contracted for but has not been provided for in the financial statements	32,659	33,968	-	-
Capital expenditure that has been authorised by the board of directors	487,974	172,698	-	-

The above commitments will be financed in accordance with the treasury management policy which is detailed in the operating review and note 25 of these financial statements.

The commitments under non-cancellable operating leases for the following year, analysed according to the period in which each lease expires, are set out below.

	GROUP				COMPANY	
	Land and buildings	Motor vehicles & equipment	Land and buildings	Motor vehicles & equipment	Motor vehicles & equipment	Motor vehicles & equipment
	2016 £'000	2016 £'000	2015 £'000	2015 £'000	2016 £'000	2015 £'000
within one year	10,366	2,456	10,430	1,366	57	104
between one and five years	43,195	4,763	43,349	2,346	41	65
after five years	166,326	-	181,192	-	-	-
	219,887	7,219	234,971	3,712	98	169

28. CONTINGENT LIABILITIES

As at 31 March 2016 the Group had a contingent liability totalling £1m (2015: £1m) in respect of its entire holding of 8 3/4% Treasury stock 2017. The stock is held by the Trustee for Funding for Homes Limited, subject to certain rights, and could be sold should a fellow Group borrower fail to service the interest or repay the stock.

The Group is party to certain legal actions arising in the ordinary course of business. While the outcome of these cases is uncertain, the directors believe, on the basis of advice received, that no material loss to the Group will occur. Having made due enquiries the directors are not aware of any further contingent liabilities.

29. RELATED PARTY TRANSACTIONS

There were no related party transactions during the year.

30. DISCLOSURE OF GROUP UNDERTAKINGS

Places for People Group Limited is the parent company of the Group and is required by statute to prepare consolidated accounts. All the Group related undertakings are incorporated in England and Wales, or in Scotland, and are set out below:

Subsidiaries

Allenbuild Limited
Allenbuild (South East) Limited
Blueroom Investments Limited
Blueroom Properties Limited
Braintree District Leisure Community Association Ltd
Castle Estates Relocation Services Limited
Castle Rock Edinvar Housing Association Limited
Cecil Square Cleaning Co Limited
Christchurch Estates Limited
CPM Asset Management (Northern) Limited
Cotman Housing Association Limited
Cornerstone Plymouth Limited
Curzon Street Management Limited
David Glass Associates Limited
DC Leisure (Eastleigh) Limited
East Hampshire Leisure Community Association Limited
Emblem Homes Limited
F & S Property Management Limited
Girling Retirement Rentals Limited
Gross Fine
Gross Fine (Holdings) Limited
Gross Fine Management Limited
Gross Fine Services Limited
Halton Leisure Community Association Limited
Horsham Leisure Community Association Limited
Hertford Company Secretaries Limited
HNJV Limited
JVCO Limited
Leisure & Community Partnership Limited
Matilda's Academy Limited
Matilda's Blanket Limited
Matilda's Planet Group Limited
Matilda's Planet Manufacturing Limited
Matilda's Radiant Heating Limited
Matilda's Warm Homes Limited
Matildasplanet Houses Limited
Matildasplanet Housing Solutions Limited
Matildasplanet Thermal Systems Limited
Neighbourhub Limited
North Norfolk Leisure Community Association Limited
Officers Field Development Limited
PFP Capital Limited
PFP Capital Services Limited
Liberty Retirement Limited
PFPECO 1 Limited
PFPL Developments Limited
PFPL (Holdings) Limited
PFPL Projects (Hinckley) Limited
PFPL Projects (Gosport) Limited
PFPL Projects (Sandwell) Limited
PFPL Projects (Sparkhill) Limited
PFPL Projects (Wyre Forest) Limited
Place Builders Limited
Place Investments Limited
Places For People (Warwick Gates) Limited
Places For People Arrangements 1 Limited
Places For People Capital Markets Plc
Places For People Developments Limited
Places for People Developments (PRS) Limited
Places For People Energy Limited

Subsidiaries (Continued)

Places For People Energy Supplies Limited
Places For People Financial Services Limited
Places For People Green Services Limited
Places For People Group Limited
Places for People Homes Limited
Places for People International Limited
Places For People Landscapes Limited
Places For People Leisure Community Association Limited
Places for People Leisure Limited
Places for People Leisure Management Limited
Places for People Living+ Limited
Places For People Neighbourhoods
Places For People Pension Car Limited
Places For People Pension Trustee Limited
Places for People Placemaking Limited
Places for People Placemaking & Regeneration Limited
Places For People Retirement Limited
Places for People Retirement (Stow) Limited
Places for People Scotland Limited
Places For People Scotland (GP) Limited
Places for People Scotland – Care and Support Limited
Places For People SPV 1 Limited
Places For People SPV 2 Limited
Places For People Tattenhall Limited
Places For People Treasury plc
Places For People Treasury Services Limited
Places For People Ventures Limited
Places for People Ventures Operations Limited
Resident Association Management Limited
Residential Management Group Limited
Residential Management Property Limited
Retirement Rentals Limited
Retirement Rentals Nominee Company 1 Limited
RMG Asset Management Limited
RMG Client Services Limited
RMG JC Limited
Sam Jones (Clubs) Limited
Shrubhill Investments Limited
Simmonds & Partners Limited
The Engine Yard Edinburgh Ltd
Touchstone Corporate Property Services Limited
Upper Strand Developments Limited
Wood & Co. (Surveyors) Limited
Wood Carewell Managements Limited
Wood Group Trustees Limited
Wood Insurance Brokers Limited
Wood Management Trustees Limited
Wood Managements Group Limited
Wood Managements Limited
Wood Trustees Limited
Wyre Forest Leisure Community Association Limited
ZeroC Group (2008) Limited
Zero C Holdings Limited

30. DISCLOSURE OF GROUP UNDERTAKINGS (Continued)

Joint Ventures/Partnerships

Boxed Energy Limited	PFP Polish Real Estate Investment LP
Brooklands Milton Keynes LLP	PFP Retirement Investment LP
Cityscape Edinburgh LLP	PFP US JV LLP
East Wick & Sweetwater Projects (Holdings) Ltd	PFP US JV (Nominee 1) Limited
East Wick & Sweetwater Projects (Phase 1) Limited	Ruskin Square Phase One LLP
East Wick & Sweetwater Projects (Phase 2) Limited	Shaping Aberdeen Housing LLP
East Wick & Sweetwater Projects (Phase 3) Limited	Smith's Dock LLP
East Wick & Sweetwater Projects (Phase 4) Limited	Tattenhall Care Village LLP
East Wick & Sweetwater Projects (Phase 5) Limited	Urban Splash Park Hill Limited
East Wick & Sweetwater Projects (Phase 6) Limited	Warwick Gates LLP
East Wick & Sweetwater Projects (Phase 7) Limited	Stow Care Village LLP
Lakeshore Timber LLP	ECV Partnerships (Stow) Limited
Lighthouse Court LLP	ZeroC Acheson Consortium Limited
MDH Group Limited	PFP PRS Investment LP
Namegrace Limited	Shrubhill NHT LLP
Placeford Properties LLP	PFP US Residential (Park Hill) Limited
Places for People Leisure Partnerships	Global Habitat Housing SL
Places for People Scottish Limited Partnership	

Regulated and non-regulated entities

Places for People Group, a regulated entity, allocates overheads to three non-regulated entities within the Group. This is mainly in respect of an administration charge for finance, information technology, facilities management and human resources services.

The table below shows the Group overhead allocation to each of the three entities.

	2016 £'000	2015 £'000
Places for People Financial Services Limited	115	96
Places for People Landscapes Limited	252	243
Places for People Scotland Limited	115	113
	482	452

31. ACQUISITIONS

On 31 January 2016 the Group Limited acquired the remaining issued share capital of Allenbuild Limited having previously acquired 50% of the issued share capital of this company. Net assets were acquired of £224,000 for consideration of £1,382,000 giving rise to goodwill of £1,158,000. The book value of net assets acquired did not differ significantly from their fair value.

On 17 June 2015, the Group acquired 100% of the unincorporated business of F&S Property Management for consideration of £1,016,000, which had net assets of £10,000, giving rise to goodwill of £1,006,000. The book value of net assets did not differ significantly from their fair value.

On 1 April 2015 the Group acquired the entire share capital of Iridium Limited for £100,000 giving rise to goodwill of the same amount, the book value of net assets acquired did not differ significantly from their fair value.

32. LOTTERY GRANT FUNDING

At 31 March 2016 £28,000 of lottery funds was held in cash at bank and in hand. £570,000 was held in current asset investments.

33. HOUSING STOCK

The Group owns or manages 152,783 housing properties, a breakdown of these housing properties is shown below:

	GROUP	
	2016	2015
	No.	No.
Social Housing managed		
- General Needs Housing	40,209	41,348
- Affordable Housing	1,018	725
- Supported Housing	1,370	1,583
- Housing for Older people	4,591	3,680
- Low cost home ownership accommodation	4,850	4,630
Total Social housing managed	52,038	51,966
- Market rent	22,962	21,100
- Managed services	67,128	57,660
- Leased housing - freehold only	6,000	5,870
- Armed Forces & Student accommodation	2,182	2,182
- Staff	93	106
Total housing managed	150,403	138,884
Total housing owned but managed by another body	2,380	1,998
Total housing owned or managed	152,783	140,882
Garages, commercial premises and other non-residential units managed or serviced	8,054	8,678
Total residential and non-residential units managed or serviced	160,837	149,560

As disclosed in the table above, The Group manages 52,038 social housing units (2015: 51,966).

A breakdown of these social housing properties is shown below:

Social housing		
- General Needs Housing	36,117	37,083
- Affordable Housing	956	769
- Supported Housing	2,553	2,612
- Housing for Older people	4,213	3,649
- Low cost home ownership accommodation	4,973	4,577
Social housing stock owned	48,812	48,690

The Group manages 4,902 social housing residential units (2015: 4,647) which are owned by other Registered Providers.

The Group owns 1,676 social housing units (2015: 1,371) that are managed by another body.

34. TRANSITION TO FRS 102

Explanation of transition to FRS 102 from previous UK GAAP

These are the Group's first financial statements prepared in accordance with FRS 102 and the SORP 2014.

The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 31 March 2016.

In preparing the FRS 102 and SORP 2014 financial statements, the Group has adjusted amounts previously reported in accordance with previous UK GAAP and SORP 2010.

An explanation of how the transition for previous UK GAAP and SORP 2010 to FRS 102 and SORP 2014 has affected the Group's financial position and performance is set out below

34. TRANSITION TO FRS 102 (continued)

Changes for FRS 102 and SORP 2014

a) *Housing properties and government grants*

Social housing grant can no longer be offset against housing properties within fixed assets under section 24 of FRS 102. Instead, as housing properties are now held at depreciated cost, the grant is measured under the accrual method and amortised over the life of the component assets and is held within creditors.

The net impact across the group for the change in the treatment on the Statement of Financial Position at 1 April 2014 (the date of transition) is an increase in revenue reserves of £41,594,000.

In the year to 31 March 2015, grant amortisation income of £13,762,000 has been recognised in the income and expenditure account, alongside £8,332,000 extra depreciation with a net impact of £5,429,000

In addition HomeBuy grant of £51,221,000 at 1 April 2014 (the date of transition) has been allocated to creditors due in more than one year rather than being presented alongside the Home Buy Investment.

b) *Office properties, deemed cost and government grant.*

Section 35 of FRS 102 allows first time adopters to elect to measure a class of fixed assets at fair value as a deemed cost, with gains taken to a revaluation reserve and losses recognised in income and expenditure. As there is a revaluation, the government grant associated with these properties is recognised under the performance method when grant conditions have been met.

The Group has elected to use this option and the effect on the statement of financial position at 1 April 2014 (the date of transition) is a reduction in the carrying value of office properties of £11,413,000 with an equivalent reduction in revenue reserves at the date of transition.

In the year to 31 March 2015, the depreciation and impairment charge has reduced by £265,000.

c) *Investment property*

Section 16 of FRS 102 requires that properties previously held at depreciated cost less grant, but meeting the definition of investment properties should be separately disclosed at fair value, with gains and losses recognised in the income and expenditure account.

The effect of this change in measurement on the Statement of Financial Position at 1 April 2014 (the date of transition) is a reduction in revenue reserves of £6,515,000.

In the year to 31 March 2015, there was a decrease of £641,000 reducing the surplus for the year as a result of this change

d) *Retirement benefits*

FRS 102 section 28 requires the recognition of the net present value of any contractual agreements to make additional payments for a past deficit.

The association has such an arrangement in respect of some employees being members of the Social Housing Pension Scheme.

The effect on the Statement of Financial Position at 1 April 2014 (the date of transition) is the recognition of a liability of £14,464,000, with an equivalent reduction in revenue reserves.

In the year to 31 March 2015, operating costs have been reduced by £290,000 to reflect the liability movement in the year and the interest expense relating to the unwind of the discount on the deficit reduction payments liability.

34. TRANSITION TO FRS 102 (continued)

e) Taxation

FRS 102 section 29 does not allow the recognition of a deferred tax asset in respect of the capitalisation of interest charges.

The effect on the Statement of Financial Position at 1 April 2014 (the date of transition) is the reduction in debtors of £5,100,000 with an equivalent reduction in revenue reserves.

In addition the recognition of a liability for the SHPS pension deficit reduction has resulted in the recognition of a deferred tax asset of £499,000.

The effect on the Statement of Financial Position at 1 April 2014 (the date of transition) is an increase in debtors of £499,000 with an equivalent increase in revenue reserves.

In the year to 31 March 2015, taxation credit has been reduced by £19,000 to reflect the movement in the Social Housing Pension Scheme deficit in the year.

In addition FRS 102 section 29 does not allow the deferred tax asset to be netted against the gross pension deficit. Instead it is presented as a deferred tax asset within debtors.

The effect on the Statement of Financial Position at 1 April 2014 (the date of transition) is the reallocation of £6,400,000 from the pension liability to debtors.

f) Forward contracts

The Group has identified some forward contracts for the purchase of energy in PFPL (Holdings) Limited.

At 1 April 2014 (the date of transition) this has resulted in the recognition of a creditor of £209,000 and an equivalent reduction in revenue reserves.

During the year to 31 March 2015, there was a reduction in this creditor of £135,000, increasing the profit during the year.

(g) Goodwill

The adoption to FRS 102 has prompted a reduction in the useful economic lives of the components of the Group's goodwill.

This has resulted in a reduction of £37,078,000 in the carrying value of goodwill at 1 April 2014 (the date of transition) and an equivalent reduction in revenue reserves.

In the year to 31 March 2015, there is an increase in goodwill amortisation of £30,548,000.

34. TRANSITION TO FRS 102 (continued)

Summary of changes due to adoption of FRS 102

<i>Restated consolidated statement of financial position</i>	2015 £ '000	2014 £ '000
Original reserves	280,577	285,038
Housing properties and accruals method for grant accounting	47,023	41,594
Deemed cost for office properties	(11,145)	(11,413)
Investment Property	(7,156)	(6,515)
Retirement benefits - SHPS liability recognised	(14,754)	(14,464)
Taxation	(4,577)	(4,601)
Goodwill	(67,628)	(37,078)
Recognition of forward contracts	(74)	(209)
Total effect of transition to FRS 102 on Reserves	<u>(58,311)</u>	<u>(32,686)</u>
Restated Reserves	<u>222,266</u>	<u>252,352</u>

Restated total comprehensive income for the year ended 31 March 2015

	£ '000
Total recognised surplus and deficits per UK GAAP	(4,461)
Housing properties and accruals method for grant accounting	5,428
Deemed cost for office properties	266
Investment Property	(641)
Movement in SHPS liability	(290)
Retirement benefits - Taxation	24
Swaps	135
Goodwill adjustment	(30,548)
Restated total comprehensive income for the financial year ended 31 March 2015	<u>(30,087)</u>

Board of Directors

Non-executives

C Phillips	Group Chairman
B Dean	(appointed 1 October 2015)
C Garner	
N Hopkins	
L Lackey	Senior Independent Director
J Lloyd	
J Seet	
B Shah	
E Mani	(resigned 30 September 2015)

Executives

D Cowans	Group Chief Executive	
P Egan	Group Director Affordable Homes	(appointed 25 May 2016)
K Keane	Group Director Corporate Services	
M Parsons	Group Director Placemaking and Regeneration	
C Rae	Group Director Development	(appointed 24 February 2016)
S Soin	Group Finance Director	
D Shaw	Group Director Development	(resigned 10 November 2015)

Company Secretary

C Martin

Registered Office

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London
EC2V 6EE

Bankers

Co-operative Bank Plc
147 Church Street
Preston
PR1 3UD

Barclays Bank Plc
38 Fishergate
Preston
PR1 2AD

Registered Auditors

KPMG LLP
Arlington Business Park
Theale
Reading
RG7 4SD

Registration of the Company

The Company is registered under the Housing and Regeneration Act 2008 (Number L4236) and incorporated under the Companies Act 2006 (Number 3777037). It is also affiliated to the National Housing Federation.