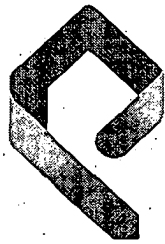


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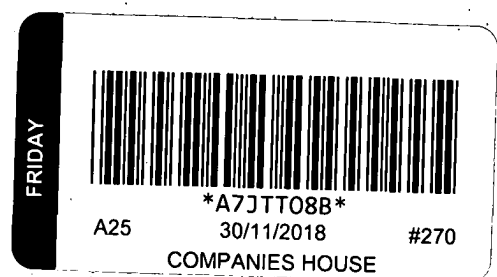


Places for People

PLACES FOR PEOPLE GROUP LIMITED

FINANCIAL STATEMENTS

For the year ending 31 March 2018

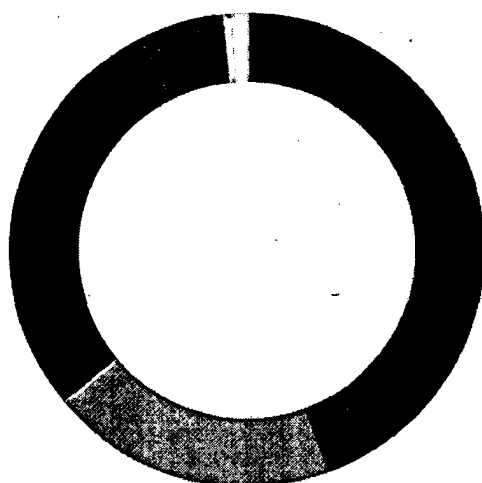


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Performance highlights

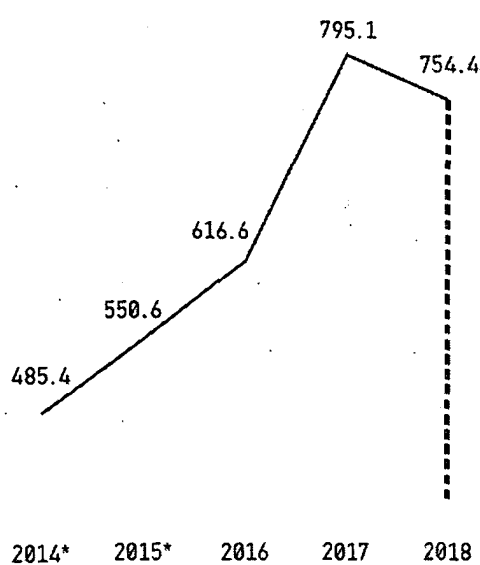
2017-18 turnover by market



| | % |
|------------------------------|------|
| Affordable housing | 44.5 |
| Development and construction | 20.9 |
| Leisure management | 19.5 |
| Property management | 7.7 |
| Non-social lettings | 5.9 |
| Retirement | 0.6 |
| Other | 0.9 |

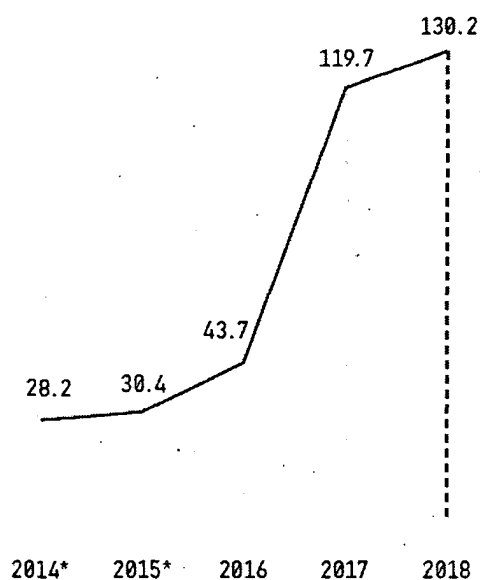
Turnover

Figures shown in £m



Profit before tax

Figures shown in £m



Places for People Group Limited
Performance Highlights
For the year ending 31 March 2018

Turnover

£754.4M

↓ (2017: £795.1m)

Profit before tax

£130.2M

↑ (2017: £119.7m)

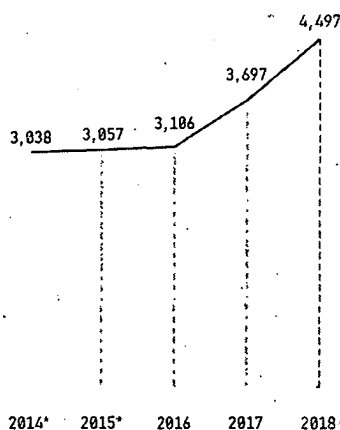
Homes owned or managed

198,640

↑ (2017: 182,725)

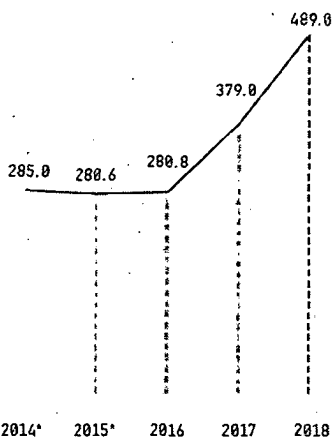
Fixed assets

Figures shown in £m



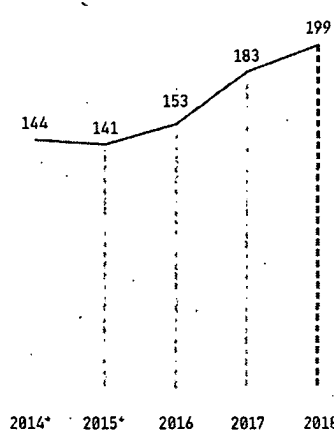
Reserves

Figures shown in £m



Homes owned or managed

Figures shown in 1,000s properties



*These figures are from the previous years' financial statements as reported under old UK GAAP. The 2016 and 2017 figures are reported under the new Accounting Standard FRS102.

Places for People Group Limited
Chairman's Statement
For the year ending 31 March 2018

Chairman's statement

During the last year Places for People has continued its evolution as a large-scale placemaker with the expertise and capability to create and manage entire places – from development and construction to multi-tenure property management.

We have achieved this by continuing to strengthen our presence in core markets and growing our expertise in newer markets, such as student housing. Strong performance in the affordable housing and property management businesses, and the progress we have made in new markets, has enabled the Group to deliver positive outcomes for its customers, investors and stakeholders. Today, we are delivering some of the most significant placemaking and regeneration projects in the UK – from creating two new neighbourhoods in London's Queen Elizabeth Olympic Park to breathing new life into a historic dockyard on the banks of the River Tyne at Smith's Dock.

Through our portfolio of more than 20 complementary businesses, Places for People operates across a number of property sectors in all four nations of the UK. We now manage 198,640 homes of different tenures, offering a place for everyone. In addition, we operate 123 leisure facilities nationally and work in 389 local authority areas to support the delivery of a range of services locally.

We continue to play a role in addressing the nation's housing shortage. In 2017-18 the Group built and acquired 2,097 new homes and started a further 2,507 new homes. Our development pipeline now exceeds 19,000 new homes in a range of tenures, many of which will be developed in partnership with others.

But our focus on place goes further than just homes. The quality of place is integral to our approach and our aim is to build neighbourhoods where people want to live and communities can thrive. In the last year we have achieved external recognition for our work, including Best Development in the WhatHouse? Awards, Housing Project of the Year in the Offsite Awards and the Scottish Home Awards' Large Housing Development of the Year.

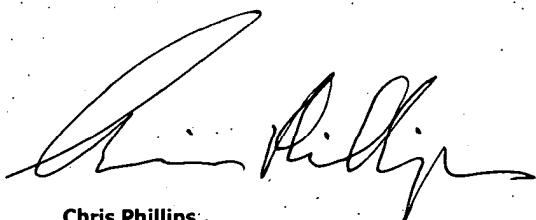
In 2017-18, we were delighted to be selected as Surrey County Council's strategic partner to develop its landholdings over the next 20 years.

The Places for People Group board adopts a strategy which aims to grow the reach and capability of the business whilst managing its exposure to risk. The Group consistently delivers on its strategy despite challenges in the operating environment. In the past year we achieved significant successes despite continuing political uncertainty and weak economic growth.

This year we have seen some changes to the Places for People Group board. Joe Seet and Cathy Garner retired from the board each having provided six years' diligent service as non-executive directors. Brenda Dean resigned from the board having served for almost two years. In October 2017, we were joined by Adam Cleal, who had formerly served as a non-executive director on the board of the Group's fund management business since 2016. We also welcomed Graham Kitchen and Jo Dixon although, sadly, Jo stepped down from the board shortly after the year end for health reasons. Adam and Graham bring with them a wealth of experience from the real estate, equity investment and financial markets.

I want to thank our partners, our funders, and our staff for the crucial role they have played in delivering an outstanding set of results this year. Their innovation and commitment has enabled us to deliver excellent services to our customers, continue to improve the neighbourhoods we manage and support the communities we work with.

I am incredibly proud to be part of Places for People and I look forward to another year of innovation and growth.



Chris Phillips
Group Chairman

Places for People Group Limited
Chief Executive's Statement
For the year ending 31 March 2018

Chief Executive Statement

Places for People enjoyed another successful year with strong financial performance in 2017-18. Our profit before tax was £130.2m, which included £45.2m surplus from the merger with Luminus Group. Over the past year our ambitious strategy has enabled us to grow the business and the social impact we create. That growth is fueled by our innovative financial strategy, which brings significant new investment into the Group. This, in turn, allows us to continue to grow the scale and the quality of the offer we can make to our customers and investors.

The Group has a strong commitment to placemaking – developing and managing mixed-income neighbourhoods in quality places, balancing our affordable housing and development and construction activity with management companies. What makes the Group stand out is our ability to deploy these businesses in a range of combinations to create and manage places and assets in a way few organisations can. This approach enables us to provide products that customers want, at the right time for them, and at a price they can afford.

From student accommodation and homes for buyers and renters at all price points through to retirement villages, our extensive offering makes us a partner of choice and ensures we can meet the needs of our large and growing customer base.

This year we welcomed Luminus, a Cambridgeshire-based housing association, to the Group boosting our affordable homes businesses and increasing the total number of homes we own and manage to 198,640.

Millwood Designer Homes also became a subsidiary of the Places for People Group in November 2017 enhancing our house building capabilities.

Over the past year, Brio Retirement Living (formerly Liberty Retirement Living) has started building its first developments in Aberdeen and Gloucestershire. Brio is on track to become a market leader in accommodation and lifestyle services for the over-55s.

We continue to drive innovation and step up capability in our development and construction businesses. During the last year we have invested in our modular offsite construction capability – an area we plan to develop further in the coming years. We also launched the innovative Design Your Home business; a new housing option which gives people real choices about the place they want to live, from choosing a plot to configuring and personalising their new home.

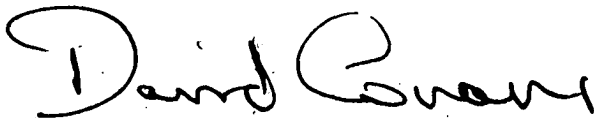
As a leading placemaker we have a responsibility to consider the impact of housing on the environment, so sustainability is key to our approach. We are also leading the way when it comes to using technology to enable residents to manage their homes.

Colleagues across the Group are involved in work to create social value for our customers and the communities in which they live. In our regulated businesses we delivered a social return on investment of £76 million in 2017-18. We supported 675 people into employment, around 1,500 into education and training, and involved over 4,500 young people in community activities.

By delivering products and services that are relevant to our customers and positioning the Group to respond to a range of challenges and opportunities, Places for People has reinforced its position as a leading placemaker.

The Group has developed a strong health and safety culture and continues to set and exceed demanding standards by putting safety and wellbeing at the heart of everything we do.

Looking ahead to the coming three years, our ambitious business plan forecasts continued growth in turnover, profit and margin, giving us the financial strength to continue creating places that work for everyone.



David Cowans
Group Chief Executive

What we do

Places for People is an award-winning placemaking and regeneration company, operating across the UK. We build and manage homes and places, and invest in the infrastructure on which they rely. We currently own or manage 198,640 homes and provide services to over 500,000 people. Our vision is to create places that work for everyone. We take a commercial approach to delivering social outcomes - this is what makes us different.

Our Vision

'Creating places that work for everyone.'

Our vision encapsulates the Group's long-term commitment to creating and managing places that work for everyone. We will do this by building more homes, developing sustainable places and delivering valued services.

Our Values

The Group's approach is underpinned by its long-standing values. Our values demonstrate what is important to us and how we believe things should be done.

At the beginning of 2018 we introduced a new visual identity for the Group which supports and reinforces Places for People's position as a multi-faceted property company with a placemaking ethos. Our new brand aims to connect all of the Group's activities and ensure they consistently support the Group's credentials as a placemaker with social value at its heart.

Support

Always there to help customers and colleagues.

Positive

A 'can do' attitude; encouraging others to achieve.

Integrity

Always delivering on promises; being open and honest.

Respect

Treating people fairly and with understanding.

Innovative

Open to new ideas; not afraid of failure.

Together

Believing more can be achieved by working well with others.

Creating places that work for everyone

We strive to use our skills and capabilities to provide tenure choice to meet the needs of customers at whatever stage of life they are at. We offer choice and flexibility, supporting people to move between tenures from affordable housing and student property to shared ownership and housing for the over-55s. We offer places suitable for everyone.

We aim to ensure our Group companies are market leaders in the areas in which they work. What makes the Group stand out is our ability to deploy our businesses in a range of combinations to create and manage successful places. This approach and these capabilities and skills, together with our values, underpin the way we do business.

Now the Group has a firm presence across a range of markets, we are increasingly deploying this combined expertise to compete for commercial opportunities which require a broad delivery capability to manage long-term, multi-phased, mixed-use and mixed-tenure projects. This will often involve creating joint ventures with partners from the public and private sector to deliver high-quality, integrated solutions for our customers and commissioners. Our ability to deliver at scale is key to this.

The Group has promoted its integrated solutions for some time, operating across the housing market, providing an integrated supply chain solution and working with internal and external partners. This starts with access to good quality land. Over many years the Group has developed strong relationships and robust processes to ensure we continue to secure access to a high-quality pipeline of land. In some cases the Group will partner with a land owner to promote a site without taking ownership of it.

In the last 12 months we have continued development on our large-scale placemaking projects. The Group achieved the first sales on its development at Smith's Dock in North Tyneside. The Gilston area, in which Places for People is the principal landowner, has been identified as a proposed site allocation in the East Hertfordshire District Plan, which underwent Examination in Public this year.

Places for People Group Limited
Strategic Report
For the year ending 31 March 2018

Following investment in our modular construction capability we delivered the company's first in-house modular homes at Marlborough Park in Swindon. The scheme has proved to be extremely popular with buyers for 18 of the initial 22 homes reserved off-plan financial. This applies to existing communities as well as new ones.

Where we operate

Our geographic strategy maps demand for our services at a very local level, enabling us to prioritise markets in particular geographies.

This approach has become increasingly important to our growth strategy as the UK Government has devolved greater powers to nations and cities of the UK. It has supported us to forge new strategic partnerships with local commissioners based on an understanding of local challenges and priorities, which enable us to create products and services that are relevant to each place.

| Region | Number of homes owned or managed by region |
|----------------------|---|
| East Midlands | 23,346 |
| East | 28,038 |
| London | 17,738 |
| North East | 10,651 |
| North West | 37,964 |
| Northern Ireland | 73 |
| Scotland | 15,440 |
| South East | 25,627 |
| South West | 8,895 |
| Wales | 1,416 |
| West Midlands | 6,355 |
| Yorkshire and Humber | 23,097 |
| Total | 198,640 |

Our major sites include

Tornagrain – Inverness

We are helping to create a new community on land owned by Moray Estates in the Scottish Highlands

Smith's Dock – North Tyneside

The regeneration of a historic dockyard will bring the 30 acre brownfield site back into use. The site will create 815 new homes with commercial space and public realm, in partnership with Urban Splash.

Sommar Place – Milton Keynes

In partnership with Swedish housebuilder, Trivselhus, the 39 low-energy smart homes at Sommar Place feature integrated Apple HomeKit accessories.

Duchy Field – Bletchington

Duchy Field in Oxfordshire consists of 58 new homes designed in a traditional 'arts and crafts' style.

Dove Lane – Bristol

Consent has been secured to build 230 new homes, retail and office space on the brownfield site in St Paul's.

Egham Leisure Centre– Runnymede

The £19m leisure centre, due to open in 2019, is the first development delivered by the Runnymede Regeneration Partnership.

Poundbury – Dorset

We have built 140 homes and 18 commercial units at the Duchy of Cornwall's urban extension to Dorchester.

Trevethow Riel– Truro

102 new homes for rent and sale have been built at Trevethow Riel, including the sweeping Royal Crescent.

Our Strategy

Our strategy aims to increase our asset base and capital available to support further growth and de-risk the business to respond to challenges in the operating environment. This will equip us to grow our reach and ability to create and manage more high-quality places.

Our strategic objectives for 2018-2021 are to:

- Boost our ability to create and manage places that work for everyone by marketing the Group's integrated solutions to grow our business.
- Increase our asset base, margin, and profitability, enabling us to secure competitive financing from a range of sources.
- Constantly drive efficiency and synergies to deliver increased return and social value for customers and communities, and to build our reputation for delivery.

To deliver these ambitious plans we will focus the use of available capital on acquiring assets and increasing housing production. This will involve building more homes for the Group to retain ownership of and more for sale, some of which will be custom-build products that can meet increased market demand without the need for a significant upfront capital outlay.

We will continue to drive efficiency and effectiveness in our businesses with a focus on delivering better places and excellent service, and increase the speed with which returns on capital invested are secured.

We aim to increase the profitability of our assets, through targeted disposals and reinvestment in new assets. And where there is a good strategic fit, we will identify and pursue potential mergers and acquisitions to boost our asset base and geographic reach.

As a Group we own, manage and develop assets across several key markets. Our asset management strategy has three strands.

Firstly, the long-term ownership and management of assets, including social housing properties. Secondly, the long-term management of assets on behalf of other owners, for example through our property management companies. Thirdly, acquiring assets, developing their value and the return they generate, and maintaining optimal asset churn to boost value for the Group.

A key strength of this approach is our ability to deliver a business that is resilient and able to act both cyclically and counter-cyclically. In the event of a drop in the property sales market, we are well positioned to change the tenure of new housing to market rent to protect our revenues.

Our placemaking approach

We make a long-term commitment to places and work to provide the infrastructure, services and products they need to thrive – whether it is new schools, shops, leisure facilities, job opportunities, access to learning and training or specialist support services. Our placemaking ethos is reflected in our business model. By delivering infrastructure at the outset of a development, both new and existing residents see and share the benefits.

Our structure

Our corporate structure provides greater transparency to our investors and regulators by splitting the Group into regulated and non-regulated activities. Over half the Group turnover is now drawn from non-social housing activities. This has been supported with a complementary funding strategy for the two parts of the Group.

One of the features that supports that distinction is the role of Places for People Treasury plc in raising money for the regulated side of the Group and the role of Places for People Finance plc in raising funds for the non-regulated side of the Group.

Our structure

We are committed to building effective relationships with a range of strategic partners including local authorities, public sector bodies and other partner organisations to achieve a range of regeneration and development goals. We have created new mechanisms to unlock the value of public land and release housing supply and regeneration solutions by bringing our expertise and funding capability to these relationships. Many of the homes in our development pipeline are being delivered through collaborative partnership arrangements. Because of our strong track record, we were selected as Surrey County Council's joint venture partner to develop a portfolio of sites for residential and mixed-use over the next 20 years.

Strong partnerships are established upon a foundation of mutual trust, good communication, effective governance arrangements, shared objectives and a sound understanding of each local context. We listen closely to our partners and design bespoke, placemaking solutions, individually tailored to the specific needs of an area to ensure the creation of strong, sustainable places. In light of the current funding constraints being faced by local authorities, we anticipate that the appetite for strategic partnerships and joint venture delivery vehicles will continue to grow.

Our markets

The Group owns, manages and develops assets in eight key markets: placemaking and regeneration; affordable housing; property management; student accommodation; leisure management; development and construction; retirement and fund management.

Placemaking and regeneration

Placemaking and regeneration has never been higher on the political agenda. Placemaking is in our DNA and we bring experience from our own communities to help transform others. At the same time, public sector bodies continue to face unprecedented financial constraints and need to ensure they achieve the best returns on the investment of their assets whilst supporting sustainable communities.

We aim to deliver a combination of long-term, multi-phase, mixed-use and mixed-tenure developments which are delivered through the Group's businesses, often in joint ventures with public or private sector partners. We look to secure a balanced portfolio that will generate strong income streams for the Group over time, a strong return on capital employed and a secure pipeline of new home delivery.

Affordable housing

In England the provision of affordable housing has become more challenging in recent years as a result of changes to the grant and rent regime. The rent reductions in England, which were introduced in April 2016 and which will continue until 2020, drive the need to continually identify efficiencies across our affordable housing businesses to develop new ways of working and maximise the use of digital technology. This year the Government announced a new rent setting framework, which will provide long-term stability of rent revenue beyond 2020 and enable us to grow our development pipeline. Despite these challenges, we continue to transform service delivery to generate further efficiencies and maintain high levels of performance.

There are five affordable housing providers in the Places for People Group – Places for People Homes, Cotman Housing Association, Derwent Housing Association, Castle Rock Edinvar, and Luminus. Luminus joined the Group in March 2018 and increased the number of homes owned and managed by the Group by 7,377, as well as providing a new base in Cambridgeshire.

We also have a specialist supported housing business, Places for People Living+. Collectively these companies manage

66,844 affordable rented homes in the UK. These businesses aim to create and maintain sustainable, long-term tenancies and neighbourhoods where people choose to live and want to stay.

Property management

The private rented sector continues to grow, driven by demographic and economic changes. This provides opportunities for our property management businesses to grow their impact and work collaboratively with other Group companies to strengthen our national coverage and grow our market share. We welcome the planned changes to the regulation of property management and are well placed to increase our client base and turnover as a result of these changes. Building on the Group's successful track record in this market, we are providing a new commercial management service. This additional capability will enhance our offer when bidding for opportunities in the emerging market for multi-tenure management services.

Student accommodation

The UK student market has grown significantly over recent years with a greater number of students entering full-time higher education along with increased domestic and overseas investment in the UK student accommodation market. At the same time, students' expectations of accommodation standards have changed. Modern purpose-built student accommodation has been created in response to this demand. This is supported by many local authorities who are keen to reverse previous trends of converting family housing into shared accommodation. Derwent Facilities Management joined the Group in 2016. Derwent is one of the leading providers of student services with bed spaces under management at universities throughout the UK.

Leisure management

There is an increasing recognition of the important role regular exercise plays in a healthy lifestyle and growing demand from consumers for opportunities to lead more active lives. Places Leisure adds value to our placemaking capability through the provision of active places and healthy communities. Places Leisure operates 123 leisure facilities on behalf of 36 local authority partners, and has more than 30 million visits a year to its facilities. We work with public health agencies to provide interventions such as GP referrals and weight management programmes. These are designed to reduce the incidence of major chronic disease such as coronary heart disease, type 2 diabetes, osteoporosis and many forms of cancer.

Development and construction

The UK housing crisis continues. We are committed to playing our part in tackling the crisis by building more homes and helping to make home ownership and rental more accessible. Our development and construction businesses aim to deliver profitable, sustainable, design-led residential developments, which will make us a developer of choice. In the last 12 months we have invested in our offsite construction capability and plan to scale up this activity in the coming years to support a range of housing projects. This year we also launched Design Your Home, a custom-build product which allows people to design a new home tailored to their specific wants and needs. Our strategy is to develop strategic partnerships, which enable us to deliver high-quality homes and places that are sustainable in the long-term, support strong communities and support the wider Group by making a positive contribution to the profitability and income generating asset base of the Group.

Retirement

There are compelling social, economic and demographic trends which support the development of a range of accommodation and services for the over 55s to meet growing demand and the acute shortage of high-quality housing for this demographic. Our strategy is to grow our retirement businesses to meet the needs of older people across the income spectrum, from social and shared ownership homes, through mid-market rental property through to above mid-market sales.

Our retirement business, Brio Retirement Living, aims to be a market leader in the provision of aspirational housing and lifestyle services for the over 55s offering a range of tenures and on-site facility options. It offers accommodation in a village setting with developments comprising around 100 apartments and bungalows with a bistro, gym and landscaped grounds. This year we started on site on our first two retirement villages in Chapelton near Aberdeen and Stow-on-the-Wold in Gloucestershire.

Fund management

In March 2017 Places for People launched its fund management business, PFP Capital. The fund management business builds on the Group's wealth of experience in capital raising, property management, development and regeneration, offering opportunities for investment with exposure to a range of residential real estate and infrastructure projects. PFP Capital represents the first time an organisation of our kind has established a distinct fund management capability. In the past year PFP Capital closed its first fund, targeted at the private rented sector. It acquired a seed portfolio of residential assets from Places for People and plans to acquire additional properties to grow the value of the portfolio of private rented sector assets to £330m in the short to medium term. In collaboration with other Group companies, PFP

Places for People Group Limited
Strategic Report
For the year ending 31 March 2018

Capital was successful in securing investment from the Scottish Government into its Mid-Market Rent Fund at the beginning of 2018-19, which will create up to 1,000 new homes across Scotland. In the coming year PFP Capital will explore the potential to create funds in other markets.

Operating environment

Understanding the operating environment in each of the markets we work in has been key to our success to date. Our analysis of the environment in which we operate provides us with the insight and understanding on which our strategy and planning assumptions are based. It gives a perspective on how we believe the markets and sectors we operate in are changing and what this means for our business.

In the macro-economy, growth has been sluggish over the last year and we have seen the first interest rate rise since 2007. The Office for Budget Responsibility forecasts for the UK economy suggest sustained weak growth in coming years. The Apprenticeship Levy and National Living Wage continue to impact all employers. We are increasing the number and breadth of apprentices we employ across the Group in response.

While consumer demand remains stable in the macro-economy, demand for housing continues to grow and demographic changes, not least the significant increase in older people, are driving different patterns of demand – for example increased demand for specialist retirement homes.

The UK Government recognises the need and high demand for housing of all types. It has established a new Ministry of Housing, Communities and Local Government – reaffirming its commitment to increase housing production. A series of budget announcements in November 2017 provided further government investment.

The Group continues to engage closely with central and local government to identify ways we can develop partnerships to boost the number of new homes delivered across the UK.

Operating review

Affordable housing

As a leading provider of affordable housing, we manage 66,844 affordable homes in addition to managing portfolios, and providing property and asset management services, on behalf of a wide range of organisations.

By working to deliver a comprehensive set of bespoke services and playing an active role in government initiatives, we seek to optimise the effectiveness of every asset, deliver valued services to our customers and create successful, sustainable communities.

Key highlights

- Over 65,000 affordable homes owned or managed across the UK
- Luminus joined the Places for People Group
- £104m investment in maintaining and improving

Luminus joins the Group

In March 2018, Places for People welcomed affordable housing provider Luminus into the Group. Partnering with the Huntingdon-based, not-for-profit organisation expands the Group's housing management portfolio to over 195,000 homes, strengthening our position as one of the UK's largest property management organisations.

Luminus owns or manages 7,377 homes in the East of England. As part of the Places for People Group, the company aims to deliver services more efficiently, whilst expanding the services it offers customers. The new partnership will enable Luminus to grow the number of homes it manages and invest more in planned maintenance, staff development and customer service.

The partnership will bring Luminus' skills, experience and local knowledge to Places for People's operations. It will also provide opportunities to rationalise the management of social housing and drive efficiencies through the delivery of repairs and maintenance services.

Places for People has demonstrated a strong track record in supporting and enabling regional housing providers to improve the services they offer their customers. Castle Rock Edinvar in Scotland joined the Group in 2005, followed by East Anglia-based Corman Housing Association in 2009 and, most recently, by Derwent Housing Association in 2016.

Luminus retains its independent identity, local offices, management team and board. It will draw on the wide range of skills and services on offer across the Group, including treasury management, and will receive support on business planning, governance, health and safety and business assurance.

Operational performance

Ongoing expansion and efficiencies have been seen across all business units. In Places for People Homes, our average re-let time has reduced from 32 days to 23 days. This has been achieved by redesigning the lettings and voids processes, introducing a new digital sign-up system and working to improve our marketing effectiveness.

Places for People Homes, Cotman and Castle Rock Edinvar have been reaccredited with Service Mark by the Institute of Customer Service following a rigorous assessment. Our scores from both customers and colleagues represented a clear improvement on the results from the last accreditation in 2014.

Castle Rock Edinvar has successfully transferred the management of its mid-market rent portfolio to Touchstone and its factoring services to RMG. Utilising the specialist teams within other Group companies will ensure that customers and clients receive outstanding services delivered by experts, generate efficiencies and create a stronger platform for the growth of our property management businesses in Scotland. Through the financial inclusion service an additional £1.5m of income was secured for tenants struggling with poverty.

Derwent Housing Association reduced rent arrears to 2.5% through a number of initiatives, including the 'Call to Collect' automated telephone system and changing collection officers' working patterns to more effectively match customer lifestyle. New policies and procedures for handling complaints were introduced by Derwent Housing Association, which helped to deliver a customer satisfaction rating consistently above 90%. Derwent also successfully retained the notable Customer Service Excellence accreditation for the seventh year running.

Building on the previous year's success, Places for People Living+ continued to reduce the length of time vacant properties remain empty. Its success was delivered through a multi-faceted approach that involved training, marketing and dedicated support to colleagues alongside targeted performance management.

Delivering efficiencies

A major review of our systems and processes has commenced with the aim of transforming the way we deliver property management services across the Group. The project aims to maximise synergies to ensure we deliver services in the most efficient and effective way, deploy technology effectively, and enhance service delivery, communication and our digital service offer.

Since its introduction in 2010, our Neighbourhood Strategy has enabled us to increase the surplus generated from the 36,000 properties covered in our annual neighbourhood assessment by over £40 million. In 2017-18, six neighbourhood planning areas generated an increased profit with 98% of all neighbourhoods now rated as 'green'.

In the last year, there has been a significant increase in the number of affordable housing customers who have created an online services account. Our continued investment in the development of our digital portal has created a user-friendly platform for customers to access our services in a more convenient way.

Increasing the use of technology and digital communications has also enabled us to deliver the digital lettings service more efficiently, saving £44,000 per annum in print and postage costs alone.

It is not only residents who are helping us to operate more efficiently. Derwent Housing Association has successfully brought its responsive repairs, electrical testing and grounds maintenance contracts in-house. This has resulted in cost savings and service standard consistency across the entire service provision. Key business processes have also been integrated into a unified platform by implementing the Group's finance platform. This enables powerful, standardised reporting across the whole organisation, simpler, more consistent procurement, and greater process automation.

We have also continued to develop our mobile working processes and technology, significantly reducing the need for customer-facing teams to travel back to the office to complete administrative work. New systems to digitise application forms and manage local authority nominations have reduced re-let times, increased operational efficiency and delivered an improved customer experience.

We are continually looking at new ways to bring additional benefits to our residents. Two notable examples include trials of the Amazon Echo device within two Places for People Living+ later life services: Rivington House and Briary Court. We are keen to explore what positive benefits there might be in using the device in such a setting. Another trial, involving a dedicated Facebook page to keep residents and the wider community up-to-date with activities and events, was introduced at the Briary Court later life scheme near Preston. If the trial is a success, similar Facebook pages will be introduced for other later life schemes.

Supported living

Places for People Living+ is our specialist supported living business that provides support and accommodation for people with complex needs. The demand for suitable accommodation for people with disabilities or chaotic lifestyles continues to rise exponentially. By working with strategic care partners in 2017-18, we successfully purchased properties and started to develop schemes that not only increased our portfolio and improved our surplus, but also added significant social value.

New accommodation valued at £23m has been purchased by Living+ for care providers to lease to customers with complex needs. As part of this homes of multiple occupancy (HMO) growth strategy, we have purchased 82 properties, creating

350 bed spaces for partner providers. HMOs provide suitable accommodation and support people back into independent living, encouraging them to live in communities, rather than institutions, in environments that help their health and wellbeing:

At Bracknell in Berkshire, Living+ was selected to deliver an affordable supported housing development. The scheme will comprise 11 units of self-contained apartments for people with learning and physical disabilities. The development will cost around £2m, with approximately £800,000 of recycled grant funding.

Accommodation for people subject to movement under the Government's Transforming Care agenda is being addressed through strategic relationships with commissioning authorities. Our first property in Dover, purchased for our NHS partners, has been extensively adapted to meet the needs of an extremely complex individual.

Further north, work has begun in Halifax on a £3.5m development of 22 new supported living and complex care apartments. The site will house 12 self-contained flats as well as a 10-bedroom residential home for customers with highly complex care needs including learning disabilities.

Similarly, in Bristol we provide a range of support services to meet the complex needs of some of the most vulnerable groups living in the city. During 2017 we successfully re-tendered for the Bristol homeless service contracts under a new consortia arrangement that re-secures our Complex Needs Low Support and Low Support Women's services under three consortia leads: Salvation Army (men's pathway), St Mungo's (women's pathway) and Second Step (mixed pathway).

A successful tender to manage a domestic abuse contract in Northumberland will enable us to deliver support to 200 customers experiencing domestic abuse across the county each year. This three-year contract started in February 2018 and has the option of a 12-month extension.

To assist the local NHS in meeting its 'delayed transfers of care' targets, the Langdale Court extra care scheme in Wellingborough trialled a six-month hospital- to-home service in association with local care partner, Allied Health Care. This supports our aim to act as a housing partner, able to provide innovative solutions to a range of practical healthcare problems.

Building new homes

Over the last 12 months, we completed 1,032 affordable homes in England and Scotland. Through our Homes England programme we completed 269 new homes and started on site with 135, using a mix of new grant and recycled grant. A further 214 new affordable homes were completed through our funding programmes in Scotland.

As part of our continuing partnership with Blackburn with Darwen Borough Council, Places for People Homes completed 38 new homes for affordable rent. The scheme, at Newfield Drive in Blackburn, includes two purpose-built bungalows for people with hearing loss. Another project, at Redwood House, Bristol, combined conversion, refurbishment and new-build to bring a redundant homeless hostel back into use. The building now provides 25 much-needed affordable homes for rent in the centre of Bristol.

There was an unsurprisingly high demand for the 64 homes developed by Cotman on the border of Norfolk and Suffolk. This site offers all homes on an affordable basis – 13 as shared ownership and 51 at 80% of market rent. The £7m development at Brandon utilised £4.5m of Places for People recycled grant. The Group's in-house construction team built the homes and Cotman manages them.

In Scotland, an empty property in Midlothian dubbed an eyesore by locals has been transformed into quality affordable homes thanks to a £241,000 grant and a loan of £245,000 from the Scottish Government's Town Centre Empty Homes Fund. Castle Rock Edinvar took the Darag development in Mayfield, near Edinburgh, which had been empty for many years and fallen into a state of serious disrepair, and turned it into six new affordable homes. The three-bedroom ground floor flat has fully disabled access.

Derwent Housing Association's development programme has increased dramatically since joining the Places for People Group. More than 100 affordable rent and shared ownership homes were delivered in 2017-18, and there are plans in place for a further 700 new homes in the next three years.

Twelve new high-quality homes for social rent have been built in Broadway, Yaxley, by Luminus. The development included a four-bedroom house with a ground floor bedroom and wheelchair access for a larger family nominated by Huntingdonshire District Council.

In July 2018, Places for People was selected as one of Homes England's eight strategic partners to deliver more affordable homes. The partnerships will boost housing supply, with the eight partners committing to delivering more than 23,500 additional homes across all tenures by March 2020, including 14,280 affordable homes. As a result, we will accelerate our development programme and deliver an additional 2,603 new homes across the country. The partnership will not only result in Places for People receiving additional grant funding, but it will provide flexibility of the tenure and locations of new homes.

Maintaining and improving homes

Ensuring that our customers' homes and neighbourhoods are well maintained, safe, warm and meeting, if not exceeding, the Decent Homes Standard, is at the heart of everything we do. That is why, over the last 12 months, we have invested £103.8 million in maintaining and improving homes, completing more than 185,000 repairs.

We delivered an extensive programme of safety compliance activities to ensure that homes are safe and meet all statutory requirements including undertaking Fire Risk Assessments and asbestos condition monitoring, installing and servicing fire prevention equipment, water hygiene testing, servicing of domestic and communal gas equipment and smoke detectors, maintenance of passenger lifts, as well as delivery of electrical condition reports.

Over £80 million has been invested to deliver a range of improvements to homes. This has included fitting new windows, doors, kitchens, bathrooms and boilers, as well as delivering roof works, environmental improvements, replacement passenger lifts, communal boilers and specialist aids and adaptations. A £1.8m national painting and repair programme has also been completed, benefitting over 1,600 homes.

We are making significant progress towards our objective of achieving high energy efficiency ratings for all our properties. This has been achieved with the help of a £3.6m investment in a range of energy efficient improvements (such as high heat retention storage heaters, low energy lighting, windows and doors) and innovative solutions that reduce customers' energy costs.

Since acquiring the Lorne Street, Leith, portfolio of 92 properties from the Agnes Hunter Trust charity, Castle Rock Edinvar has made significant improvements to the homes. Twenty-one empty units have had gas central heating installed and electrical upgrades and received new kitchens and bathrooms as part of a £1m improvement programme. All previously empty properties in the portfolio have now been re-let, giving tenants much-needed certainty about their future following the sale of the homes by their previous landlord.

An extensive programme of property services was undertaken by Places for People Living+ to ensure all homes are safe and meet all statutory requirements. This included installing new fire prevention equipment; undertaking fire risk assessments for properties with communal areas; delivering an annual domestic and communal gas certification programme for almost 34,000 homes; commissioning over 3,000 asbestos surveys to support improvement works; undertaking an annual smoke detector servicing programme for communal blocks; delivering over 11,000 electrical condition reports; servicing passenger lifts, automatic doors, gates, stair lifts, lightning conductors and working at height systems; and RoSPA playground surveys.

Community investment

A new social value tool is being rolled out across our affordable housing businesses. The Social Value Dashboard will capture, measure and analyse the social impact of all our operations, and will be rolled out to other areas of the business to enable the Group-wide evaluation of all our operations.

Our Homechoice initiative continues to deliver effective results for our customers and communities. Homechoice is an innovative stock rationalisation programme that provides targeted investment for our neighbourhoods. Through the programme, we sell unsustainable properties and reinvest the surplus in our communities to deliver projects which contribute to neighbourhood sustainability. So far, Homechoice has generated over £1m of reinvested surplus. In April 2017, this innovative approach to developing and investing in sustainable local social economies launched a new three-year national programme, which will reinvest around an additional £500,000 each year.

In 2017-18, Homechoice invested £625,000 in over 30 projects to support 108 people into work, 379 into training and engage 3,337 young people in project activity. One of these projects, the Somali Golden Centre of Opportunities, in South Manchester, provides training for hard-to-reach Somali and African communities, many of whom have suffered traumatic experiences and have poor English language skills. The centre delivers IT literacy, employability, translation services, English language training and welfare advice, supporting over 213 people and helping over 90 people into work.

Another Homechoice project is the three-year Building Better Opportunities programme in Lancashire. Working as part of a strategic regional partnership, led by Selnet UK and funded by Big Lottery Fund and European Social Fund, this programme delivers one-to-one support to vulnerable people in two distinct groups: Age of Opportunity (over 50) and Invest in Youth (16-24). So far, the project has delivered life-changing outcomes for some of our most marginalised customers, engaging over 50 people and supporting 11 people into paid work.

Continually improving standards

In the days following the tragic fire at Grenfell Tower in London, we visited all of our high-rise affordable housing blocks with external cladding. Technical inspections of the materials were completed, and none of the blocks were found to feature the materials present at Grenfell Tower. We also reviewed the fire risk assessments and increased the onsite presence of staff to reassure and advise residents. This was in addition to the comprehensive fire safety measures already in place.

We have a Primary Authority partnership with Tyne and Wear Fire and Rescue Service (TWFRS) to provide independent fire safety advice and auditing for all areas of the Group, including our affordable housing businesses. We liaise regularly

with Fire Officers from TWFRS to ensure we are maintaining the highest possible standards of fire safety and we are aware of the latest legislation and guidance. We also meet regularly with other fire services to consider fire risk assessments and the safety of our residents and homes, and we work with independent fire advisory services to rigorously test and challenge our existing arrangements. Each of our blocks has a fire risk assessment, and regular tests of fire safety equipment and building inspections take place in line with regulations.

We have completed feasibility studies and made budget provision to retrofit sprinkler systems to all our affordable housing blocks of six storeys or more. We are awaiting the outcome of the independent Review of Building Regulations and Fire Safety, which was commissioned following the Grenfell Tower fire tragedy, before we proceed to retrofit these sprinkler systems. We will review our wider approach to fire safety in response to the findings of the independent review.

Places for People Living+ has developed a range of policies, tools and processes to enable staff to embrace health and safety culture, so it becomes fully embedded within our business. These include an audit process, duty log and a newly developed health and safety strategy. An internal audit of our directly managed services shows 93.3% achieving satisfactory or above in health and safety and 95.9% achieving good or above in quality.

Making a difference

A number of exciting, new projects that will make a difference to people's lives were initiated in 2017-18. Cotman succeeded in three funding applications to Sport England, with £683,000 secured to support people in our communities to be active. Working in partnership with Places Leisure, Cotman will: deliver activities to older people, using sheltered housing scheme venues wherever possible; help carers of people diagnosed with dementia to remain active; and support activities for people who have recently moved to a new home.

Cotman has joined Norfolk County Council's framework agreement for combatting loneliness and social isolation. Contracts will be awarded to address the needs of isolated people across the county. Cotman is also a founder member of the Norwich City Dementia Action Alliance. This involves attending steering group meetings and hosting Dementia Friends awareness events for staff.

A selection of Places for People Living+ later life services are engaged in a two-year pilot that is part-funded by Sport England through its Active Ageing Fund. Later life staff in the North West and South East have been trained by the commissioned provider, Oomph, and are now delivering a range of health and wellbeing activities to customers as part of their roles.

As part of a Group-wide evaluation of tenancy sustainment activity, Places for People Homes and Places for People Living+ are delivering a 12-month pilot service in the North East to our customers who require the highest levels of tenancy support. Called the STAR service, it sees tenancies managed by Places for People Homes that are at risk of failing, referred to Places for People Living+ for an intervention. The intervention aims to identify and address any unmet support needs, maximise income for the customer, reduce costs for everyone concerned, prevent eviction and enable more customers to sustain their tenancies.

Customers, especially those who find themselves excluded from mainstream financial services, can take advantage of our innovative finance products. Our loans, mortgages and insurance products are simple to access. This year was our biggest year for loan values, lending over £1.25m to help over 1,600 customers. Over 100 mortgage and insurance products were completed through our brokerage service, helping staff and customers transfer to more suitable mortgage deals or finance the purchase of a home while being properly protected against risk.

Placemaking and regeneration

We are a placemaker. It is our mission to build sustainable communities for everyone, whatever their background, age and needs.

We work across the full spectrum of placemaking and have over 50 years' experience. This gives us a broad view of what it takes to thrive, now and in the future.

Our placemaking expertise and track record, combined with our end-to-end capabilities, continue to prove attractive to clients and partners looking to deliver large-scale, infrastructure-led developments.

Key highlights

- First homes complete at Smith's Dock
- Consent secured for 230 new homes in Bristol
- £19m leisure centre under construction through Runnymede Regeneration Partnership

Placemaking is at the heart of our approach. It guides everything we do. From the smallest detail, to the most visionary masterplan. Our inclusive approach to placemaking is fundamental to ensuring communities succeed in the long term.

We operate across the housing market and span the supply chain, enabling us to create and manage places that work for everyone. Our ability to acquire sites, to design and plan innovative, inspiring and inclusive places, to construct them and then to provide ongoing place management, across all tenures, means that we are one of few organisations that can provide a comprehensive, single placemaking solution.

Working in partnership

As the challenges facing the public sector continue to mount so does its appetite to realise both capital and revenue generating initiatives. With it we have seen an increase in opportunities. Over recent years we have been selected to deliver some of the UK's most significant placemaking projects - to create vibrant new places and to breathe new life into existing ones - many in public private partnerships.

Runnymede Regeneration Partnership

In 2016 we were selected as partners by Runnymede Borough Council, to deliver a £200m long-term programme to regenerate several council-owned sites. The first development delivered under the new contract is Egham Leisure Centre, which is due to open in 2019. The new £19m centre includes two swimming pools, a multi-use sports hall, a 110-station fitness suite and a large health spa, along with a crèche, café and indoor children's play area.

Future projects to be delivered through the partnership will include the redevelopment of Egham and Addlestone town centres.

Surrey County Council

We secured a major joint venture with Surrey County Council to develop its extensive landholdings over the next 20 years. As the Council's JV delivery partner, we will develop a portfolio of residential and mixed-use properties on council-owned sites in Surrey and elsewhere.

During the year, the legal framework and business plan were developed with a shared ambition to commence the partnership's first development in 2018-19. The initial tranche of developments will be across a series of smaller sites. The joint venture could also be made available to other authorities, including the district and borough councils and nearby police and health authorities.

Urban Splash Joint Venture

Our joint venture with Urban Splash continues to deliver high-quality urban regeneration on several sites across the UK. Major milestones include the first new homes on the site of a former shipyard in North Tyneside, construction of the next phase of Lakeshore in Bristol and securing planning consent for our major canal-side regeneration project in Birmingham. The joint venture has delivered 448 homes to date with a further 2,152 homes secured in its pipeline.

Smith's Dock, North Tyneside

The regeneration of the historic dockyard on the banks of the River Tyne will transform Smith's Dock into a new destination providing a range of tenures and housing choice. In partnership with Urban Splash, our masterplan will deliver over 800 new homes alongside commercial space and public realm.

After years of investment and master planning, the first homes were completed last year. The first phase saw the construction of 34 modular houses at the Plateau, with sweeping views across Smith's Dock and along the River Tyne. The modular homes are manufactured offsite and are precision-engineered to an exemplary standard. Their layout can be configured and adapted to suit residents' choices. Ten of the properties, known as FAB houses, are the first of their kind in the UK, and are the creation of a partnership with architect and broadcaster George Clarke.

These homes are just the first element of Smith's Dock. Centered around three retained dock basins, the historic shipyard will ultimately feature 815 homes, workspaces, retail areas and high-quality public realm. Construction of the second phase, 80 waterfront apartments, commenced this year. The design of the apartments, known as the Smokehouses, reflects the heritage of the site using natural materials such as zinc and timber. Smith's Dock will open up new connections along the river between Fish Quay and Royal Quays and from the town centre down to the waterfront.

Port Loop, Birmingham

Together with Urban Splash, Birmingham City Council, and the Canal & River Trust, we are developing one of the UK's most significant brownfield regeneration schemes at Port Loop in Birmingham. The 43 acre canal side site, which is located 1km west of the city centre, is a major strategic site for the city and will be transformed into a vibrant new mixed-use neighbourhood. The masterplan includes up to 1,150 new homes, as well as retail and leisure facilities.

During the year, planning consent was secured for the first phase of the development. It includes 207 homes, commercial space, a new park, as well as the creation of new sports and swimming facilities. Remediation works have commenced to prepare the site for the first phases of development, which will commence in 2018-19.

Park Hill, Sheffield

The estate regeneration of Park Hill in Sheffield also continues through our joint venture with Urban Splash. The regeneration of Park Hill represents the rebirth of the largest Grade II listed structure in Europe. The project will deliver 874 apartments and extensive commercial opportunities for local businesses as well as a community nursery. Following the successful completion of the first phase, planning permission for phase two was secured in December 2017. The next phase will deliver an additional 200 homes along with further workspace and landscaping. In addition, plans have advanced for student accommodation in phase three.

Brooklands, Milton Keynes

Further new homes and infrastructure have been delivered at our landmark 2,500-home Brooklands development in Milton Keynes.

The construction of the development's centrepiece, Brooklands Square, started in May 2017. The Square will deliver community facilities, retail units and a large health centre alongside new 122 homes and public realm. Three mixed-use blocks will provide ground floor retail units with residential apartments above. Construction of townhouses will follow and will be built around a park and mews court. The first homes will be completed in 2018-19.

Elsewhere at Brooklands, sales are progressing well at Manor Farm – a development of 62 two, three and four bedroom houses due for completion in 2018-19. Our joint venture with Barratt, formed in 2014, has continued to deliver new homes and the first homes have been completed through a new partnership with Swedish housebuilder Trivselhus (more on page 17).

In November, we completed the construction of The Ridge, a major infrastructure project to create a 3.5km landscaped ridge running the length of the site. It was constructed using a million cubic metres of earth and shields Brooklands from the M1 motorway, which is adjacent to the site. The Ridge borders Brooklands Meadows, which provides 30-acres of public open space across two areas with six kilometres of pathways and thirty thousand newly planted trees.

East Wick & Sweetwater, London

Work continues on our landmark development at London's Queen Elizabeth Olympic Park where we will be delivering 1,500 new homes along with new retail, commercial and community facilities in partnership with Balfour Beatty Investments. With planning secured for the first phase, site clearance and remediation works have commenced to prepare the site for development in the year ahead.

Our partnership is committed to creating an inclusive community and valued opportunities for local people and businesses. This will be supported by long-term investment in skills and business growth to deliver a demonstrable and sustainable legacy. This year, we have engaged with a wide range of local groups and organisations as part of a programme of community and employment initiatives.

We have also worked with Makeshift to develop proposals to create opportunities for independent businesses and local people by bringing vacant areas of the Olympic Park site into use temporarily until they are developed. The proposals explore how the site would function as an open public space, offer new facilities to local residents and workspace for small businesses, and connect with the surrounding communities.

Dove Lane, Bristol

Through close engagement with the local community and city council, we have secured reserved matters consent to develop our Dove Lane site in Bristol. The regeneration of the brownfield site in St Paul's will create 230 new mixed-tenure homes, retail and office space and well-designed public realm. Site works will commence in summer 2018 with first homes ready for occupation in 2019.

Gilston Park Estate, East Hertfordshire

Our major strategic landholding, Gilston Park Estate in East Hertfordshire, is a major site within the Harlow and Gilston Garden Town – a key development in the Government's Garden Towns and Villages Programme. The Gilston area, in which Places for People is the principal landowner, has been identified as a proposed site allocation in the East Hertfordshire District Plan, which underwent Examination in Public this year. This major development would deliver over £600 million of infrastructure investment into the area, and help drive sustainable economic growth around Harlow.

Development and construction

For decades, UK housebuilding has failed to keep up with demand. The resulting housing shortage means that hundreds of thousands of new homes are required to address the urgent shortfall. We are responding to this challenge by increasing housing supply, whilst also improving quality and increasing consumer choice.

As one of only a small number of property management businesses with an in-house construction capability, we deliver profitable, sustainable, design-led residential developments — positioning us a developer of choice.

Key highlights

- Over 72% growth in Millwood Designer Homes sales
- Winner: Large Housing Development of the Year
- Winner: Excellence in Development for Affordable Housing

With 2,097 new homes completed, a further 2,507 under construction and a development pipeline of around 19,000 homes, we are developing high-quality new homes on a significant scale. We are committed to making home ownership more accessible, driving up the quality of homes and increasing customer choice.

Building new homes

We deliver high-quality, sustainable homes that support strong communities. Our emphasis on income generating assets, alongside sales revenue, not only contributes to the Group's financial objectives, it supports the Government's plans to build more homes and to increase mobility between tenures.

At Marlborough Park in Swindon, where the latest 91 unit phase is under construction, modular homes are being manufactured at ModularWise's factory production line. This modern, offsite method has resulted in the rapid delivery of high-specification homes. Sales have been strong, demonstrating the appetite for this product.

In Bickleigh, Plymouth, a low carbon development will create 101 contemporary, highly energy efficient homes on the fringes of Dartmoor National Park. All homes at the Roborough Eco Homes development will achieve the Code for Sustainable Homes Level 5 or 6.

Following the first phase of the Urban Eden development in Edinburgh, which achieved 100% of sales off-plan, the second phase is under construction by our in-house team. Phase two will deliver a further 120 homes and commercial space for sale and market rent.

At another project in Edinburgh, The Engine Yard, we are creating stunning new apartment buildings among a pedestrian streetscape of pathways, gardens and public spaces. The development will include over 300 stylish new homes and a Places Gym – the first in Scotland. This development is being constructed by our in-house team and is located on the site of Edinburgh's historic tram depot. The tram sheds, chimney and a large part of the boundary wall and gables are all listed and form part of the regeneration of the site.

In partnership with Swedish housebuilder, Trivselhus, the first homes have been completed at an £18m development of pioneering low-energy smart homes in Milton Keynes, adjacent to our flagship Brooklands development. Sommar Place, which comprises 39 homes, is the UK's first full housing development with the Apple Home app, Siri and Apple Homekit accessories fitted as standard, enabling owners to manage their home using an Apple device.

We are also increasing consumer choice and the quality of new homes through our new custom-build product, Design Your Home. We are able to give aspiring homeowners the opportunity to design a new home that meets their individual requirements.

Places for People Group Limited
Strategic Report
For the year ending 31 March 2018

We have commenced development at a number of custom-build sites with our Design Your Home product. Squirrel Wood in Basingstoke is the largest. In partnership with Homes England, the site will deliver 122 new homes. Twelve of the plots are for self-build, while the remainder are custom-build, allowing buyers to customise their home by choosing from a huge array of layout options, such as the number and size of rooms, extensions, and a vast choice of internal fixtures and fittings.

Working in partnership with landowners

Building homes in the areas where they are most needed means building good relationships with landowners. In doing so, we have been able to secure sought-after sites and work with responsible landowners to generate long-term value.

As one of the lead developers on the Duchy of Cornwall's Poundbury project in Dorchester, ZeroC has completed 140 new homes and 18 commercial units to date. With the development nearing completion, we have been selected to develop 83 of the penultimate tranche of homes, including 30 affordable housing units, to be constructed between 2019 and 2021.

Development has continued on another Duchy site, Trevethow Riel in Truro. Noted for its classical Georgian architecture, the prestigious Royal Crescent has attracted buyers from all over the country. In total, there are 102 homes for rent and sale, including affordable homes which will be owned and managed by Places for People Homes.

Tornagrain is a new community being built on land owned by Moray Estates in the Scottish Highlands. 36 sales were completed during the year and the first commercial unit was sold. Also, Malvina Green, the first of many areas of public landscaped space opened.

Our relationship with Lord Rothschild and the Rothschild Foundation has led to the development of ultra-contemporary homes at Golden Mede on the Waddesdon Estate in Buckinghamshire. The site will deliver a total of 75 beautifully-designed houses and apartments, including affordable homes.

Work continues on the Duke of Fife's Chapilton development near Aberdeen. Three of our companies have been developing on site over the last year, offering a wide selection of homes to the local market – from custom-build plots to retirement cottages. ZeroC has completed its latest phase of apartments and houses, our first custom-build plots are available through Design Your Home and Brio Retirement Living is developing a 94-home retirement village.

Acquisition of Millwood Designer Homes

Millwood Designer Homes is an award-winning developer with an established reputation throughout the South East of England for its high-specification homes and vernacular architecture. Millwood homes range from contemporary style apartments to more traditional two and three-storey homes. Places for People acquired Millwood Designer Homes in November 2017, after owning 50% of the business for several years. The acquisition has enriched our house building capabilities and our product range.

A robust and ambitious business, 2017-18 has seen Millwood increase the number of homes sold year-on-year from 77 to 133 and increase its sales revenue by £20 million. This growth has been achieved while maintaining a consistently high level of customer service and satisfaction, with a 98% customer recommendation rate.

Modern methods of construction

We are committed to investing in innovative construction methods as we look to raise the standard of housebuilding and consumer choice as part of our strategy to improve the quality of life in our communities. We are one of a small number of major developers delivering custom-build, self-build and modular housing.

Following our investment in offsite property manufacturer ModularWise, we now have our first fully operational modular production line, where homes are constructed offsite in a factory environment. Once each module or room has been manufactured, the components are transferred to the site for construction.

We are also developing offsite, modular homes in partnership with Urban Splash and Trivselhus, including at our flagship developments at Smith's Dock in North Tyneside and Brooklands in Milton Keynes. By manufacturing at scale and streamlining the production process, we are able to speed up the delivery of homes and meet high quality standards. The modular method also helps to mitigate the persistent shortage of key construction trades in the UK.

Property management

Our property management services are personal and professional. As well as providing outstanding levels of service, we strive to give residents complete peace of mind and a real sense of ownership. We work across a broad spectrum of properties and tenures, managing homes, tenancies, leases, repairs and maintenance.

By creating efficient, well-managed environments where residents and communities can flourish, we deliver value for money for landlords, investors, local authorities, housing associations and developers.

Key highlights

- RMG total active properties managed increased by 6% to 87,586
- RMG retained Westminster City Council Housing Options Service (HOS) contract
- Touchstone achieved new business growth of 15%
- Launch of Touchstone's 'Brilliant Place to Work' initiative

Business growth and retention

Residential Management Group (RMG) is one of the UK's leading providers of property management and support services to the public and private sectors. The number of units under contract in the private sector continued to grow during 2017-18 reaching 129,402 at 31 March 2018. For the third year running, RMG secured additional private sector management fee income of over £1m from a growing number of clients, on sites which will become active over the next few years.

The private sector leasing business, which provides accommodation for homeless households, remains a stable and valuable revenue and profit stream. RMG's public sector division has continued to grow after winning a number of consultancy contracts with London boroughs and district councils. While these are generally small and short term, they provide a platform from which to access additional work with authorities that have not previously outsourced their housing options services.

The efforts put into relationship building with developers, housebuilders and freeholders has resulted in a client base from which RMG can leverage future growth. With national coverage, RMG can direct its resources to opportunities wherever they arise, with London, Manchester and Birmingham currently offering significant opportunities for growth. RMG's new Manchester office has opened to focus on a growing city centre portfolio, and its Scottish portfolio continues to grow, including 17 schemes totalling over 7,000 units.

Opportunities for collaborative working continue to exist within the wider Group. RMG has continued to work on the East Wick and Sweetwater project, which will remain a feature for next year, together with other Group projects at Smith's Dock, Port Loop, Marlborough Park and Poundbury.

Touchstone, our dedicated private rental sector property management company, has seen client retention of 98% and annualised new business growth of 15% over the last 12 months, with significant new contracts including the Hearthstone II portfolio, Ladbroke's Coral Group, PFP Capital portfolio management and the appointment as management partner to Minerva Smart Cities.

Bricklane.com has appointed Touchstone to manage its first two residential REITs. Bricklane.com provides tax-efficient online property investment for ISAs, SIPPs and standard accounts from as little as £100, with funds being invested in its Regional Capitals (currently covering Manchester, Leeds and Birmingham) or London funds which source investment properties direct from local markets.

Housing Options Service

RMG's successful retention of Westminster City Council's Housing Options Service (HOS) for a minimum of five years from October 2017, winning all four re-tendered contracts, was an example of how wider Group expertise and experience can combine to deliver a compelling offer. The new HOS contracts, which started on 1 October 2017, are a radically different service to that which was delivered under the old contract. Embedding and relocating the service in conjunction with our new partners, Shelter and The Passage, and implementing the provisions of the Homelessness Reduction Act will be a significant project and challenge for the year ahead.

Osterna health and safety

RMG's health and safety business, Osterna, was launched in 2016. In anticipation of a requirement that all fire risk assessments (FRAs) will need to be conducted by accredited providers, Osterna applied for National Security Inspectorate (NSI) accreditation to BAFE SP205 standard. In 2017, Osterna successfully obtained NSI accreditation for all FRA services, and is now one of only 60 accredited providers of these services in the UK.

The accreditation has enabled Osterna to bid for new work with external clients. Recent successes include contracts with

Grainger and Metropolitan Housing. Osterna is well positioned to take advantage of a growing market for FRAs provided by accredited bodies, and is confident of growing the business both within and outside the Group.

Following the Grenfell Tower tragedy, Osterna supported many Group companies through the resulting reviews and risk assessments. The fire resulted in the need to assess our management portfolio. Many of our clients needed regular advice, updates and additional support to reassure customers and ensure their safety. Fire risk assessments were reviewed, and new ones undertaken to reflect new information and ongoing Government advice. Urgent FRA work was also carried out for a number of Group businesses and external clients.

Operational excellence

In 2017, Touchstone launched its 'Brilliant Place to Work' initiative and ran a series of engagement events to galvanise the whole business behind three simple goals: grow the business; deliver greater returns; be a brilliant place to work. After making great strides in each area, a fourth priority was added for 2018: achieve operational excellence.

With Touchstone's ambition to be the market leader in client relations and customer service, operational excellence is the driving force behind its plan. Achieving operational excellence will help Touchstone retain its clients and maximise customer satisfaction. It will drive consistency and efficiency of operation, which in turn, will help the business grow and deliver greater returns.

Achieving efficiencies

RMG's back office service delivery structures and customer service management are continually reviewed to ensure they remain efficient, fit for purpose and scalable as its customer base grows.

The efficiency programme continues to add value to RMG's service delivery, competitiveness and profitability, with further investment in growing the functionality and usage of the RMG Living portal and the RMG app. Both address the growing demand from customers for improved online access to services and have enabled more self-service and reduced transaction time and costs. 55,000 customers are now signed up to the RMG paperless service, reducing postage costs and the environmental impact. The introduction of bot technology to automate tasks and workflows has already reduced back office costs by £60,000, with further applications of automated technology planned.

The Touchstone customer portal enables customers to pay rent, check tenancy documents and report repairs online. Touchstone will continue to expand its functionality next year to include live maintenance status updates, local information and customer offers. After investing in training with business transformation consultancy, Mary Goeber International, Touchstone has rolled out tailored training packages to all colleagues. By providing them with the skills they need to achieve high levels of customer satisfaction, Touchstone's 'all agents' score has risen to 4.3 stars out of 5.

Supporting our people

RMG has implemented a number of initiatives to develop the potential of its people. These include a new cohort of 20 staff working towards the De Montfort University postgraduate qualification in property management; a pilot scheme for a property management apprenticeship programme; the launch of the Group's SPIRIT values across the company; and a new volunteering policy, which allows staff two days per year to volunteer their services to a good cause.

Touchstone continued the successful partnership with Habitat for Humanity, where it has committed to building 24 homes over three years in Malawi. Touchstone plans to extend its work with Habitat for Humanity to include the UK, which will allow more colleagues to take part. It hopes to join up with our contractors and Group colleagues to provide hands-on support as well as charitable funding for this project.

The 'Brilliant Place to Work' initiative was launched by Touchstone in February 2017 as an ongoing project which will continue for the next three years. The goal is to make Touchstone the employer of choice within the property management industry.

Being a Brilliant Place to Work involves measures that significantly impact the wellbeing of all our colleagues. By providing safe and comfortable working spaces, great benefits, clear communication and a friendly environment, Touchstone aims to make work a wholly positive experience for everyone.

Retirement

Many people are now able to enjoy a longer, healthier life, but the housing market has not kept pace with the needs and aspirations of active retirees. To make the most of an extended lifespan, it is important to have housing designed around the needs of this ageing demographic.

Places for People is developing a portfolio of specialist retirement businesses with the sole aim of providing contemporary retirement living that combines care and security with comfort and independence.

Key highlights

- First two Brio Retirement Living villages under construction
- Planning permission secured for a further four Brio developments

Brio's properties have been awarded the Home Quality Mark (HQM), level 3, the only retirement villages to receive this recognition.

Brio Retirement Living

Brio Retirement Living offers a modern, alternative retirement lifestyle, with high-quality homes alongside vibrant, thriving and safe communities.

The accommodation we offer is in village settings, with developments comprising around 100 apartments and bungalows with facilities such as a bistro, bar, gym and extensive grounds. Onsite services include concierge, housekeeping and personal care. Homes are primarily offered for outright sale, with some available for market rent and shared ownership.

Our properties are created with the upper mid-market in mind, to attract those older people who are already home owners and have private pensions and other investments.

Extensive market research has been undertaken to ensure that both the properties and our service are tailored to this target market, offering aspirational homes and lifestyles in the right locations.

The growth in the private rented sector has led Brio to diversify its offer to include market rent, shared ownership and build-to-rent. This enables increased numbers of older people to access Brio's properties and services by releasing capital. The private rented sector offers an appealing lifestyle, particularly to those in need of higher levels of care, which can be provided in a setting that is more attractive and generally less expensive than a care home.

Our villages are designed to be accessible to all older people, irrespective of physical need and visual or sensory impairments, including dementia. All our homes are highly energy efficient, which keeps the running costs low, and include a bespoke technology system which, among other things, enables residents to communicate with friends and family, and to manage their home and onsite services such as personal care and housekeeping. Thanks to such innovations, our properties have been awarded the Home Quality Mark (HQM) level 3, the only retirement villages to receive this recognition.

Construction is progressing well at our Chapelton village near Aberdeen and the sales office has opened at our Stow-on-the-Wold village.

Chapelton retirement village

Situated just five miles south of Aberdeen, the first Brio retirement village is located within the existing Chapelton community, offering residents easy access to a wide range of amenities, activities, support and local attractions.

As well as 94 new one and two-bedroom apartments and cottages, Chapelton will also feature Brio's exclusive Slate & Grain brasserie and green outdoor spaces within a bustling community hub.

Pioneering a new community engagement model

Chapelton has seen the launch of our bespoke community engagement model, which will be rolled out across all developments. The model ensures our villages are genuinely part of the local community, and do not become isolated developments. The model includes a contact plan with relevant local groups and charities, local PR, local event sponsorship such as charity bike rides, and hosting events for purchasers and prospective purchasers so we can get to know each other and begin to build friendship groups.

Other Brio developments

Work has commenced at our second village in *Slow-on-the-Wold*, Gloucestershire, comprising 106 new homes and extensive communal facilities including a bistro and bar, roof terrace, gym and spa. Planning permission has also been granted for our next four villages in Poundbury (with the first phase due for completion in late 2019), Buckingham, Shropshire and Sutton, all of which will be under construction in 2018. Planning permission is being sought for further developments in Chester, Southampton, Cheshire, Dorset and Winchester.

New staff, including sales negotiators, an interior designer and additional development and project management professionals, were recruited to ensure an industry-leading delivery and final product.

Grilings growth and property acquisition

Grilings Retirement offers an alternative to home ownership in later life by providing retirement properties to rent on assured tenancies. The business has been built around the concept of acquiring privately owned retirement flats, often at below market prices, and upgrading them to a good lettable standard. They then become an income-producing asset for an investor and a secure and attractive home for a tenant.

Grilings offers purpose-built accommodation on long-term tenancies. The properties are owned by a third party and let and managed by *Grilings*. Most developments include a part-time on-site manager and a residents' lounge. Rentals are positioned at the mid-market level, with the added security of a life-time tenancy, as they generally exceed the threshold for local housing allowance.

The rental option offers an alternative to purchasing a retirement property in later life, giving older people security through an assured tenancy. For the investor, the rental model offers several positive characteristics: a strong long-term income stream with reliable tenants who look after the property and pay their rent on time, and professional, specialist block management, with sinking funds to cover long-term cyclical repairs to the building.

Over the last 12 months, *Grilings* has sourced and acquired 70 re-sale properties across England, which were subsequently refurbished, marketed and let on assured tenancies.

Across the Group we manage a wide range of homes in the over 55s market. Our businesses work collaboratively to market and let properties and to share best practice, improving efficiency, performance and customer service.

Student accommodation

Student accommodation is many people's first step into a place they can call their own – and it is our mission to make this move a positive experience for every student. We design, develop and manage accommodation that provides students with a safe, comfortable and functional environment.

By increasing the supply of sought-after student accommodation and providing a comprehensive management service, we create cost-effective university residences that fulfil students' needs and deliver great returns for developers, investors and educational establishments.

Key highlights

- Won a management services contract at the University of Hertfordshire
- Selected as preferred bidder for a 1,164-bed student scheme in Leicester
- Won Silver at the Annual Partnership Awards for Best Operational Project
- Joint venture established with Alumno to develop new student housing

Strong market presence

Places for People established a strong foothold in the student market when Derwent Housing Association joined the Group in 2017, through its subsidiary Derwent FM.

Derwent FM is a UK-wide facilities management provider specialising in student accommodation. It has been operating in the student accommodation sector for over 20 years. Its proposition is based on its ability to provide its customers, typically corporate investors and universities, with a more personalised service.

Through the existing strengths of the Places for People Group, we are driving forward the development of Derwent FM's student brand, Derwent Students. In addition, the business has diversified into offering facilities management services for local authorities and has plans to expand this into the education sector, where contracts are generally shorter but the procurement process is faster.

Developing student accommodation

Working with specialist student housing developer, Alumno Developments, we plan to increase the supply of accommodation in towns and cities where Russell Group universities are located and significant demand exists for student housing.

The first joint venture with Alumno is Pablo Fanque House in Norwich. This new-build,

280-bed, city centre scheme will offer a mix of studio flats for students – some featuring ensuite bathrooms and easy accessibility – with spacious communal areas. Following a competitive tender process, Derwent FM was awarded the management contract for Pablo Fanque House. After completion of the Norwich development, similar projects will take place in Sheffield, Edinburgh and London.

Securing new contracts

Winning the University of Hertfordshire's De Havilland campus facilities management contract involves overseeing accommodation for 1,600 students as well services to the on-site leisure centre. In Leicester, Derwent FM was selected as the preferred bidder for a 1,164-bed student scheme to be delivered as part of a wider consortium. Completion is planned in time for the start of the autumn term in 2020. We also mobilised thirteen sites across the UK on behalf of Student Roost (formerly BSRE). Stretching from Aberdeen down to Poole, these sites provide accommodation for a total of 4,175 students and generated an annual management income of around £1m.

A contract encompassing facilities management, marketing and lettings services has been secured on the Hassell Street student accommodation recently acquired by Places for People in Newcastle-under-Lyme. Mobilisation for the scheme was delivered successfully within a very tight timeframe and illustrates the broad range of services Derwent FM can deliver as part of the Group's integrated property value chain.

A contract with Chiltern and South Bucks District Councils covers facilities management for a range of corporate offices and their wider property portfolio. This contract is worth £1.2m over an initial four-year period and represents an exciting opportunity for Derwent FM as it continues to consolidate its presence in the local authority sector.

Improving performance

In our mission to raise the standard of student accommodation, many challenging initiatives have been undertaken. For example, a new purchase order system was successfully rolled out across all sites to automate approval process and invoice matching. This has led to reduced processing and operating costs. In addition, the automation of client recharges has improved cash flow and reduced risk.

Our maintenance team has completed a number of independent projects, including one involving a heating upgrade for a leisure facility for Chesham Council. This was delivered as part of an agreement with the wider South Bucks and Chiltern District Councils.

Another major undertaking was the plate heat exchanger (PHX) project at the University of Hertfordshire. The PHX project involved an innovative solution using a heating system fed from the district mains to power a number of smaller plate heat exchangers within each property and provide heating and hot water to over 300 students across the site. The successful delivery of this project forms a key part of the wider district heating systems deliverables, which we aim to complete in 2018-19.

Innovation has taken place in our back-office processes too. A restructured recruitment process that utilises Places for People's in-house recruitment team for filling key senior roles has resulted in a 50% reduction in recruitment fees and a 10% saving on procurement fees.

Leisure management

Our leisure facilities bring health and wellbeing to communities and provide individuals with the means to achieve their personal goals. We are committed to meeting the needs of local people, and passionate about creating places that make a difference to their lives.

By designing, building and managing leisure facilities, and creating health and wellbeing programmes tailored to individual needs, we ensure everyone can experience a more active, healthier lifestyle.

Key highlights

- 12-year contract awarded to manage Dover District Leisure Centre
- 15-year leisure management contract by Wokingham District Council
- Three new site openings: Eastleigh, Birmingham and Elmbridge
- Three new gyms acquired: Chesterfield, Hinckley and Telford
- Two new leisure facilities under construction: Waltham Abbey and Andover
- Winner of 12 awards at the Quest NBS Awards

New contracts secured

By demonstrating a consistent ability to deliver improved facilities, enhanced participation and increased revenue, Places Leisure has gained an outstanding reputation among local authorities. As a result, we have secured a number of new major leisure management contracts. These include a 12-year contract to manage the new Dover District Leisure Centre on behalf of Dover District Council. This £26m development will include the first county standard competition swimming pool in Kent. A 15-year contract with Wokingham District Council will see Places Leisure operate several sites across the region.

More new centres

Places Leisure plays a vital role in providing communities with health and fitness facilities where previously none existed. Over the year, we have seen sites open at Eastleigh, Birmingham Sparkhill and Elmbridge. We assisted the Council with the design and build of the new £28 million flagship Places Leisure Eastleigh, which includes one of the largest sports halls in the country and attracted over 200,000 visitors in its first two months of opening. We designed and built Birmingham's state-of-the-art Sparkhill Pool and Fitness Centre and the Elmbridge Xcel Sports Hub provides locals of all abilities with a truly professional environment for a variety of uses.

A new gymnastics centre has also opened at the Elmbridge Xcel Leisure Complex, and two new leisure facilities are currently under construction: Waltham Abbey Leisure Centre, on behalf of Epping Forest District Council, and Andover Leisure Centre, on behalf of Test Valley Borough Council.

Service development and partnerships

Places Leisure continues to improve the services it provides to local authorities and the users of its facilities. With the appointment of Dr Steve Mann as the new Head of Healthy Communities, we aim to expand the use of community-based physical activity as an effective method of health intervention. We have also appointed two new positions to champion the development of gymnastics (fully funded by British Gymnastics) and badminton (jointly funded with Badminton England). In May 2017, Badminton England unveiled Places Leisure as their first 'Official Leisure Partner' in a ground-breaking move for the sport.

Our partnership with Level Water has been rolled out to a further 10 leisure facilities to provide free one-to-one swimming lessons for children with disabilities. These sessions not only teach life-saving skills, they also build the children's confidence, self-esteem and resilience.

We are also working in partnership with the Chartered Institute for the Management of Sport and Physical Activity (CIMSPA). We were initially recognised by CIMSPA for our Rising Stars internal management training programme and our internal safety seminars. We are now working towards gaining CIMSPA endorsement for our complete suite of internal management training.

New services delivered

As part of a significant investment by Places Leisure and Mid Sussex District Council, an impressive new Clip 'n' Climb facility was opened at the Mid Sussex Triangle Leisure Centre, featuring 16 climbing experiences plus the first Costa Coffee in the Places Leisure portfolio.

Places Leisure's first Milon Circle has been installed at the Graves Health and Sports Centre in Sheffield. The Milon Circle is a 12-station circuit designed to deliver a safe, simple and highly effective total body work out.

New Places Gym centres

With three new gyms being acquired in Chesterfield, Hinckley and Telford, we are continuing to expand Places Gym, our community gym brand. Places Gym exists to provide low-cost facilities for people wanting to be active and improve their health. With six Places Gym centres now in operation, these three new acquisitions represent a major advance for the concept with the aim of continuing its expansion in the years ahead.

Healthy lifestyle initiatives

The latest Swim England campaign to increase participation in swimming was part-funded by Places Leisure. The first phase of the campaign was aimed at getting children to leave behind their technology and computer games and join their families in the pool for quality family time together. The campaign videos produced made a significant impact, with over 220,000 video views on Facebook and Twitter and a combined reach on social media of 1.4m people.

Obesity has become a serious national concern and, as part of the Government's plan to tackle the problem, a Soft Drinks Industry Levy, or sugar tax, is now payable on all soft drinks containing over 5g of sugar per 100ml. In support of this drive for healthier diets, vending machines in Places Leisure premises only stock low or zero sugar drinks – drinks that are exempt from the sugar tax. In tandem with this initiative, we have also partnered with Wiltshire Council to participate in the national Sugar Smart campaign to promote our commitment towards sugar reduction.

Outstanding performance

Quest National Benchmarking Service (NBS) awards, the UK quality scheme for sports and leisure, presented 12 awards to Places Leisure across a range of categories. Among the awards was the prestigious 'top performing organisation' - with more than 31 Quest registered facilities awarded for the second consecutive year - and the Quest Stretch 'Active Communities' award, which recognises our company-wide commitment to continuous improvement and community cohesion.

We were also recognised in the Facility Management Stretch awards, with Ripley Leisure Centre, Alfreton Leisure Centre and William Gregg VC Leisure Centre, which we manage on behalf of Amber Valley Borough Council, and Rotherham Metropolitan Borough Council's Aston-cum-Aughton Leisure Centre.

Gosport Leisure Centre, which forms part of a design, build, operate and maintain contract with Gosport Borough Council, achieved the highest score in the Quest NBS awards; and Dorset District Council's Ferndown Leisure Centre had the 'highest scoring facility management assessment'.

Elmbridge Xcel Leisure Complex, which Places Leisure operates on behalf of Elmbridge Borough Council, and Winchester City Council's Meadowside Leisure Centre, were also recognised for their continued commitment to improving their offering as they were presented with the award for 10 years of continuous Quest registration.

Fund management

PfP Capital is an ambitious new real estate fund management business targeting strong demand in the rental market to deliver stable returns and ongoing value growth. Our specialist fund managers have privileged access to Places for People's property portfolio, seed funding and strategic insights.

By taking a proactive interest in their assets, they offer investors a socially-conscious real estate fund management service that delivers regular rental income and long-term capital growth.

Key highlights

- Fully authorised and regulated by the Financial Conduct Authority
- Established a regeneration fund and successfully bid for the investments held by the igloo Regeneration Partnership in 2018–19

Responsible investment

While attracting investment through fund management and generating revenue for the Group, PfP Capital strives to be the most socially responsible asset management company in the housing sector. It aims to manage the environmental and social impacts within its portfolios just as well as it manages financial returns.

In developing its responsible investment policy, PfP Capital has acknowledged a range of codes and standards, including the United Nations' Six Principles for Responsible Investment. As PfP Capital acts as stewards for people, communities and the environment in which it operates, it understands that its fiduciary duty extends to balancing the management of environmental and social issues whilst delivering returns for its investors.

By abiding by the following four guiding principles, PfP Capital ensures its ethos is always present in its brand, corporate culture and the fund vehicles it manages.

1. Using its experience in managing residential property and understanding the needs of its residents and other local stakeholders, PfP Capital aims to develop and maintain sustainable communities.
2. It strives to ensure the homes it manages make a positive contribution to the health and comfort of residents and the communities in which they live.
3. It recognises investment and management decisions can have a significant impact on environmental issues at both the local level and in the wider natural environment, and aims to protect the environment and natural capital.
4. Its products and services are both commercially and socially driven. As a not-for-dividend organisation, any profit the Group makes from fund management fees is re-invested back into the business with the purpose of generating social value and creating places that work for everyone.

New investment opportunities

Its strong links with the Group gives PfP Capital unprecedented access to well-diversified seed portfolios and ongoing development pipelines.

PfP Capital led the creation of a partnership between Places for People and the Universities Superannuation Scheme (USS), which will result in a £330m investment in the UK private rented sector (PRS). USS — which manages one of the UK's largest pension funds — will provide the core funding, PfP Capital will act as asset manager, and Touchstone will manage the portfolio on a day-to-day basis.

At the beginning of 2018–19, the fund acquired a seed portfolio from Places for People consisting of high-quality, UK-wide PRS assets valued at around £160m, delivering income to investors from day one. PfP Capital's access to Places for People's development pipeline supports its ability to deploy capital on a continuing basis. Through opportunity-led investment by its specialist PRS fund managers, the fund is expected to grow in the short to medium term - securing PRS stock from Places for People and third-party acquisitions - to deliver stable ongoing returns to investors.

By working with Castle Rock Edinvar and the Group's construction and development businesses, PfP Capital was able to secure a pioneering £47.5m investment from the Scottish Government in its Mid-Market Rent Fund.

This innovative funding initiative, which will be established in 2018–19, will combine government investment with private capital to deliver affordable homes without grant. The fund will deliver 1,000 new homes across Scotland by March 2021, as part of the Scottish Government's '50,000 homes for Scotland' promise.

At the beginning of 2018–19, a portfolio of interests was obtained from the igloo Regeneration Partnership for a newly formed limited partnership with investment initially made by Places for People Homes. The portfolio includes interests in joint ventures with Nottingham City Council and Scottish Canals to develop sites in Nottingham and Glasgow, along with development sites in Newcastle and Leeds.

During 2018–19, we will seek to attract third party capital into the fund to allow us to increase the current pipeline of regeneration and development opportunities across the UK.

March 2018 saw the launch of PfP Capital's Build-to-Rent Fund which is seeking to raise £550m to invest in 3,000 new

homes.

Establishing credibility

When PpP Capital started business in March 2017, it was the first time an organisation like Places for People had developed its own fund management capability. With a management team that already had an impressive reputation across finance, property management and investment, PpP Capital has swiftly established itself in the fund management sector and attracted high profile investors.

During the past 12 months, we have secured full scope permissions from the Financial Conduct Authority (FCA) to act as a fund manager. PpP Capital is now fully authorised and regulated by the FCA.

With properties managed by Places for People, we offer a market-leading in-house management platform that is robust and accountable.

Our funds maintain a transparent fee structure and use profit from fund management activity to support Places for People's wider housing and social impact agenda. The fact that USS, one of the largest UK pension fund investors, and the Scottish Government, have chosen to invest in our funds is testament to the credibility we have already established within the industry.

Financial Review

Financial performance

- Tangible fixed assets of £4.5bn (2017: £3.7bn)
- Loans of £2.7bn (2017: £2.3bn)
- Reserves of £489.0m (2017: £379.0m)

Key highlights

- The Group's profit for the year before taxation was £130.2m (2017: £119.7m).
- The Group has retained a strong balance sheet position at the year end with net assets of £487.6m (2017: £377.3m).
- Tender for £150m of secured debt and concurrent new issue of £250m unsecured debt.
- Inaugural AUD150m Australian note issuance, HKD700m private placements.

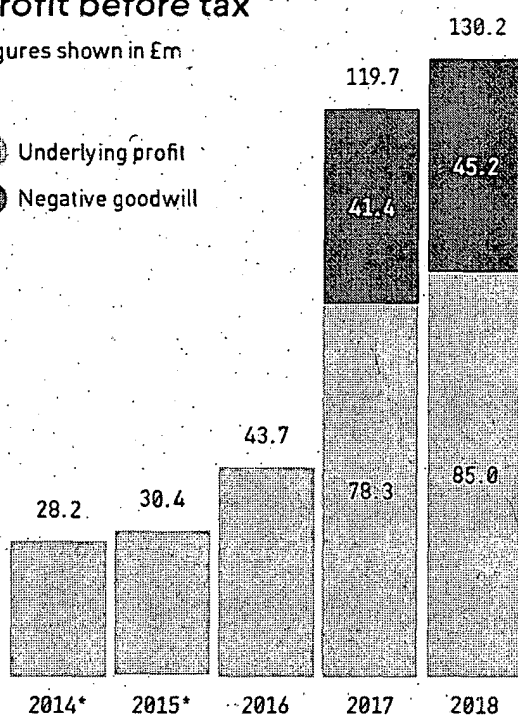
Profit and loss for the year

The Group profit before tax for the year was £130.2m. This includes £45.2m negative goodwill income as a result of Luminus Group joining the Group. In 2017 the Group profit before tax was £119.7m, which included negative goodwill income of £41.4m income on Derwent Living joining the Group. Excluding negative goodwill income, underlying profit before tax for the Group is £85.0m this year (2017: £78.3m).

Profit before tax

Figures shown in £m

- Underlying profit
- Negative goodwill



*These figures are from the previous years' financial statements as reported under old UK GAAP. The 2016, 2017 and 2018 figures are reported under the new Accounting Standard FRS102.

The Group turnover for the year was £754.4m (2017: £795.1m). The 2017 turnover included a larger amount of non-social housing development sales largely driven by the Queen's Park Place development. This reduction has been partially offset by there being a full year of turnover from Derwent Living within Group turnover, compared to three months of activity in 2016-17 when Derwent Living joined the Group, as well as 5 months of trading from Millwood Designer Homes

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following the acquisition of the remaining 50% share in November 2017.

The operating margin for the Group was 24.5% which is an increase from 2017 when the margin was 20.0%. The profit before tax margin has increased from 2017 to 17.3% (2017: 15.1%). The underlying profit before tax margin has also increased to 11.3% from 2017 when the margin was 9.8%.

Treasury management

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

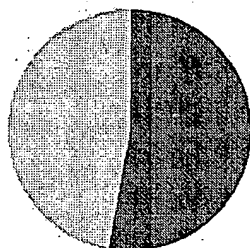
| | 2018 | 2017 | 2016* | 2015* | 2014* |
|------------------------------------|-------|-------|-------|-------|-------|
| Total loans (£bn) | 2.7 | 2.3 | 1.8 | 1.7 | 1.6 |
| Interest cover before depreciation | 2.4 | 2.3 | 2.1 | 1.6 | 1.6 |
| Interest cover after depreciation | 2.0 | 1.8 | 1.5 | 1.3 | 1.3 |
| Operating cash interest cover | 1.3 | 1.4 | 1.8 | 2.1 | 1.4 |
| Liquidity | 1.7 | 2.0 | 1.9 | 2.2 | 1.8 |
| Gearing | 57.1% | 55.2% | 55.1% | 54.6% | 50.8% |

* These figures are from the previous years' financial statements as reported under old UK GAAP. The 2018, 2017 and 2016 figures are reported under Accounting Standard FRS 102.

The Group had committed borrowings of £3.45bn of which £2.94bn was drawn, an increase in committed borrowings of £0.7bn from 2017. This increase of debt from 2017, was represented by the introduction of Luminus debt of £0.2bn and new other debt of £0.6bn offset by maturing debt of £0.1bn.

The Group's strategy is to borrow on an unsecured basis with a medium-term objective of rebalancing the portfolio to 60% unsecured. The merger with Derwent in 2016-17 and Luminus at the end of this financial year has brought the ratio back to 53% unsecured for the shorter term.

Debt portfolio — Figure 1

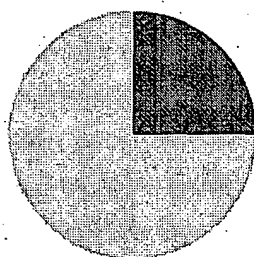


| Key | % |
|-----------|----|
| Unsecured | 53 |
| Secured | 47 |

Group gearing remained below the 60% target at 57.1%. 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 maintain cash and undrawn committed loan facilities that are immediately accessible to finance 12 months' cash flow. At the year end, the Group had total liquidity of £679.4m, comprising £508.8m of undrawn facilities and £170.6m of cash and short-term investments which was more than sufficient to meet the Group's policy.

Available liquidity — Figure 2

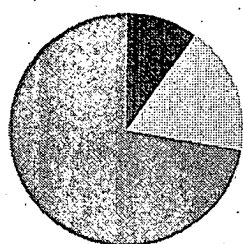


| Key | £m |
|---------------------------------|-------|
| Cash and short-term investments | 170.6 |
| Undrawn facilities | 508.8 |

The borrowing strategy is to contain interest rate risk to below 30% of outstanding debt, with the board exercising strict control over derivative transactions and their associated risks. This strong risk management was demonstrated during the merger process with Luminus when £60m secured debt was repaid ahead of the merger in March 2018:

This interest rate target has been met with 72% of debt at fixed rates of interest at the end of the year with 18% of debt at floating rates and 10% index linked.

Fixed / float mix — Figure 3



| Key | % |
|--------------|----|
| Index linked | 10 |
| Floating | 18 |
| Fixed | 72 |

In 2016, the Group set up a new treasury vehicle, Places for People Finance plc, which acts as the funding vehicle for the Group's non-regulated businesses. In December 2016 Places for People Finance plc issued a £65m retail bond, with no recourse to the Group's regulated activities or social housing assets.

This complements the arrangements already in place for the regulated businesses where Places for People Treasury plc raises funds for the Group's affordable housing operations.

The structure allows for a more efficient use of the Group's balance sheet and drives cheaper and more efficient borrowing costs whilst protecting the Group's social housing assets.

The focus in 2017-18 was on financing the regulated businesses, including liability management to increase the proportion of unsecured debt, following the merger with Derwent which increased the Group's secured debt.

The Group's investment activity is governed by strict counterparty credit criteria and investment limits which are monitored and reported on a regular basis. 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 24 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.

Value for money

Delivering value for money is central to everything we do. The Group board believes that being efficient and effective is crucial to our success in delivering services. Our board is committed to ensuring that we are making the best use of resources and that our business planning and performance monitoring systems are designed to drive continuous improvement and to ensure we maximise the efficiency and quality of our services and asset base.

We continually review the Group's asset base, appraising return on assets in a tailored way that is appropriate for each Group business to ensure that we are making the most effective investments in the right properties at the right time. As part of this approach we monitor and continuously improve our return on core housing operations. We also focus on how our other assets can consistently deliver value for money through strong financial and social returns. We conduct an annual assessment of the Group's neighbourhoods which calculates the surplus per property 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 clearly identify which neighbourhoods are meeting the minimum financial requirements.

When we published our value for money self-assessment in 2017 we set a series of value for money objectives. We continue to perform well against those objectives. For example, Places for People Homes, our largest affordable housing provider reduced its operating costs by 23% when compared to March 2016 – exceeding its target of 17.5%. In 2017-18 Derwent Living made a management cost reduction of 8.38% against a target of 5% and our specialist housing provider, Living+ made efficiency savings of 8.68% against a target of 5%. We also achieved a cashable saving from procurement across the Group of £2,162,366 in 2017-18 against a target of £2m.

Our Strategic Risk Management and Value for Money Group, chaired by the Group Chief Executive and attended by members of the Executive Management Team and key senior staff, drives our approach forward to continually improve value for money. The Group Chief Executive also presents a paper at each Regulated Board meeting covering 'Regulation and Value for Money' for board members to scrutinise.

Our Efficiency and Productivity Group, chaired by the Group Chief Executive, supports the annual business planning process by identifying methods to increase the efficiency of resources across the Group, and sharing good practice. The group drills down into different parts of the business to identify potential synergies across market areas so we can use our strength, size and data to drive efficiencies across the Group. The Efficiency and Productivity Group identified five areas where there is potential to improve efficiencies:

- 1 Customer experience
- 2 Staff efficiencies
- 3 Marketing efficiencies
- 4 Procurement
- 5 Technology

The group continues to explore where further efficiencies can be made, and how productivity can be improved in these five key areas. Activity in 2018-19 will focus on securing efficiencies in the procurement process. The Group has procured new spend analytics software which, when fully rolled out across individual businesses, aims to enable the Group to achieve approximately 10% savings on purchase costs upon maturity. This will be achieved through rationalisation of suppliers, securing better deals and creating more efficient back-office processes, such as billing and invoicing.

Value for money metrics

In April 2018 the Regulator of Social Housing launched a new Value for Money Standard, which includes a set of metrics. Registered providers are now required to report their performance against the metrics annually in their financial statements. Our performance against these new metrics is highlighted in purple in the table opposite.

The gearing metric shown in the table is not considered to fully represent the true gearing of the Group. While the metric includes the Group's social housing assets it does not include the Group's investment properties or investments into joint ventures. When these additional assets are taken into account, the Group's gearing at the year end is 57.1% as reported on page 30.

Both EBITDA MRI and our overall operating margin appear relatively low compared to the benchmarking group. Unlike the majority of organisations in the benchmarking group, we operate a number of management companies that, whilst they do not require significant levels of capital and are low risk, do not produce the same level of return as affordable housing operations.

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Benchmarking

The Group participates in the Sector Scorecard affordable housing benchmarking group. Housemark is overseeing the collection and collation of data for this benchmarking group, which includes over 300 registered providers. It measures efficiency within the sector and reviews and compares performance.

This has provided benchmarking data so the Group can be compared to the wider affordable housing sector. The results from this benchmarking exercise are set out in the table opposite, where available. They compare the Group's metrics as at 31 March 2018 and 31 March 2017 to the latest available Sector Scorecard benchmarking data as at 31 March 2017. As the table shows, the Group performs well against these benchmarks.

Our Efficiency and Productivity Group will continue to drive and strengthen value for money performance in the coming year. We continue to invest in new homes. In July 2018 the Group was selected by Government as one of eight strategic partners to deliver more affordable homes across England. As part of this agreement we will boost our investment in new supply and deliver 2,603 additional affordable homes over the coming years.

| Metric | Benchmark Group Upper Quartile | Benchmark Group Median | Benchmark Group Lower Quartile | Places for People 2018 | Places for People 2017 |
|---|--------------------------------|------------------------|--------------------------------|------------------------|------------------------|
| Reinvestment | n/a | n/a | n/a | 21.7% | 21.9% |
| New supply delivered (social housing units) | n/a | n/a | n/a | 1.4% | 0.6% |
| New supply delivered (non-social housing units) | n/a | n/a | n/a | 1.3% | 1.5% |
| Gearing % | 30.78% | 41.60% | 54.04% | 80% | 81% |
| Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover (as a percentage of interest) | 300.97% | 228.30% | 165.60% | 128% | 153% |
| Headline social housing cost per unit | £2,865 | £3,306 | £4,370 | £3,139 | £3,200 |
| Operating margin (social housing lettings) | 37.43% | 31.56% | 24.26% | 48.0% | 40.9% |
| Operating margin (overall) | 35.91% | 30.28% | 22.48% | 24.5% | 20.0% |
| Return on Capital Employed | 5.32% | 4.0% | 3.03% | 4.0% | 4.5% |
| Customers satisfied with the service provided by their social housing provider** | 91.0% | 86.6% | 82.8% | 87.9% | 88.2% |
| £s invested for every £ generated from operations in communities** | £0.04 | £0.01 | £0.00 | £0.01* | £0.01 |
| Occupancy** | 99.76% | 99.5% | 99.0% | 99.26% | 99.67% |
| Ratio of responsive repairs to planned maintenance spend | 0.44 | 0.68 | 1.00 | 0.43 | 0.74 |
| Rent collected** | 100.21% | 99.72% | 99.23% | 100.37% | 102.83% |
| Overheads as % of adjusted turnover | 9.42% | 12.33% | 15.3% | 6.7% | 3.0% |

*Following feedback from the Sector Scorecard benchmarking group, this metric will be reported as a monetary value in participants' 31 March 2018 submissions. The total amount invested by the Group in 2017-18 was £1,299,769.

**This metric only relates to the Group's affordable housing operations.

n/a Sector Scorecard benchmarking data not available.

Value for Money Standard regulatory metrics.

Social value

Places for People is a commercial business with a social purpose. We believe that places work when they work for everyone. We take a broad view of social value, seeking to deliver benefits to people and their communities.

Creating social value and meeting our corporate responsibilities is at the heart of what we do.

We work hard to integrate responsible business principles into everything we do. The social impact charity, Places Impact, deploys a mix of Group resources and charitable funding streams ensuring our investment makes a real difference.

We currently use the HACT social value methodology to assess our investment in social activity across the Group so that we can effectively measure the value we are generating in the communities we serve.

This year, we have been working with Reason Digital to harness technology to capture a wider range of interventions across all Group businesses. A new social value tool is being rolled out, starting with our affordable housing businesses. The Social Value Dashboard will capture, measure and analyse the social impact of all our operations and, when fully implemented, will enable the Group-wide evaluation of all our operations.

Our board is responsible for developing, delivering and reviewing the Group's Social Value strategy which supports the Group's long-term commitment to creating and managing places that work for everyone.

The strategy comprises three stands:

1. People — developing the potential of our people and customers in a diverse society.
2. Place — creating successful, sustainable neighbourhoods and helping customers to reach their potential.
3. Planet — reducing our environmental impact.

These strands support the three strategic objectives:

1. To sustain and, where possible, strengthen our social impact as a group of businesses.
2. To improve our ability to collect, verify and communicate the Group's outputs and achievements.
3. To create an infrastructure for our social value work that maximises the impact of our investment.

People

Core to our social value strategy are people. Our people are what make us great, and we're committed to providing a workplace like no other. Equally, we exist to serve our customers and the diverse communities in which they live. Whether it's the workplace or a community, we're making sure everyone has the opportunity to reach their potential.

2017–18 highlights

Here are some of the 2017–18 highlights:

- 325 nominations were received for our annual Star Awards event which recognises the hard work and dedication of colleagues from across the Group.
- Each year, Places for People holds its Good Neighbour Awards to recognise and celebrate the positive contributions our customers make in their communities. Last year, 32 customers were recognised at a ceremony in York.
- Cotman provided a series of work placements to disadvantaged young people and to long-term unemployed people referred by Job Centre Plus.
- Through the Touchstone Fund, our Financial Services team provided customers with access to the Credit Ladder product. This initiative assisted 25 tenants to improve their credit record by having their rent payments included.
- Places Leisure continued to develop its partnership with Level Water and has rolled it out to a further 10 leisure facilities. The partnership provides free one-to-one swimming lessons for children with disabilities. It also continued to offer free swimming to under 8s.
- Brjo Retirement Living's villages are designed to be accessible to all older people irrespective of physical need and any visual or sensory impairments, including dementia. Homes include bespoke IT packages to support digital inclusion.
- We supported 675 people into employment, 1,494 people into learning and helped 559 young people to sustain a tenancy.

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- Alongside Places Leisure, Cotman continues to be an active member of the Norwich City Dementia Action Alliance. Cotman also achieved £683,000 Sport England funding to support local people to remain active.
- We work with our supply chain to obtain the best possible value from the services the Group buys. For example, our major works contractors and wider supply chain delivered the third annual DIY SOS social value project, which saw the £50,000 transformation of Places for People Living+ scheme, Windmill Lane.
- Living+ has been successful in receiving funding to deliver the Young Persons Bursary. This offers a range of options to help young people, such as up to £300 to fund travel to university, interview clothing, equipment and course costs.

Charitable giving

- We supported 37 requests for match funding from colleagues.
- Places Leisure raised £248,000 from colleague fundraising activities and its national Swimathon.
- Girlings colleagues raised over £1,200 from a charity run, sponsorship and various Christmas activities.
- Allenbuild hosted its annual supply chain charity golf day and raised over £6,000 for a local hospice.
- Derwent Living colleagues collected over 200 items of food as part of a Christmas charity drive for the Hope Centre in Derby.
- A staff collection for Norwich foodbank was organised in conjunction with our major works contractor, Novus Property Solutions. Cotman staff also prepared and delivered food hampers and presents to families in need in West Norwich.
- Castle Rock Edinvar raised over £6,700 for Social Bite's Sleep in the Park, the worlds largest ever sleep out.
- Charitable fundraising activity across all of RMG's offices raised over £4,000 – a 15% increase on the previous year.
- Luminus colleagues raised over £700 from a range of activities, including a Christmas jumper day and Sport Relief.
- We continued our sponsorship of Harlow Foodbank's transport and Harlow's Linkfest community festival.

Golden opportunities [CASE STUDY]

As part of Places for People's approach to investing in local social economies we partnered local charity, the Somali Golden Centre in South Manchester, to deliver training to Somali and African communities. In Hulme and Longsight an increasing migrant and refugee community, particularly from war-torn areas such as Somalia, resulted in a sizeable cohort of customers who have suffered traumatic experiences, have poor English language skills and face significant barriers to employment.

The centre had been offering pastoral and social support to the local community for some time but with limited resources and unsuitable premises.

Through the Homechoice social investment programme, we supported the centre to develop an effective training and employability offer, build their capacity and secure their longer-term future. The centre is now able to specialise in a range of services including computer literacy training, job training including CV writing, translation services, English language training (ESOL) and welfare advice appeals.

Our partnership is also supporting the centre to develop and improve its longer-term sustainability: they have moved into new premises, have developed a peer-mentoring programme and are developing partnerships with agencies such as Manchester University. They are now an accredited learning centre and deliver City & Guilds qualifications.

Place

Creating successful, sustainable neighbourhoods and helping customers to reach their potential.

We work with economically and socially diverse communities across the country to deliver improvements to neighbourhood outcomes and quality of life.

This includes implementing our Neighbourhoods strategy and award-winning 'Neighbourhub' Assessment and Planning Dashboard in the communities we manage, as well as integrating social value creation into the new places we create.

2017–18 highlights

Here are some of the 2017–18 highlights:

- Homechoice is an innovative social impact programme which enables Places for People to sell unsustainable properties and reinvest the surplus into activities which make a difference to our communities. In April 2017, we launched a new three-year programme which will raise approximately £500,000 per year.

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- Touchstone contributed £30,000 to the Touchstone Fund, which offers funding to community-based projects. Seventeen projects were supported, which helped increase dementia care, provide exercise for the over 55s and cookery and budgeting skills to those who needed it.
- A group of Cotman customers are supporting their peers to be more confident online. The 'Too Old To Learn? Never!' group received a grant from the Touchstone Fund to undertake digital inclusion activities, and were shortlisted for a national award.
- RMG's successful bid for the Westminster Housing Options contract includes the delivery of a range of social value benefits to the community, such as volunteering, apprenticeship and work experience opportunities and employment workshops. RMG also works alongside Shelter as part of the contract, to support those at risk of homelessness.
- As a supporter of the Alzheimer's Society's Dementia Friends programme, Living+ has raised awareness and understanding amongst staff and is helping to create dementia friendly communities. Manor Gardens, a housing with care scheme managed by Places for People Living+, opened the Memory Lane Café which is designed to trigger happy memories of times gone by and enable residents to reminisce together with family and friends. The Brio Retirement Living team has also become Dementia Friends.
- At our East Wick and Sweetwater site, our socio-economic benefits plan focused on local employment, creating and supporting apprenticeships and commercial opportunities for local small, medium and social enterprises. We also delivered activities for skills development and mentoring for students and local residents. In addition, staff volunteered 80 days in support of local organisations, as well as running careers events and curriculum support activities in local schools.
- The Group's planned works team organised an eight-week 'Wellbeing for the over 55s' activity at Raeburn Court, Sheffield. Customers were invited to sessions which supported physical, social and mental wellbeing.
- Touchstone continued its successful partnership with Habitat for Humanity, where they have committed to building 24 homes in Malawi over three years.
- People with disabilities in Edinburgh will get access to new opportunities to learn to play, perform and record music thanks to a grant of £5,000 from Castle Rock Edinvar's Community Grant Fund.
- Luminus opened their Queen Mary Centre's community garden in September. Once overgrown and neglected, the newly-renovated area has been transformed and is now a space for the whole community to enjoy.
- Luminus hosted the 2017 Community Inspiration Awards, which celebrated local unsung heroes who go the extra mile to serve their communities and make Cambridgeshire a better place.

Partnership working [CASE STUDY]

We partner with others to maximise our impact and are founding partners for ALLIA, a social enterprise which provides social impact bonds and business incubation hubs to support entrepreneurialism and social value creation (www.allia.org.uk).

We are a founding supporter of MOBIE - the Ministry of Building Innovation and Education. Established by architect and TV presenter George Clarke, MOBIE is an educational charity which trains and inspires young people to innovate in the design and construction of homes in the UK and abroad.

It promotes innovation in offsite manufacturing and develops educational opportunities linked to new technologies in housing.

Within its first year it had successfully launched its MSc in Teesside and HNC/HND courses in Teesside and Harlow. It has also run school challenges to attract young people into the sector.

Planet

Our business operations shouldn't have a negative impact on the environment. That's why we're committed to working with customers, communities and other businesses to find innovative solutions to reduce our impact and drive forward the green agenda.

2017–18 highlights

Here are some of the 2017–18 highlights:

- Energy usage in our offices declined by 2.59% (electricity) and 3.13% (gas).
- We have invested £3.6m in energy efficiency improvements to our homes. This investment is part of our long-term energy efficiency strategy which aims to reduce carbon emissions and customers' energy costs.
- We have retained ISO14001 (environmental) and ISO50001 (energy) management certification, which supports us to continually improve our environmental performance.

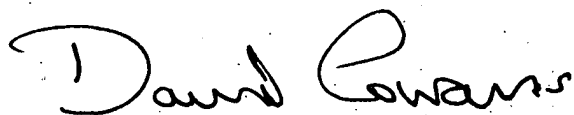
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- We recycled 72.65% of office waste over the year.
- Cotman Housing Association has replaced electrical heating with renewable air source heating at a scheme in rural Norfolk supporting greater energy efficiency in homes.
- All new student schemes managed by Derwent FM are BREEAM rated.
- Derwent Living installed 140 new boilers in customers' homes, helping to increase energy efficiency and reduce customers' bills and carbon footprint. New doors and windows were also replaced in 100 properties.
- Places for People Homes saved approximately 95,000 pieces of paper by sending out tenancy offer packs digitally rather than by post. Similarly, 47% of RMG customers have signed up to a paperless service.
- Places Leisure reduced energy consumption across its leisure portfolio by an estimated 2%. LED lighting was installed in 17 leisure facilities last year saving an estimated 470 carbon tonnes.
- Brio Retirement Living is the only retirement village to have achieved the Home Quality Mark and it offers in-home IT systems which enable residents to track their energy usage.
- Touchstone retained its ISO14001 and ISO50001 certification. In the first three quarters of 2017-18, it decreased its energy usage across two offices by 37%.
- We installed new high-efficiency gas boilers to 1,650 properties to aid fuel efficiency. In addition, a new fleet of vans are fitted with new technology to ensure better fuel efficiency and minimise their impact on the environment.
- Castle Rock Edinvar obtained a grant from the Scottish Government to help customers lower their fuel bills. The successful bid of £342,500 was used to install external wall insulation.
- Millwood continued to use reclaimed materials across a number of developments and promoted the use of hybrid vehicles across the company's vehicle fleet. There are now 15 vehicles in the fleet.
- Effective site waste management practices at our construction sites saw 96% of non-hazardous waste diverted from landfill. Specific site results include: Clapham Park 98%, Wharf Road 92% and Lanhill Road 98%.
- A number of energy saving initiatives are used at the Group's sites, including using energy efficient lighting, controls and plant on site, as well as ensuring operatives are more aware of energy consumption. At our site at Clapham Park, we reduced energy consumption by 22%.
- We also monitor water consumption during construction. This has led to a saving of 12% over target. Measures included visual aids to encourage water consumption and using shut off taps where possible.

Living the DREEAM [CASE STUDY]

As a partner to the European Commission- funded DREEAM initiative, we are undertaking a pilot project in Burnley to improve the energy efficiency of homes.

The aim of the project is to create innovative ways of improving energy efficiency at a large scale. Across the neighbourhood, a number of measures have been adopted, including external wall insulation, new efficient storage heaters or boilers, PV roof panels, new windows and ventilation systems. The properties are being monitored by equipment which measures the temperature of the properties, energy consumption and energy production (from the PV panels). Monitoring is continual, and will allow us to see in real terms the difference that the renovations have made to our properties and customers.



The strategic report was approved by the board of directors and signed on its behalf by David Cowans, Group Chief Executive, on 19 July 2018.

Directors' report

Principal activities of the Group

Places for People 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 profit before tax for the year was £130.2m (2017: £119.7m).

A full review of the performance of the year can be found in the Financial Review section on pages 29 to 31.

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

Key operational measures

| Key operational measures | 2016-17 Performance | 2017-18 Performance |
|--|--------------------------------|--------------------------------|
| Total losses from empty homes (affordable housing) | 1.22% | 0.90% |
| Total arrears (affordable housing) | 2.87% | 2.42% |
| Repairs right first time (affordable housing) | 88% | 88% |
| Gas servicing (affordable housing properties) | 99.9% | 99.9% |
| Occupancy rate (affordable housing) | 99.67% | 99.26% |
| Overall customer satisfaction (affordable housing) | 88.2% | 87.9% |
| New properties unoccupied (not let or sold) | 36 | 64 |
| Percentage of rent collected (Places for People market rent) | 99.5% | 99.8% |
| Number of RIDDOR-reportable incidents (rolling 12 months) | 32 | 25 |

Health and safety

The recognition of responsibility for and ownership of safety management within each Group company has continued to mature. This local ownership has allowed a business-centred approach to safety which takes into account the individual safety and employee profile of each company, their priorities and risk profile. This has also allowed for greater accountability, with health and safety performance being monitored and challenged by the Group Health and Safety Director, both at local safety steering group meetings and at the Group Health and Safety Compliance and Strategy Board.

The number of accidents reportable to the Health and Safety Executive has reduced significantly during the 2017-18 financial year, from 32 in 2016-17 to 25 in 2017-18 – a reduction of 22%.

The new health and safety software system, the Safety Hub, has now been rolled out and is in use across all areas of the Group. Initially focussed on accident and incident reporting, the scope has now broadened to include other aspects of reporting including 'notifiable incidents' in Living+, Group and company specific dashboards with real time performance information, and a discussion forum to allow all health and safety practitioners to share relevant information or ask for peer assistance. The system continues to be developed in response to business requirements.

The strategic objectives for this three-year business plan cycle have now been updated to reflect progress made in the last financial year:

- To reduce the rate of RIDDOR reportable accidents to staff across the Group by at least 10% year on year.
- To increase the number of Safety Improvement Opportunities (near misses) reported throughout the Group by 100% year on year. This provides a good indication of the willingness of employees to engage with safety management processes.
- To continue to adapt the annual health and safety assurance process to reflect the safety maturity of each part of the Group by setting bespoke continuous improvement milestones at the beginning of each financial year that are challenging but achievable and designed to incrementally improve safety maturity and promote positive safety culture change.
- To continue to increase the focus on health and wellbeing by providing resources, information and opportunities for Group companies to devise and implement strategies to improve employee health.

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- To continue to provide value for money through the Group Health and Safety Team, performing all agreed activities and providing ad hoc services, to companies or collectively to the Group, in line with agreed resources, capacity and budget. The Group Health and Safety Director will meet with each Group company senior leadership team to ensure that commitments are being met and that value for money is being achieved.

The primary function of the Group Health and Safety Team will continue to be compliance auditing, for which there is now an annual programme, and leading on incident investigations which carry a significant corporate risk or which have attracted the involvement of the enforcement agencies. However, the audit question set will be enhanced to cover reporting on continuous improvement and safety culture improvement initiatives and their success within each business area.

In June 2017, the Health and Safety Executive (HSE) prosecuted Group Company ZeroC, in conjunction with another co-defendant, under the Construction (Design and Management) Regulations 2015. The prosecution related to a lifting incident at ZeroC's Poundbury site, which resulted in a dropped load of scaffolding clips injuring a stonemason.

ZeroC pleaded guilty to the charge and received a fine of £145,000 plus costs of £3,500 and a victim surcharge of £120.

A separate HSE investigation is being conducted into an incident which occurred in December 2016 at a construction site under our management in Edinburgh. We continue to cooperate fully with the HSE investigation. An estimate of the financial effect of this cannot be made at this stage.

There has already been an increased focus on the health aspect of 'health and safety' from the start of the 2017-18 financial year, the focus so far being on mental and physical health and wellbeing. Presentations on these topics have been delivered during the six-monthly Group health and safety forums, and many areas of the Group have put in place, or are devising, their own initiatives to improve their colleagues health and wellbeing. The focus on wellbeing will continue at subsequent forums, alongside introducing processes to further improve safety culture and staff engagement, and progress on initiatives is monitored through the Group Health and Safety Compliance and Strategy Board. The Group Health and Safety Team will support the implementation of projects in any of the Group companies if requested.

Where appropriate, the Group Health and Safety Team will continue to work closely with other parts of the business to ensure that its work is carried out as efficiently and transparently as possible, and that the central health and safety function is providing best value for money.

Building safety continues to be a priority for the Group. We have closely studied the findings of the Hackitt Review and continue to work closely with the fire authorities to optimise the fire safety of the buildings we own and manage.

Principal risks and uncertainties

The Group faces a number of significant risks across all its businesses 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 overleaf. These risks include the key elements shown in the table below.

| Risk | Mitigation |
|---|---|
| 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. At the year end, 81% of debt was 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 0.25% increase in interest rates would increase interest payable costs by £0.8m 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 obligations associated with financial liabilities settled by delivering cash or another financial asset. | The Group's approach to managing liquidity is to ensure, as far as is possible, it will always have sufficient liquidity to meet its liabilities, 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. |

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| | |
|--|--|
| 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, so a change in the foreign currency rate would be fully offset by the swaps. |
| Government and legislative | |
| In 2015 the Government introduced a rent settlement for social housing in England which delivers a cumulative 1% rent cut over four years commencing in April 2016. This change is accompanied by changes to the nature and method of payment of state benefits, notably the introduction of Universal Credit. | To inform our strategy and business plan each year, the Group develops a comprehensive analysis of the operating environment. This 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, the Group has taken steps to deliver the savings required whilst maintaining profit margins and service standards. The Group set up a project to monitor the impact and mitigate the adverse impact of the introduction of Universal Credit. |
| Impacts of Brexit | |
| 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 implications of Brexit 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 with the acquisition of both construction and development companies that broaden the commercial offerings available. |
| Debt funding, market and treasury risk | |
| Market volatility could impact adversely on the rating agencies' view of the financial stability of the Group. For example, sovereign debt could be considered to be less reliable in the future, therefore making access to sufficient bond funding at acceptable rates more difficult. | The Group utilises increasingly diverse sources and types of funding which reduces reliance on particular financing instruments. A prudent treasury strategy is in place which allows the Group to seek finance at appropriate rates when opportunities arise. The board regularly monitors and scrutinises the funding position through the Treasury Committee. |
| Data management and governance | |
| If data management and governance processes and systems were unable to meet information needs and regulatory requirements this could lead to poor decision making, financial loss, compliance failure and/or reputational damage. | A Group data management and governance structure has been established including an Insights and Information Committee. The Group has significant in-house expertise led by the Group Chief Data and Information officer. In addition, further mitigation is provided by the establishment of specific projects including to assess General Data Protection Regulation. |
| Health and safety | |
| The Group could suffer an incident, impacting upon the health, safety and wellbeing of its customers, staff or contractors where harm is suffered by stakeholders and sanctions severe. | Health and safety disciplines are embedded within the Group and issues reported to management on a regular basis. Health and safety monitoring incorporates a wide range of activities from fire safety, through to gas servicing alongside staff training. |

People

Places for People has continued to grow both organically and through acquisitions and mergers. In November 2017 we welcomed Millwood Designer Homes to the Group, and in March 2018, Luminus Group. Together they added over 300 colleagues to the total workforce.

As at 31 March 2018, the Group employed 12,513 staff (6,627 FTE). 8,757 (3,159 FTE) of them are in the Places Leisure business. After Places Leisure the next biggest employer is our Property Maintenance Division with over 539 full time

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equivalent staff and then followed by RMG, Places for People Group and Places for People Homes, each with over 260 full-time equivalent staff.

58% of our staff are female. The average age of staff varies across the Group. Places Leisure has a younger staff cohort with an average age of 32. Around 4.7% of our staff are from black and minority ethnic backgrounds and more than 1% have a disability. Our current turnover rate (voluntary) is just over 15%, with the Xpert HR 2017 labour turnover rates research finding the national average for large organisations at 15.6%. Employee absence is slightly above our target of 3%, with the XpertHR 2017 absence rates research finding the national median for large organisations at 3.6%.

We have an inclusive, values-led and high performance culture, and were successful in achieving reaccreditation of the Gold Standard for Investors in People in 2017. Our approach is underpinned by our SPIRIT values, which are embedded throughout the Group, across all our subsidiary companies. Our values have been developed with our employees and act as a guide to all of us in Places for People in how we manage and operate our business.

Following new legislation, this year for the first time, like many companies, we were required to report on our gender pay gap.

Led by our culture and principles we decided to go above and beyond the new legislation and report on gender pay across the whole Group, as well as fulfil our statutory requirements to report on our individual companies that had 250 or more employees.

Our Group report showed our mean gender pay gap to be 6.3% and median gender pay gap to be -5.5% demonstrating that our gender pay is broadly neutral across the Group. Both of these results are below the current national average of 18.4%*, and below that of organisations with a similar financial turnover and size of workforce.

While the results show that our overall pay is neutral by design, there is more to do and the report highlights the commitment the Group is making to ensure the gender pay gap is further reduced and that representation in senior roles is more diverse.

We also recognised that we need to take steps to reduce gender pay gaps within several of our subsidiary businesses, and to take steps to reduce the gender bonus gap. This means we will be looking more closely at the structure of our workforce and in particular what we can do to attract relevant talent to achieve a gender balanced workforce across the Group.

More generally, 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 know that employing people with different experiences and backgrounds will help us to fine tune our services to meet our different customers' needs and aspirations.

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. During 2017-18 we have continued to focus on supporting business divisions which operate in sectors with historic under-representation of some groups within their workforce. Our Property Maintenance Division recruited ten women, at both the operational and management level. We have also increased female representation in our Group senior management team. We continue our work in this area and have invested in technology allowing us to track how inclusive our adverts are, in areas such as gender neutrality and ease of reading. In addition we are strengthening our people offer and employer brand, ensuring it is resonant with our culture and that the Group's inclusivity shines through. The Group is expecting to see the benefits of attracting more diverse and representative applicants over the coming years as we implement this.

We understand the business case for diversity and work hard to develop and sustain a diverse workforce, which is supported by our Positive about Disability accreditation.

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.

The Group has taken positive steps to develop best practice and play a strategic role in developing national diversity policy and serves on key advisory boards within the sector including the Homes England Equality and Diversity Advisory Board, the Housing Diversity Network and the London Diversity Network.

Engaging our employees is also 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, and an online Q&A forum with the Group Chief Executive and annual staff recognition awards.

In 2017 Places for People achieved both the Gold standard and the Health and Wellbeing accreditation against the 6th generation Investors in People standard, having achieved accreditation for the previous three years. Organisations that meet the internationally-recognised Investors in People standard reflect the very best in people management excellence.

This year we have extended our range of employee benefits, launching a new voluntary benefits platform to all employees within all subsidiary companies. The benefits platform includes a wide range of retail discounts, from food shopping, clothing, household and entertainment as well as lifestyle discounts for items such as bikes and holidays.

We also provide access to a suite of services and facilities which are designed to support our employees' wellbeing, whether physical, mental or financial, including an employee assistance programme, which includes a confidential support helpline and access to medical advice or services. Through a continued focus on best practice absence management, we have continued to reduce short-term absence, which stands at 1.34 % (3.01% overall including long-term absence).

We continue to invest substantially in employee development. This involves a range of management development programmes, 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. We have developed a comprehensive approach to the new apprenticeship delivery model and are focused on ensuring that we spend our levy effectively on developing both existing and new staff. We continue to employ in excess of 900 apprentices and expect this to reach over 1,200 by the end of the year.

During 2017-18, we have developed and launched a comprehensive three-year Group People Strategy that is designed to support the Group and its subsidiary businesses to achieve their business objectives through their people.

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 Group board currently comprises the Group Chairman, six non-executive directors and five executive directors. Details of the board members can be found listed on pages 44 to 46. These details 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 ensuring that Places for People's business is sound. All the non-executive directors are independent of management and have access to the Group 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 terms 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, the Audit & Risk Committee and the Treasury Committee.

Details of committee membership and attendance at board and committee meetings during the year are reported on page 49.

Decisions to approve proposed financial and corporate transactions can also be delegated to the boards of Places for People Finance plc, Places for People Treasury plc and Places for People Investments 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 the year, the terms of office for Joe Seet and Cathy Garner expired and Brenda Dean resigned. A recruitment process involving open advertising of the vacancies was undertaken to identify appointable candidates on the basis of their broad commercial experience and commitment to the Group's range of services.

As a result, Graham Kitchen and Jo Dixon were appointed to the board on 1 October 2017. Adam Cleal, who had formerly served as a non-executive director to the Group's fund management business, was also appointed to the board on 1 October 2017. Owing to ill health, Jo Dixon stepped down from the board on 5 June 2018.

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 an established set of matters that are reserved to the Group board, 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. Where matters are not reserved to the Group board, the scheme of delegation operates so that management has all necessary authority to run the Group's businesses.

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.

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 and was appointed as the Senior Independent Director in 2015.

Jon Lloyd

Jon is a Fellow of the Royal Institution of Chartered Surveyors and has 40 years' experience in property development, investment and asset management. His executive career 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.

His current NED and advisory roles include Chairman of Mulgrave Property Group Limited, a Yorkshire based residential developer and special adviser to a large AIM listed development land owning business with assets throughout England and Scotland. He also operates his own property, energy and minerals consulting business, Winksley Consulting.

Formerly, Jon was a non-executive director of Tilfen Land, a London property investment and development company and in the health sector with Wrightington Wigan and Leigh NHS Foundation Trust where he chaired the Finance and Investment Committee. Outside his business interests, Jon is an active supporter of several charities.

Jon joined the Places for People Group board in 2012.

Nigel Hopkins

Nigel is Finance Director of Abbeyfield and Chairman 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 the Confederation of British Industry, Fiat, Laporte (Chemical), Burmah Castrol, United Technologies, Coopers & Lybrand, Ernst & Young and Remploi. At Remploi 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 wide 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 and the board of Cotman in August 2016.

Michael Brodtman

Michael Brodtman is a Chartered Surveyor with 35 years' experience of both commercial and residential property markets. Michael is responsible for UK valuation services at CBRE, the largest global real estate services firm, where he is a member of the UK Operating Committee and Executive Board.

Michael is a member of the Global Valuation Professional Board of the RICS, and for 10 years was a non-executive director at leading property data provider, IPD.

Michael joined the Places for People Group board in 2016.

Adam Cleal

Adam has over 30 years' experience as a real estate solicitor including over 25 years working on housing deals including many housing debt facilities and bonds, sale-leaseback deals and Large Scale Voluntary Transfers. In addition he had a wide-ranging legal practice in property investments and disposals, office and housing developments, M&A, infrastructure projects, sports facilities, funds and structures as well as long and short term debt, securitisations and structured finance.

He also dealt with many regulatory bodies over that period on a continuing and frequent basis. For over 25 years he was a partner at Allen & Overy, one of the largest law firms in the world, and in that time was head of the London real estate group for 15 years and head of the international real estate group for 11 years; he also spent time on the firm's audit committee. He has personal experience of investing in and managing residential property. He was a non-executive director of PFP Capital Limited immediately before joining the Places for People Group board in October 2017.

Graham Kitchen

Until recently Graham was Global Head of Equities at Janus Henderson Investors. Prior to joining Janus Henderson in 2005 as Head of UK Equities, Graham was with Threadneedle Investments, and he spent 13 years at INVESCO Asset Management as a UK Fund Manager and Co-Head of Investment. Graham is non-executive director of Invesco Perpetual Select Trust plc and The Mercantile Investment Trust plc. Graham also Chairs the Investment Committee for the Cancer Research Pension Fund, and is a member of the Investment Committee of the charity Independent Age.

Graham also acts as mentor for The Prince's Trust and The Social Mobility Foundation. He has recently become an ambassador for the Diversity Project which is an industry initiative to promote gender equality in the investment management industry.

Graham graduated from Lancaster University with a first class BA (Hons) in history and earned a master's degree in modern history from Oxford University. Graham joined the Places for People Group board in October 2017.

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 management and financial management, leading strategic change in large and small organisations.

David is a Fellow of the Institute of Housing, a Fellow of the Royal Society of Arts, a Fellow of the Royal Institution of Chartered Surveyors, a Chartered Director of the Institute of Directors and has an MBA from Birmingham University. He is also an Academician of The Academy of Urbanism and a Visiting Fellow of Cambridge University.

Mary Parsons – Group Director, Placemaking and Regeneration

Mary has over 25 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 and is responsible for the Group's large-scale new places including joint ventures.

Previously, she worked in the private sector on large-scale, mixed-tenure developments in the consultancy sector, specialising in public / private sector partnerships and housing market renewal. Mary is Trustee and Chair of the Town & Country Planning Association and Trustee of MOBIE, an educational charity encouraging innovation in housing design and delivery. She joined Places for People in 2004, becoming Group Director in 2010.

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 leads the Group's development, construction and house building activities in England and Scotland.

With a particular interest in high-quality design and offsite construction, 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. He is also an Academician of The Academy of Urbanism.

Andy Winstanley – Group Finance Director

Andy was appointed Group Finance Director in August 2017, having previously operated as the Group's Financial Controller since joining Places for People in 2010. Andy qualified as an accountant at Ernst and Young where he spent nine years in its North West assurance practice.

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 focussing on business transformation, including the transfer of Bristol Churches Housing Association into the Group.

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 L Lackey (Chair), N Hopkins and J Lloyd.

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:

- A review of risks associated with the Group's fund management business
- An overview of the Group's financial instruments including exposure to variable factors (currency risk and interest rate risk) and mitigation; and
- The commercial and reputational risks associated with the Group's international activity and the perception among UK stakeholders.

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 2017-18, the audit partner presented KPMG's external audit strategy and fee proposal. The committee considered and agreed the Group's materiality limits, the significant risks, areas of audit focus and the audit strategy. The audit fee was 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 regarding the effectiveness of the external audit process.

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 2018, including debt re-financing, pensions and financial instruments and derivatives, the committee identified that the only significant issue 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 of 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 or immaterial misstatements made intentionally to achieve a particular presentation. The auditors reported to the committee the misstatements that they 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, until 30 September 2017), M Brodtman (Chair, from 1 October 2017), B Dean (until 31 August 2017), Adam Cleal (from 1 October 2017) and G Kitchen (from 1 October 2017).

The Group engaged the services of a remuneration consultant, MM&K, during the year.

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 board selects the best candidate for any vacancy. It has no targets for board composition by reference to gender, ethnicity or any other diversity measurement. The board gathers information (provided on a voluntary basis by board members) on the diversity of the board but would only use it in connection with any appointment if two or more candidates were considered to be entirely evenly matched in other respects. During the year the Group engaged the services of a search consultant, Audeliss.

The members of the Committee during the year were B Dean (Chair, until 31 August 2017), N Hopkins (Chair, from 1 September 2017), C Garner (until 30 September 2017), Adam Cleal (from 1 October 2017) and Jo Dixon (from 1 October 2017 until 5 June 2018).

Treasury Committee

The Treasury Committee scrutinises on behalf of the Group board the strategic management of the Group's financial assets and liabilities and its liquidity position. The Group board has delegated to the committee authority to approve treasury transactions on behalf of the Group parent including, but not limited to, the terms of new or extended borrowing facilities. It has also charged the committee with ensuring co-ordination of the approach to treasury matters in all parts of the Group.

The members of the committee during the year were C Phillips (Chair), L Lackey, J Seet (until 30 September 2017) and Jo Dixon (from 1 October 2017 until 5 June 2018), supported by members of management.

The Group maintains a clear distinction between its regulated businesses (being its registered providers of social housing in England and Wales or registered social landlord in Scotland) and its non-regulated businesses (being its commercially driven entities). Places for People Treasury plc raises finance only for the regulated businesses and those businesses have delegated their authority to its board to approve treasury transactions on their behalf.

Places for People Finance plc raises finance only for the nonregulated businesses and those businesses have delegated their authority to its board to approve treasury transactions on their behalf.

Overall treasury strategy and co-ordination rests with the committee and decision-making in relation to specific treasury transactions rests with the committee for the Group parent and with either Places for People Treasury plc or Places for People Finance plc for the Group subsidiaries.

Places for People Investments Limited

The Group board has delegated authority to the Investments board in respect of corporate transactions within certain limits and subject to certain controls.

Where any proposed corporate transaction is not covered by an approved business plan, it may be approved by the Investments board provided that the capital cost does not exceed £25 million. Beyond that limit approval from the Group board is required.

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.

Places for People Ventures Limited

The Group board has charged the Ventures board with oversight of activity within the Group that is not subject to scrutiny by a housing regulator. Through the provision of challenge and direction, the Ventures board assists in refining information on those parts of the Group's activities.

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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 2018, is set out in the following table.

| Board member | Group board | Audit & Risk | RemCom | NomGov | Treasury | PFP Investments | PFP Ventures | Regulated |
|-------------------|-------------|--------------|--------|--------|----------|-----------------|--------------|-----------|
| Chris Phillips | 7/7 | N/A | N/A | N/A | 3/3 | 2/2 | 3/4 | 3/4 |
| Michael Brodtkman | 6/7 | N/A | 4/4 | N/A | N/A | 2/2 | N/A | 4/4 |
| Lynette Lackey | 7/7 | 5/5 | N/A | N/A | 3/3 | 2/2 | 4/4 | 4/4 |
| Joe Seet | 3/3 | N/A | 2/2 | N/A | 1/1 | N/A | 1/2 | N/A |
| Dr Cathy Garner | 3/3 | N/A | N/A | 2/2 | N/A | N/A | N/A | 2/2 |
| Jon Lloyd | 6/7 | 5/5 | N/A | N/A | N/A | N/A | 3/4 | N/A |
| Nigel Hopkins | 6/7 | 5/5 | N/A | 4/4 | N/A | N/A | N/A | 4/4 |
| Brenda Dean | 2/2 | N/A | 1/1 | 1/2 | N/A | N/A | 1/2 | N/A |
| Adam Cleal | 4/4 | N/A | 2/2 | 2/2 | N/A | N/A | N/A | 2/2 |
| Graham Kitchen | 4/4 | N/A | 2/2 | N/A | N/A | 1/1 | N/A | 2/2 |
| Jo Dixon | 2/4 | N/A | N/A | 0/2 | 0/2 | N/A | 1/2 | N/A |
| David Cowans | 7/7 | N/A | N/A | N/A | N/A | 1/2 | 4/4 | 4/4 |
| Simran Soin | 1/2 | N/A | N/A | N/A | N/A | 2/2 | 0/1 | 2/2 |
| Andrew Winstanley | 5/5 | N/A | N/A | N/A | N/A | 2/2 | 3/3 | 3/4 |
| Colin Rae | 7/7 | N/A | N/A | N/A | N/A | N/A | 4/4 | 4/4 |
| Mary Parsons | 7/7 | N/A | N/A | N/A | N/A | N/A | 2/4 | 2/4 |
| Pat Egan | 7/7 | N/A | N/A | N/A | N/A | N/A | N/A | 4/4 |

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 strategy and business plan were 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 Group has complied with the UK Corporate Governance Code (2016 version) except for Code provisions B.7 and E1, and aspects of C.3 and D.2 that contemplate dialogue with external shareholders or decisions being referred to shareholders on matters of director appointments, auditor appointments and director remuneration and the use of the AGM to communicate with investors. The reason for this is that the Group does not have external shareholders in the sense contemplated by the Code and therefore it addresses the need for scrutiny and evaluation through the board or an appropriate committee of the board and it engages with investors directly and through an annual investor's forum.

The directors consider the report and accounts, taken as a whole, to be fair balanced and understandable.

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 registered provider subsidiaries are required to adopt a governance code. Places for People Homes, Places for People Living+, Castle Rock Edinvar Housing Association and Derwent Housing Association have each adopted the Code. Cotman Housing Association has adopted the National Housing Federation (NHF) code of governance which contains principles that the Group considers to be broadly consistent with those of the Code. Luminus Group joined at the year end and it has adopted the NHF code.

The main operating subsidiaries – Places for People Homes; Places for People Living+, Castle Rock Edinvar Housing Association, Cotman Housing Association, Derwent Housing Association, Luminus Group, Touchstone Corporate Property Services, Residential Management Group, Girlings Retirement Rentals, Brio Retirement Living, Places Leisure, Places Developments, Allenbuild, ZeroC and Millwood – each has its own board, 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 10-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 imposed 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 continue to be able 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 39 and 40 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 2021.

Risk management and risk appetite

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 Management and Value for Money Group meets twice yearly to consider emerging strategic risks, to review the appetite for risk 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.

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The Group board has reviewed the effectiveness of the system of internal control for the year ended 31 March 2018 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 has assessed the position and confirms that it has complied with the Regulator of Social Housing's Governance and Financial Viability Standard.

Donations

During the year the Group made charitable donations of £519,000 (2017: £16,000). The Group made no political donations (2017: £nil).

Annual General Meeting

The Annual General Meeting was held on 19 July 2018.

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.

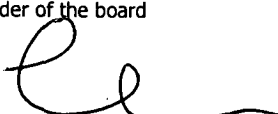
Under company law the board must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the board is required to:

- 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



Chris Martin

Company Secretary

19 July 2018

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 ("the Group" or "the Group and Company") for the year ended 31 March 2018 set out on pages 58 to 102. 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 2018 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, including FRS 102 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview

| | |
|--|---|
| Materiality: | £15.5 m (2016-17: £12.0m) |
| Group financial statements as a whole | 1.9% (2016-17: 1.5%) of group turnover |
| Coverage | 91.4% (2016-17: 97.4%) of group turnover |
| Risks of material misstatement | vs 2016-17 |
| Recurring | Recoverable amount of development programme schemes and associated land ◀ ▶ |
| New | Luminus Group acquisition impacts on Group financial statements ▲ |

2. Key audit matters: our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements, the risks of material misstatement that had the greatest effect on our audit, in decreasing order of audit significance, were:

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

Recoverable amount of development programme schemes and associated land.

(Carrying value of assets under construction = £44.9 million (2017: £71.2million) and carrying value of stock = £387.3 million (2017: £256.8 million)).

Refer to page 47 (Issues considered by the Audit & Risk Committee section of the Governance Report), pages 64 to 69 (accounting policies) and pages 77 and 80 (financial disclosures).

| The risk | Our response |
|---|--|
| <p>Forecast-based valuation</p> <p>The Group's development programme continues to increase in line with the Group strategy, and includes a significant portfolio of properties developed for commercial sale and rent, the recoverable amount of which has been potentially affected by changing market conditions during the year.</p> <p>The Group has appraisal models in place to determine the recoverable amount of each development scheme (and help identify any potential impairment risks), which include a number of subjective assumptions, such as rental income, tenure mix, cost inflation and the market value of properties.</p> <p>The Directors review the assumptions and update the models of the development appraisals regularly, and at the year end, to determine the recoverable amount of the assets. The Directors also consider whether there are any additional impairment triggers (e.g. change in market conditions, defects to schemes etc) and calculate any impairments that may be necessary across the development portfolio (including land elements).</p> <p>If the assumptions or underlying data used are incorrect there is a risk that development land and assets will be valued incorrectly and any corresponding impairment charge misstated.</p> <p>If the assumptions or underlying data used are incorrect there is a risk that development land and assets will be valued incorrectly and any corresponding impairment charge misstated.</p> | <p>Our procedures included:</p> <p>Methodology choice</p> <p>Assessment of the land appraisal models that are used to determine the scheme carrying values to check that these are consistent with our sector knowledge and, where appropriate, consistent with the methodology choice used in the previous year.</p> <p>Benchmarking assumptions</p> <p>Assessment of the assumptions that have been used to underpin the land appraisal models to assess their appropriateness including consideration of the planned tenure mix for the development scheme being considered, and comparison of key assumptions (e.g. market value of properties, cost inflation, rental assumptions) to current third party online data, including appropriate online indexes (e.g. the Building Cost Information Service index).</p> <p>Our sector experience</p> <p>Consideration of the Directors' assessment of whether there has been an impairment indicator and assessment of this based on other evidence obtained during the audit including the sales performance of schemes and market indicators.</p> <p>Tests of details</p> <p>Agreeing the underlying data used in the appraisal models, including consideration of the sales history and costs incurred during the 2017/18 financial year, back to sales certification documentation and other third party documentation, such as invoices.</p> |

**Places for People Group Limited
Independent Auditor's Report
For the year ending 31 March 2018**

Luminus Group acquisition— impacts on Group financial statements.

Combinations that are in substance a gift value recognised on acquisition of £46.7m.

Refer to page 47 (Issues considered by the Audit & Risk Committee section of the Governance Report), pages 64 to 69 (accounting policies) and page 101 (financial disclosures).

| The risk | Our response |
|--|---|
| <p>This is a new risk area for the 2017-18 year and arises due to the acquisition of Luminus Group on 26 March 2018.</p> <p>This is classified as a significant risk due to the complexity of acquisition accounting, which under FRS102 is accounted for as combination that is in substance a gift, which gives rise to a credit to the Statement of Comprehensive Income of £46.7m.</p> | <p>Our procedures included:</p> <p>Consideration of the acquisition balance sheet</p> <p>Instructing and reviewing the work of component auditors on the significant balance sheet items at the year end.</p> <p>Consideration of whether the Director's decision to not make any adjustments to the year-end balance sheet to reflect any movements between the acquisition date and the year end is reasonable.</p> <p>Consideration of goodwill adjustments</p> <p>Consideration and, where appropriate, recalculation of the adjustments made on acquisition accounting to determine the credit to the Statement of Comprehensive Income in relation to the acquisition.</p> <p>The above included consideration of the fair value adjustments made by the Directors to the loan portfolio. In this regard the Directors sought advice from Treasury experts and we considered the expertise of the Treasury experts and used our own specialists to consider the work they had undertaken.</p> |

We continue to perform procedures over Financial Instruments: valuations of derivatives and hedge accounting. However, due to the fact that there have been no significant changes in debt portfolio nor any issues noted in recent audits in this areas, we have not assessed this as one of the risks that had the greatest effect on our audit, and therefore, it is not separately identified in our report this year.

In addition, we are required to present at least one "Key Audit Matter" in relation to the Group Parent entity (Places for People Group Company Limited). We have deemed the most appropriate item for this to be the completeness, existence and accuracy of the operating costs balance. Whilst this is not inherently a high risk balance, the parent entity's financial transactions are straightforward and low risk, with much of its activity being intra group, hence the operating costs balance is where we spend the majority of our audit resource. In relation to this risk item, we perform cut off testing to address the completeness risk and perform sample testing on external operating costs, agreeing these back to source documentation to address the existence and accuracy risks.

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

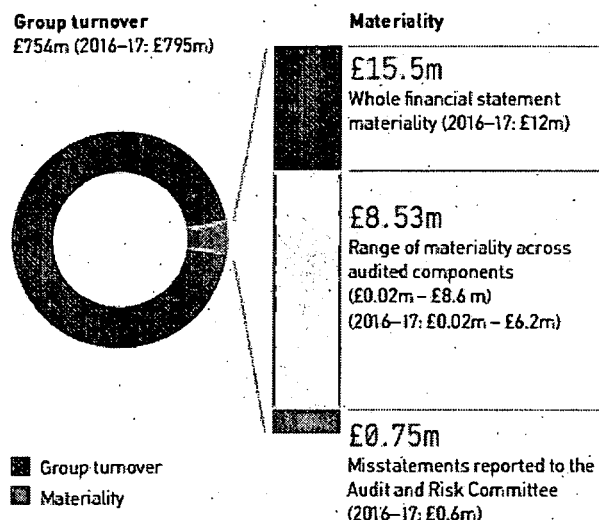
The materiality for the Group financial statements as a whole was set at £15.5 million (2017: £12.0 million), determined with reference to a benchmark of Group turnover, of which it represents 1.9% (2017: 1.5%). We consider total turnover to be the most appropriate benchmark as the Group is a not-for-profit organisation, therefore the focus is on turnover and any surplus generated is variable and reinvested.

We reported to the Audit & Risk Committee any corrected or uncorrected identified misstatements exceeding £750,000 (2017: £600,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 179 (2017: 158) reporting components, we subjected 51 (2017: 66) to audits for Group reporting purposes. These audits accounted for 91.4% (2017: 97.4%) of Group turnover, 97.9% (2017: 97.6%) of Group profit before tax and 97.5% (2017: 99.6%) of Group total assets. For the remaining components, we performed analysis at an aggregated group level to examine our assessment that there were no significant risks of material misstatement within these.

**Places for People Group Limited
Independent Auditor's Report
For the year ending 31 March 2018**

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 all subsidiary materialities, which ranged from £16,000 (2017: £19,000) to £8.6 million (2017: £6.2 million), having regard to the mix of size and risk profile of the Group across the components. The work on 33 (2017: 33) of the 51 (2017: 66) components was performed by component auditors (all of whom are component teams from the same audit firm as the Group audit team) and the rest by the Group audit team. Telephone conference meetings were held with the component auditors 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. We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

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

- the directors' confirmation within viability statement on page 50 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and

- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they 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 of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements 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 to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee.

We have nothing to report in these respects.

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

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

We have nothing to report in respect of the above responsibilities.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 51, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities — ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience, through discussion with the directors and other management (as required by auditing standards).

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statements items.

Places for People Group Limited
Independent Auditor's Report
For the year ending 31 March 2018

In addition we considered the impact of laws and regulations in the specific areas of health and safety, liquidity and certain aspects of legislation recognising the nature of the Group's or Company's activities. With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the directors and other management. We considered the effect of any known or possible non-compliance in these areas as part of our procedures on the related financial statements items.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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

This report is made solely to the Group and Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Group and 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.



Andrew Sayers (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, Canary Wharf, London, E14 5GL
20th July 2018

Places for People Group Limited
Consolidated Statement of Comprehensive Income
For the year ending 31 March 2018

| | | 2018 | 2017 |
|--|--------------|----------------|-------------|
| | Notes | £m | £m |
| Group and share of joint ventures turnover | | 784.7 | 850.1 |
| Less: share of joint ventures turnover | | (30.3) | (55.0) |
| Group turnover | 2 | 754.4 | 795.1 |
| Cost of sales | 2 | (149.8) | (230.7) |
| Operating costs | 2 | (420.1) | (405.7) |
| Operating profit before interest | | 184.5 | 158.7 |
| Combinations that are in substance a gift | 30 | 45.2 | 41.4 |
| Share of operating profit on joint ventures | | 2.0 | 9.2 |
| Gain on revaluation of investment properties | 14 | 3.8 | 0.2 |
| Profit on sale of fixed assets | 4 | 4.7 | 5.8 |
| Interest receivable and similar income | 7 | 13.0 | 14.9 |
| Interest payable and similar charges | 8 | (123.0) | (110.5) |
| Profit on ordinary activities before taxation | 9 | 130.2 | 119.7 |
| Taxation | 10 | (13.9) | (7.2) |
| Profit on ordinary activities after taxation | | 116.3 | 112.5 |
| (Profit)/loss attributable to non-controlling interests | | (0.3) | 0.6 |
| Profit attributable to members of the parent company | | 116.0 | 113.1 |
| Group profit for the financial year excluding joint ventures | | 114.8 | 107.4 |
| Share of joint ventures profit for the financial year | | 1.2 | 5.7 |
| Total profit for the financial year | | 116.0 | 113.1 |
| Fair value gain/(loss) on interest rate and currency swaps | | 5.6 | (7.8) |
| Deferred tax on interest rate and currency swaps | | (2.0) | 1.3 |
| Actuarial loss recognised in the pension scheme | | (3.1) | (13.8) |
| Deferred tax arising on movement in the pension scheme | | (2.7) | 5.3 |
| Comprehensive income adjustment on business combinations | | (3.8) | - |
| Total comprehensive income for the year | | 110.0 | 98.1 |

The notes on pages 64 to 102 form an integral part of these financial statements.

Places for People Group Limited
Company Statement of Comprehensive Income
For the year ending 31 March 2018

| | | 2018 | 2017 |
|--|-------|---------------|-------------|
| | Notes | £m | £m |
| Turnover | | 31.4 | 29.0 |
| Operating costs | | (31.2) | (29.2) |
| Operating profit/(loss) | | 0.2 | (0.2) |
| Interest receivable and similar income | 7 | - | 0.4 |
| Interest payable and similar charges | 8 | (0.2) | (0.2) |
| Profit on ordinary activities before and after taxation | | - | - |

The notes on pages 64 to 102 form an integral part of these financial statements.


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 2018

| | | 2018 | | 2017 | |
|--|-------|----------------|----------------|----------------|----------------|
| | Notes | £m | £m | £m | £m |
| Fixed assets | | | | | |
| Goodwill | 11 | | 7.2 | | 4.1 |
| Housing properties - depreciated cost | 12 | | 3,516.7 | | 2,794.0 |
| Fixed asset investments | 14 | | 804.8 | | 732.5 |
| Equity Loans - HomeBuy | 15 | | 84.8 | | 93.8 |
| Other fixed assets | 13 | | 83.2 | | 72.3 |
| | | | <u>4,496.7</u> | | <u>3,696.7</u> |
| Non current assets | | | | | |
| Debtors: amounts falling due after one year | 17 | | 20.8 | | 33.4 |
| Current assets | | | | | |
| Stock | 16 | 387.3 | | 256.9 | |
| Debtors: amounts falling due within one year | 18 | 120.3 | | 110.1 | |
| Investments | 19 | 98.2 | | 89.0 | |
| Cash at bank and in hand | | <u>72.4</u> | | <u>95.8</u> | |
| | | 678.2 | | 551.8 | |
| Creditors: amounts falling due within one year | 20 | <u>(419.7)</u> | | <u>(382.4)</u> | |
| Net current assets | | | 258.5 | | 169.4 |
| Total assets less current liabilities | | | <u>4,776.0</u> | | <u>3,899.5</u> |
| Creditors: amounts falling due after more than one year | 21 | 4,270.4 | | 3,511.7 | |
| Provisions for liabilities and charges | 23 | <u>1.5</u> | | <u>2.3</u> | |
| | | | 4,271.9 | | 3,514.0 |
| Pension liability | 25 | | 16.5 | | 8.2 |
| Capital and reserves | | | | | |
| Revenue reserves excluding pension liability | | 505.3 | | 387.0 | |
| Pension liability | 25 | <u>(16.5)</u> | | <u>(8.2)</u> | |
| Revenue reserves including pension liability | | 488.8 | | 378.8 | |
| Restricted reserve | | <u>0.2</u> | | <u>0.2</u> | |
| Total capital and reserves | | | 489.0 | | 379.0 |
| Non controlling interests | | | (1.4) | | (1.7) |
| | | | <u>4,776.0</u> | | <u>3,899.5</u> |

The notes on pages 64 to 102 form an integral part of these financial statements.

The financial statements on pages 58 to 102 were approved by the Board of Directors on 19 July 2018, and signed on its behalf by:


C. Phillips
Group Chairman

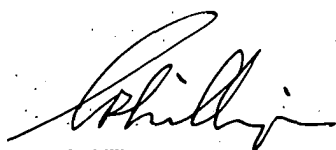

D. Cowans
Group Chief Executive

Places for People Group Limited
Company statement of Financial Position
As at 31 March 2018

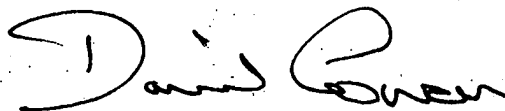
| | Notes | 2018 £m | 2017 £m |
|--|-------|--------------|------------|
| Fixed assets | | | |
| Investments | 14 | 0.5 | 4.6 |
| Current assets | | | |
| Debtors: amounts falling due within one year | 18 | 7.4 | 7.2 |
| Cash at bank and in hand | | 0.3 | - |
| | | <u>7.7</u> | <u>7.2</u> |
| Creditors: amounts falling due within one year | 20 | (8.2) | (6.9) |
| Net current assets | | <u>(0.5)</u> | <u>0.3</u> |
| Total assets less current liabilities | | <u>-</u> | <u>4.9</u> |
| Creditors: amounts falling due after more than one year | 21 | - | 4.9 |
| Capital and reserves | | | |
| Revenue reserves | | - | - |
| | | <u>-</u> | <u>4.9</u> |

The notes on pages 64 to 102 form an integral part of these financial statements.

The financial statements on pages 58 to 102 were approved by the Board of Directors on 19 July 2018 and signed on its behalf by:



C Phillips
Group Chairman



D Cowans
Group Chief Executive

Places for People Group Limited
Consolidated Statement of Changes in Reserves
For the year ending 31 March 2018

| | Revenue Reserve £m | Restricted Reserve £m | Total Reserves £m |
|--|--------------------------|-----------------------------|-------------------------|
| Balance at 1 April 2017 | 378.8 | 0.2 | 379.0 |
| Total Comprehensive income for the year | | | |
| Profit for the year | 116.0 | - | 116.0 |
| Fair value gain on interest rate and currency swaps | 5.6 | - | 5.6 |
| Deferred tax on interest rate and currency swaps | (2.0) | - | (2.0) |
| Actuarial loss recognised in the pension scheme | (3.1) | - | (3.1) |
| Deferred tax arising on loss in the pension scheme | (2.7) | - | (2.7) |
| Comprehensive income adjustment on business combinations | (3.8) | - | (3.8) |
| Balance at 31 March 2018 | 488.8 | 0.2 | 489.0 |

Places for People Group Limited
Consolidated Statement of Cash Flows
For the year ending 31 March 2018

| | 2018 £m | 2017 £m |
|--|----------------|----------------|
| Net cash generated from operating activities (see note a) | 141.7 | 132.6 |
| Additional pension contributions | - | (53.0) |
| Cash flow from investing activities | | |
| Purchase of tangible fixed assets | (155.0) | (151.3) |
| Proceeds from disposal of tangible fixed assets | 16.4 | 25.3 |
| Purchase of fixed asset and current investments | (61.3) | (106.9) |
| Proceeds from the sale of fixed asset investments | 4.9 | 72.5 |
| Cash received from combinations that are in substance a gift | 20.4 | 11.1 |
| Cash received from acquisitions | 2.2 | - |
| Receipt of government and other grants | 12.5 | 9.1 |
| Interest received | 12.6 | 14.7 |
| Dividends received from investments | 0.4 | 0.5 |
| Net cash flow from investing activities | (146.9) | (125.0) |
| Cash flow from financing activities | | |
| Interest element of finance lease rental payment | (6.5) | - |
| Capital element of finance lease rental payments | (1.5) | (0.7) |
| Interest paid | (113.1) | (105.6) |
| Tax paid | 0.3 | (10.3) |
| Settlement of financial instruments | (24.4) | 5.9 |
| Drawdown of loans in the year | 497.1 | 465.0 |
| Repayment of loans in the year | (370.1) | (252.0) |
| Net cash flow from financing activities | (18.2) | 102.3 |
| Net change in cash and cash equivalents | (23.4) | 56.9 |
| Cash and cash equivalents at beginning of year | 95.8 | 38.9 |
| Cash and cash equivalents at end of the year | 72.4 | 95.8 |
| Note a | | |
| Profit for the year | 116.0 | 113.1 |
| <i>Adjustments for non-cash items to reconcile profit for the year to net cash generated from operating activities</i> | | |
| Depreciation and impairment of fixed assets | 47.6 | 49.6 |
| Amortisation of grants | (15.6) | (15.1) |
| Profit from investment in joint ventures | (1.2) | (5.7) |
| Profit/(loss) attributable to non-controlling interests | 0.3 | (0.6) |
| Amortisation of intangible fixed assets | 4.5 | 7.7 |
| Appreciation of fixed asset investments | (2.8) | (2.6) |
| Gain on revaluation of investment properties | (3.8) | (0.2) |
| Combinations that are in substance a gift | (45.2) | (41.4) |
| (Increase)/decrease in stock | (74.1) | 3.5 |
| Increase in debtors | (6.9) | (18.9) |
| Increase/(decrease) in trade and other creditors | 11.3 | (38.5) |
| (Decrease)/increase in provisions | (0.8) | 1.1 |
| Profit on tangible fixed asset disposals | (4.7) | (5.8) |
| Pension adjustment | (6.8) | (11.3) |
| Interest payable | 123.0 | 105.9 |
| Interest receivable | (13.0) | (14.9) |
| Taxation | 13.9 | 6.7 |
| Cash flow from operating activities | 141.7 | 132.6 |

The notes on pages 58 to 102 form an integral part of these financial statements.

1. PRINCIPAL ACCOUNTING POLICIES

A summary of the principal 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'), the Statement of Recommended Practice for Registered Social Housing Providers (SORP), 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 judgements and accounting estimates

Significant judgements

The following are the significant judgements, apart from those involving estimations (which are set out separately below), that have been made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Lease classification

An agreement to manage a portfolio of 4,096 properties was classified as an operating lease arrangement when the freeholds of these properties were owned by another Registered Provider. During the year the Group purchased the freeholds of these properties and assessed that the arrangement should be classified as a finance lease.

The Group considered the requirements of FRS 102 Section 20 which requires that, if a lease substantially transfers all the risks and rewards of ownership, it should be treated as a finance lease. It was determined that because the Group will retain ownership of the properties at the end of the 45 year lease period, alongside holding the risks and rewards of owning and managing the properties during this period, the Group substantially holds the risks and rewards of ownership.

Business combinations

Luminus Group Limited, a registered housing provider, joined the Group on 26 March 2018. This required the Group to decide the appropriate accounting for this business combination. The Group concluded that the requirements of FRS 102 Section 34 Public Benefit Entity Combinations were relevant to this judgement, as it was concluded that both the Group and Luminus Group Limited both have a primary objective to provide services to the general public, community or social benefit and they are not funded by private equity.

The Group considered that the combination was in substance a gift as zero consideration was made or is due as a result of Luminus joining the Group. The entity and its net assets were gifted to the Group. As such, the net assets, at fair value, have been recognised as a gain in the statement of comprehensive income.

Investment properties

The Group owns a range of different property types. This requires the Group to assess which properties should be classified as investment properties as these properties are held at a market valuation, not at depreciated cost.

The Group considered the FRS 102 definition of investment property which refers to property held to earn rentals for capital appreciation, rather than for administrative purposes or for sale in the ordinary course of business. The Group has also reviewed Section 16 of FRS 102 that precludes the classification of property held primarily for the provision of social benefits being classified as investment property. The Group has applied this by judging that properties without public subsidy attached to them or offices used for administrative purposes are investment properties.

Accounting estimates

The nature of estimation means that actual outcomes may differ from the estimates made. It is considered that the estimate of residual value of social housing properties has a significant impact on the carrying amount of social housing assets.

The Group consider the residual value of social housing property structure to be cost. The net book value of social housing properties is £3.5bn. The residual value of social housing property structure is £280m above the carrying value as at 31 March 2018. A 10% reduction in residual value would result in no impact to the depreciation charge.

The Group has defined benefit obligations relating to four pension schemes. Note 25 sets out the details for these schemes and the assumptions made to assess the net scheme benefit as at the reporting date. The Group engage qualified actuaries to advise on an appropriate discount rate. A decrease in the discount rate used of 0.1% is estimated to reduce scheme deficits by £4.2m.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

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 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
Derwent Housing Association Limited
Places for People Homes Limited
Places for People Living+ Limited

Registered under the Companies Act 2006:

Allenbuild Limited
Luminus Group Limited
PFPL (Holdings) Limited
Places for People Capital Markets PLC
Places for People Developments Limited
Places for People Scotland Limited
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 29 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, with the exception of MDH (Group) Limited which has a year-end of 30 June, have coterminous year ends. Places for People Living+ Limited, Places for People Impact, Castle Rock Edinvar Housing Association, Cotman Housing Association, Derwent Community Housing Association Limited and Places for People Leisure Partnerships each have a charitable status.

Public benefit entity combinations that are in substance a gift to the Group are accounted for by calculating the excess of the fair value of the assets assumed over the fair value of liabilities acquired. This gain is recognised in the Statement of Comprehensive Income.

Turnover

Turnover represents rental and service charge income receivable, income from the sale of properties, fees and revenue grants from local authorities and Homes England, leisure facilities management fees and other income. The turnover of the parent entity consists of recharges to other Group entities.

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)

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 statement of financial position 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 VAT recovery. Where appropriate, costs are stated including irrecoverable VAT.

Pensions

There are thirteen pension schemes, six of which are defined benefit pension schemes based on final pensionable salary. There is a Group-wide contribution based scheme. Details of the schemes are set out in Note 25. 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.

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 other comprehensive income, 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 10 years or less. 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 FRS 102 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 estimated selling price less costs to complete and sell.

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 statement of financial position and credited to the statement of comprehensive income 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.

Places for People Group Limited
Notes to the Financial Statements
For the year ending 31 March 2018

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. During the year, management revised its estimates of residual value of housing properties from nil to cost. This change in estimate reduced depreciation by £13.3m in the current year. 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) | 100-125 |
| 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 3-15 |

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 incurred in the development of fixed assets is capitalised, with reference to the Group's cost of borrowing and the development costs incurred.

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

Investment Property

Private sector rented properties are shown in investment properties and were valued externally by a qualified RICS chartered surveyor. Valuations are re-assessed on an annual basis.

Commercial properties are shown in investment properties and valuations are completed by an experienced in-house team using detailed rental income stream and yield information.

Investment properties are held at fair value with changes in fair value recognised in the statement of comprehensive income.

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.

Fixed asset investments

Fixed asset investments are measured at cost. An annual review is carried out by management to assess if there are any triggers that would lead to an impairment review. In the event of any impairment, the investment is measured at the lower of its recoverable amount or its value in use. Investments in joint ventures are recognised initially at cost and subsequently measured using the equity method.

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 estimated selling price less costs to complete and sell 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 statement of comprehensive income 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 statement of comprehensive income 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 21, Creditors: amounts falling due after more than one year, in accordance with FRS 102.

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 20, 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 statement of comprehensive income 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 as cash flow hedges are recognised through other recognised income. Other movements are recognised in the Statement of Comprehensive Income.

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

Hedge accounting

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in reserves. Any ineffective portion of the hedge is recognised immediately in the statement of comprehensive income account. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of comprehensive income immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk.

The associated cumulative gain or loss is removed from equity and recognised in the statement of comprehensive income account in the same period or periods during which the hedged forecast transaction affects profit or loss.

Further details on financial instruments are given in note 24.

Financial assets (including debtors) - impairment

A financial asset not carried at fair value through the statement of comprehensive income 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 statement of comprehensive income.

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

| | 2018 | | | | 2017 | | | |
|---|--------------|----------------|-----------------|-------------------------|--------------|----------------|-----------------|-------------------------|
| | Turnover | Cost of sales | Operating costs | Operating profit/(loss) | Turnover | Cost of sales | Operating costs | Operating profit/(loss) |
| | £m | £m | £m | £m | £m | £m | £m | £m |
| Social housing lettings (note 3) | 315.6 | - | (164.2) | 151.4 | 285.0 | - | (168.4) | 116.6 |
| Other social housing activities | | | | | | | | |
| Social housing property sales | 2.3 | (1.5) | (0.9) | (0.1) | 13.0 | (9.4) | (1.2) | 2.4 |
| Shared Ownership property sales | 5.8 | (2.5) | (2.1) | 1.2 | 5.4 | (3.4) | (0.8) | 1.2 |
| Charges for support services | 11.6 | - | (11.1) | 0.5 | 10.7 | - | (9.3) | 1.4 |
| Other | 0.5 | - | (0.7) | (0.2) | 0.3 | - | (1.1) | (0.8) |
| Total | 335.8 | (4.0) | (179.0) | 152.8 | 314.4 | (12.8) | (180.8) | 120.8 |
| Non social housing activities | 418.6 | (145.8) | (241.1) | 31.7 | 480.7 | (217.9) | (224.9) | 37.9 |
| Total | 754.4 | (149.8) | (420.1) | 184.5 | 795.1 | (230.7) | (405.7) | 158.7 |
| Analysis of turnover | | | | | | | | |
| | | 2018 | 2017 | | | | | |
| | | £m | £m | | | | | |
| Social housing turnover | | 335.8 | 314.4 | | | | | |
| Non social housing activities | | | | | | | | |
| Non social housing development and construction | | 157.5 | 234.2 | | | | | |
| Non social housing lettings | | 44.6 | 39.7 | | | | | |
| Leisure facilities management | | 147.3 | 136.5 | | | | | |
| Property management services | | 58.0 | 42.5 | | | | | |
| Retirement management services | | 4.2 | 2.2 | | | | | |
| Other | | 7.0 | 25.6 | | | | | |
| Total | | 754.4 | 795.1 | | | | | |

Places for People Group Limited
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3. INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

| | 2018 | | | 2017 | |
|--|-----------------------------|---|--------------|----------------|----------------|
| | General needs housing £m | Supported housing & housing for older people £m | Other £m | Total £m | Total £m |
| Income | | | | | |
| Rent receivable net of identifiable service charges | 230.0 | 15.4 | 16.2 | 261.6 | 230.9 |
| Service charge income | 19.8 | 9.8 | 1.0 | 30.6 | 25.7 |
| Revenue grant | 5.4 | - | - | 5.4 | 5.4 |
| Amortised government grants | 12.3 | 1.4 | 1.9 | 15.6 | 15.2 |
| Other income | 0.9 | 1.3 | 0.2 | 2.4 | 7.8 |
| Turnover from social housing lettings | 268.4 | 27.9 | 19.3 | 315.6 | 285.0 |
| Expenditure on social housing lettings activities | | | | | |
| Management | (36.0) | (5.8) | (2.8) | (44.6) | (40.0) |
| Service charge costs | (17.7) | (9.6) | (1.2) | (28.5) | (25.1) |
| Routine maintenance | (33.5) | (2.2) | (1.1) | (36.8) | (34.3) |
| Planned maintenance | (10.5) | (1.2) | (0.7) | (12.4) | (12.8) |
| Major repairs expenditure | (4.0) | (0.6) | (0.1) | (4.7) | (3.8) |
| Bad debts | (1.8) | (0.2) | (0.1) | (2.1) | (1.4) |
| Depreciation on housing assets | (24.8) | (2.3) | (2.4) | (29.5) | (37.3) |
| Leases relating to housing properties | (4.1) | - | - | (4.1) | (10.5) |
| Other costs | (0.9) | (0.5) | (0.1) | (1.5) | (3.2) |
| Operating costs on social housing lettings | (133.3) | (22.4) | (8.5) | (164.2) | (168.4) |
| Operating profit on social housing lettings | 135.1 | 5.5 | 10.8 | 151.4 | 116.6 |
| Void losses | (2.0) | (0.4) | (0.4) | (2.8) | (2.6) |

4. GROUP PROFIT ON SALE OF FIXED ASSETS

| | 2018 | | | |
|---------------------------------|---------------------|---------------------|-------------------------------|----------------------|
| | Sale proceeds £m | Cost of sales £m | Other sales expenses £m | Surplus/(loss) £m |
| Sale of housing assets | 27.9 | (17.5) | (1.4) | 9.0 |
| Sale of fixed asset investments | - | - | (4.6) | (4.6) |
| Sale of other fixed assets | 2.1 | (1.6) | (0.2) | 0.3 |
| Total | 30.0 | (19.1) | (6.2) | 4.7 |

| | 2017 | | | |
|---------------------------------|---------------------|---------------------|-------------------------------|----------------------|
| | Sale proceeds £m | Cost of sales £m | Other sales expenses £m | Surplus/(loss) £m |
| Sale of housing assets | 16.4 | (12.8) | (1.2) | 2.4 |
| Sale of fixed asset investments | 3.4 | - | - | 3.4 |
| Sale of other fixed assets | 0.6 | (0.6) | - | - |
| Total | 20.4 | (13.4) | (1.2) | 5.8 |

5. DIRECTORS' EMOLUMENTS

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

| | GROUP | |
|---|------------|------------|
| | 2018 £m | 2017 £m |
| Aggregate emoluments (excluding pension contributions): | | |
| Non-executive directors | 0.4 | 0.3 |
| Executive directors | 1.6 | 1.6 |
| Pension contributions: | | |
| Executive directors | 0.1 | 0.1 |
| Total remuneration | 2.1 | 2.0 |

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

| | 2018 No. | 2017 No. |
|-------------------------------|--------------|--------------|
| £80,000 - £89,999 | 1 | - |
| £200,000 - £209,999 | 1 | - |
| £230,000 - £239,999 | 1 | 1 |
| £240,000 - £249,999 | 1 | 1 |
| £280,000 - £289,999 | - | 1 |
| £290,000 - £299,999 | 1 | - |
| £360,000 - £369,999 | - | 1 |
| £440,000 - £449,999 | - | 1 |
| £580,000 - £589,999 | - | 1 |
| £590,000 - £599,999 | 1 | - |
| | 2018 | 2017 |
| | £'000 | £'000 |
| Highest paid director: | 592 | 580 |

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.

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6. EMPLOYEE INFORMATION

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

| | GROUP | | COMPANY | |
|---------------------------------|--------------|--------------|----------------|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| | No. | No. | No. | No. |
| Managing housing services | 2,144 | 2,021 | 16 | 22 |
| Developing and selling houses | 410 | 303 | 8 | 9 |
| Central administration services | 590 | 415 | 282 | 281 |
| Care services | 586 | 584 | - | - |
| Leisure service activities | 2,311 | 2,171 | - | - |
| | 6,041 | 5,494 | 306 | 312 |

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.

| | 2018 | 2017 | 2018 | 2017 |
|--------------------------------------|--------------|--------------|-------------|-------------|
| | £m. | £m. | £m. | £m. |
| Staff costs (for the above persons): | | | | |
| Wages and salaries | 183.4 | 162.5 | 14.7 | 13.2 |
| Severance pay | 2.9 | 1.6 | 0.5 | 1.1 |
| Social security costs | 14.7 | 12.8 | 1.5 | 1.4 |
| Pension payments | 6.6 | 8.3 | 0.6 | 1.2 |
| | 207.6 | 185.2 | 17.3 | 16.9 |

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

| | 2018 | 2017 | 2018 | 2017 |
|-----------------------|-------------|-------------|-------------|-------------|
| | £m. | £m. | £m. | £m. |
| Wages and salaries | 0.4 | 0.3 | - | - |
| Social security costs | - | - | - | - |
| | 0.4 | 0.3 | - | - |

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

| | 2018 | 2017 |
|---------------------|-------------|-------------|
| | No. | No. |
| £60,000 - £69,999 | 81 | 57 |
| £70,000 - £79,999 | 60 | 61 |
| £80,000 - £89,999 | 33 | 37 |
| £90,000 - £99,999 | 20 | 25 |
| £100,000 - £109,999 | 17 | 15 |
| £110,000 - £119,999 | 9 | 7 |
| £120,000 - £129,999 | 6 | 6 |
| £130,000 - £139,999 | 4 | 4 |
| £140,000 - £149,999 | 5 | 4 |
| £150,000 - £159,999 | 9 | 4 |
| £160,000 - £169,999 | 4 | 6 |
| £170,000 - £179,999 | 1 | 1 |
| £180,000 - £189,999 | 5 | 3 |
| £190,000 - £199,999 | 4 | 1 |
| £200,000 - £209,999 | 2 | - |
| £210,000 - £219,999 | - | 2 |
| £220,000 - £229,999 | 1 | - |
| £230,000 - £239,999 | 1 | 1 |
| £240,000 - £249,999 | - | 1 |
| £270,000 - £279,999 | - | 1 |
| £280,000 - £289,999 | 1 | - |
| £300,000 - £309,999 | 1 | - |
| £310,000 - £319,999 | 1 | 1 |

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7. INTEREST RECEIVABLE AND SIMILAR INCOME

| | GROUP | | COMPANY | |
|--|--------------|-------------|----------------|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| | £m | £m | £m | £m |
| On financial assets not at fair value through the statement of comprehensive income: | | | | |
| Interest on fixed asset investments | 12.4 | 14.7 | - | - |
| Dividend received | 0.4 | 0.1 | - | 0.4 |
| Other interest receivable from deposits | 0.2 | - | - | - |
| Share of joint ventures interest receivable and other income | - | 0.1 | - | - |
| | 13.0 | 14.9 | - | 0.4 |

8. INTEREST PAYABLE AND SIMILAR CHARGES

| | GROUP | | COMPANY | |
|---|--------------|--------------|----------------|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| | £m | £m | £m | £m |
| On financial liabilities not at fair value through the statement of comprehensive income: | | | | |
| Bank loans and overdrafts | 117.5 | 105.7 | 0.2 | 0.2 |
| Finance charges on hire purchase or lease agreements | 6.5 | - | - | - |
| In respect of Recycled Capital Grant Fund | 0.1 | 0.1 | - | - |
| | 124.1 | 105.8 | 0.2 | 0.2 |
| Share of joint ventures interest payable and similar charges | 0.3 | 3.1 | - | - |
| Unwinding of SHPS and SHAPS pension liability discount | 0.1 | 0.4 | - | - |
| On defined benefit pension scheme: | | | | |
| Expected return on pension assets | (6.0) | (5.6) | - | - |
| Interest on scheme liabilities | 6.2 | 7.1 | - | - |
| | 0.2 | 1.5 | - | - |
| On financial liabilities at fair value through the statement of comprehensive income: | | | | |
| Fair value (gain)/loss on interest rate and currency swaps | (1.0) | 1.5 | - | - |
| | 123.7 | 112.3 | 0.2 | 0.2 |
| Less: capitalised interest | (0.7) | (1.8) | - | - |
| | 123.0 | 110.5 | 0.2 | 0.2 |

9. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

| | GROUP | | COMPANY | |
|---|--------------|-------------|----------------|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| | £m | £m | £m | £m |
| Profit on ordinary activities before taxation is stated after charging: | | | | |
| Depreciation and impairment: | | | | |
| Tangible fixed assets | 46.7 | 49.6 | - | - |
| Amortisation of goodwill | 4.5 | 7.7 | - | - |
| Profit on disposal of tangible fixed assets other than housing assets | 0.3 | - | - | - |
| Payments under operating leases | | | | |
| Housing properties | 12.5 | 16.9 | - | - |
| Motor vehicles | 6.3 | 5.6 | 0.1 | - |
| Other operating leases | 1.1 | 1.4 | - | - |
| Hire of plant and equipment | 0.4 | 0.5 | - | - |
| Office equipment | 0.1 | 0.1 | - | - |
| Auditor's remuneration: | | | | |
| In their capacity as auditor | 0.6 | 0.3 | - | - |

Auditor's remuneration in respect of non-audit services was £45k (2017: £164k).

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10. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | GROUP | |
|--|--------------|---------------|
| | 2018 | 2017 |
| | £m | £m |
| (a) Analysis of charge in period | | |
| Tax on profit on ordinary activities | | |
| United Kingdom corporation tax | 12.6 | 0.6 |
| Adjustments to tax charge in respect of prior periods | (0.2) | 0.2 |
| Share of joint venture current tax | 0.5 | 0.5 |
| | <u>12.9</u> | <u>1.3</u> |
| Deferred tax (note 10e) | | |
| Origination and reversal of timing differences | 2.0 | 6.1 |
| Adjustments to deferred tax in respect of prior periods | (1.0) | (0.2) |
| | <u>1.0</u> | <u>5.9</u> |
| Total tax charge | <u>13.9</u> | <u>7.2</u> |
| (b) Tax expense/(income) included in other comprehensive income | | |
| Deferred Tax | | |
| Origination and reversal of timing differences | 3.7 | (6.6) |
| Origination and reversal of timing differences - prior year | 1.0 | - |
| | <u>4.7</u> | <u>(6.6)</u> |
| (c) Factors affecting tax charge for period | | |
| The tax assessed is different than the standard rate of corporation tax in the UK of 19% (2017: 20%). | | |
| The differences are explained below: | | |
| Taxable Group profit | 130.2 | 119.7 |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2017: 20%). | 24.7 | 23.9 |
| Income not taxable | (7.4) | (1.9) |
| Exempt charitable income | (5.0) | (6.0) |
| Movement in unrecognised deferred tax | 2.9 | (8.4) |
| Rate difference | (0.1) | (0.3) |
| Adjustments to tax charge in respect of prior periods | (1.2) | (0.1) |
| Tax on profit on ordinary activities (note 10a) | <u>13.9</u> | <u>7.2</u> |
| (d) Factors that may affect future tax charges | | |
| The Finance (No 2) Act 2015, which was substantively enacted on 26 October 2015, included legislation that reduced the main corporation tax rate to 19% from 1 April 2017. The main rate of corporation tax will be reduced to 17% (effective 1 April 2020) as substantively enacted in The Finance Act 2016 on 6 September 2016. These changes will reduce the company's future current tax charge accordingly. | | |
| (e) Provision for deferred tax | | |
| Accelerated capital allowances | 4.1 | 4.3 |
| Other short-term timing differences | (7.5) | (14.9) |
| Capitalised interest | 6.2 | 6.1 |
| Tax losses | - | (0.5) |
| Pension through other comprehensive income | (5.8) | (8.5) |
| Other timing differences | (4.7) | - |
| | <u>(7.7)</u> | <u>(13.5)</u> |
| Provision at 1 April | (13.5) | (10.4) |
| Transfers in through business combinations | - | (2.4) |
| Expense in the year in statement of comprehensive income | 1.0 | 5.9 |
| Expense/(income) in the year in statement of comprehensive income in other comprehensive income | 4.7 | (6.6) |
| Provision at 31 March at 19% (2017: 20%) (note 18) | <u>(7.8)</u> | <u>(13.5)</u> |

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11. GOODWILL

| | GROUP |
|------------------------------|-------------------|
| | £m |
| Net book value | |
| At 1 April 2017 | 4.1 |
| Additions in year | 7.6 |
| Amortisation charged in year | (4.5) |
| At 31 March 2018 | <u>7.2</u> |

On 21 November 2017, the Group acquired 50% of MDH (Group) Limited for £15m to bring the Group's shareholding in the entity to 100%. The total cost of the combination was cash consideration of £19.1m. The goodwill of £3.9m recognised on the business combination is to be amortised over a period of 10 years. The goodwill asset acquired is being amortised over a period of 6 years. The amounts recognised for each class of assets at the acquisition date are shown below.

On 12 June 2017, the Group novated the maintenance contract of Rotherham and Wolverhampton from EMCOR for a cash consideration of £0.7m. No assets and liabilities were acquired. The goodwill of £0.7m recognised on the business combination is to be amortised over a period of 10 years.

On 14 December 2017, the Group acquired 100% of the Business and assets of three Simply Gym's in Hinckley, Chesterfield and Telford for cash consideration of £2.3m. The goodwill of £1.5m recognised on the business combination is to be amortised over the remaining life of the site leases, ranging between 4 and 7 years. The amounts recognised for each class of assets at the acquisition date are shown below.

| | £m | 2018 | £m | £m |
|---|--------------------|---------------------|------------------|--------------|
| | Maintenance | Gym | MDH Group | Total |
| Assets and liabilities acquired in year | contracts | acquisitions | | |
| Fixed Assets | | | | |
| Goodwill | - | - | 1.5 | 1.5 |
| Fixed assets | - | 0.8 | 0.1 | 0.9 |
| | - | 0.8 | 1.6 | 2.4 |
| Current assets | | | | |
| Stock | - | - | 45.7 | 45.7 |
| Debtors | - | - | 1.1 | 1.1 |
| Cash at bank | - | - | 2.2 | 2.2 |
| | - | - | 49.0 | 49.0 |
| Creditors: Amounts falling due within one year | - | - | (10.0) | (10.0) |
| Creditors: Amounts falling due after more than one year | - | - | (25.4) | (25.4) |
| Net assets acquired | - | 0.8 | 15.2 | 16.0 |
| Amounts recognised in the Statement of Comprehensive Income since the acquisition date | | | | |
| Turnover | 0.1 | 0.6 | 18.1 | 18.8 |
| Profit on ordinary activities after taxation | - | 0.1 | 0.9 | 1.0 |

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12. GROUP HOUSING PROPERTIES

| | Housing properties and land £m | LSE & shared ownership housing properties £m | Housing properties in the course of construction £m | LSE & shared ownership properties in the course of construction £m | Total housing properties £m |
|--|-----------------------------------|---|--|---|--------------------------------|
| Cost | | | | | |
| At 1 April 2017 | 2,863.5 | 249.7 | 68.8 | 2.3 | 3,184.3 |
| Additions | 373.4 | 16.0 | 116.7 | 6.3 | 512.4 |
| Finance lease additions | 250.9 | - | - | - | 250.9 |
| Change of tenure | 0.7 | 6.2 | (0.1) | - | 6.8 |
| Transfer to completed schemes | 145.0 | 4.1 | (145.0) | (4.1) | - |
| Transfer to sales account on disposal | (3.5) | (9.9) | - | - | (13.4) |
| At 31 March 2018 | 3,630.0 | 266.1 | 40.4 | 4.5 | 3,941.0 |
| Depreciation | | | | | |
| At 1 April 2017 | (374.6) | (15.7) | - | - | (390.3) |
| Charge for year | | | | | |
| Depreciation | (28.8) | (1.8) | - | - | (30.6) |
| Eliminated on disposal | | | | | |
| Depreciation | 0.7 | 0.6 | - | - | 1.3 |
| Change of tenure | | | | | |
| Depreciation | (4.6) | (0.1) | - | - | (4.7) |
| At 31 March 2018 | (407.3) | (17.0) | - | - | (424.3) |
| Net book value at 31 March 2018 | 3,222.7 | 249.1 | 40.4 | 4.5 | 3,516.7 |
| Net book value at 1 April 2017 | 2,488.9 | 234.0 | 68.8 | 2.3 | 2,794.0 |

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 £2.3m (2017: £1.7m).

| | 2018 £m | 2017 £m |
|---------------------------------------|----------------|----------------|
| Housing properties comprise, at cost: | | |
| Freehold | 3,497.6 | 2,743.1 |
| Long leasehold | 432.2 | 423.6 |
| Short leasehold | 8.1 | 17.6 |
| | 3,937.9 | 3,184.3 |

Expenditure on major works to existing properties during the year was £69.1m (2017: £37.4m).

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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 | Total |
| | £m | £m | £m | £m | £m | £m | £m | £m |
| Cost | | | | | | | | |
| Net book value at 1 April 2017 | 0.6 | 2.8 | 24.3 | 20.7 | 10.7 | 17.1 | 34.4 | 110.6 |
| Additions | 0.1 | 0.6 | 7.0 | 6.7 | 0.3 | 5.6 | 7.2 | 27.5 |
| Disposals | (0.1) | (0.2) | (0.1) | (0.1) | - | (0.2) | (0.1) | (0.8) |
| At 31 March 2018 | 0.6 | 3.2 | 31.2 | 27.3 | 11.0 | 22.5 | 41.5 | 137.3 |
| Depreciation | | | | | | | | |
| Net book value at 1 April 2017 | (0.4) | (1.6) | (8.4) | (0.7) | (1.8) | (4.3) | (20.3) | (37.5) |
| Charge for year | (0.1) | (0.4) | (6.2) | (0.3) | (0.2) | (2.5) | (5.1) | (14.8) |
| Eliminated on disposal | 0.1 | 0.1 | 0.1 | - | - | - | - | 0.3 |
| At 31 March 2018 | (0.4) | (1.9) | (14.5) | (1.0) | (2.0) | (6.8) | (25.4) | (52.0) |
| Impairment | | | | | | | | |
| Net book value at 1 April 2017 | - | - | - | (0.3) | (0.5) | - | - | (0.8) |
| Charge for year | - | - | - | - | - | (1.2) | (0.1) | (1.3) |
| At 31 March 2018 | - | - | - | (0.3) | (0.5) | (1.2) | (0.1) | (2.1) |
| Net Book Value at 31 March 2018 | 0.2 | 1.3 | 16.7 | 26.0 | 8.5 | 14.5 | 16.0 | 83.2 |
| Net book value at 1 April 2017 | 0.2 | 1.2 | 15.9 | 19.7 | 8.4 | 12.8 | 14.1 | 72.3 |

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14. FIXED ASSETS - INVESTMENTS

| | GROUP | | COMPANY | |
|---|--------------|--------------|----------------|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| | £m | £m | £m | £m |
| External investments and investment in related undertakings (a) | 172.6 | 234.4 | 0.5 | 4.6 |
| Investment property (b) | 632.2 | 498.1 | - | - |
| Total fixed asset investments | 804.8 | 732.5 | 0.5 | 4.6 |

(a) External investments and investment in related undertakings

| | GROUP | | COMPANY | |
|--|--------------|--------------|----------------|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| | £m | £m | £m | £m |
| Cost at 1 April | 234.6 | 269.5 | 4.6 | 4.7 |
| Additions in year | 56.8 | 27.2 | - | 0.1 |
| Disposals in year | (117.7) | (62.1) | (4.1) | (0.2) |
| Cost at 31 March | 173.7 | 234.6 | 0.5 | 4.6 |
| Accumulated impairment at 1 April | (0.2) | (0.2) | - | - |
| Provision raised in the year | (0.9) | - | - | - |
| At 31 March | (1.1) | (0.2) | - | - |
| Net book value at 31 March | 172.6 | 234.4 | 0.5 | 4.6 |
| Debt Service Reserves | 54.1 | 61.2 | - | - |
| Grace Gillett Trust | 0.2 | 0.2 | - | - |
| Trade investment | 0.3 | 0.2 | - | - |
| Other external investments | 18.6 | 12.9 | 0.3 | 0.3 |
| Investment in related undertakings | - | - | 0.2 | 0.2 |
| Investment in joint venture undertakings | 99.4 | 159.9 | - | 4.1 |
| | 172.6 | 234.4 | 0.5 | 4.6 |

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.

(b) Investment Properties

| | £m |
|-------------------------|--------------|
| At 1 April 2017 | 498.1 |
| Additions | 141.7 |
| Change of Tenure | (1.1) |
| Revaluation in year | 3.8 |
| Disposals | (10.3) |
| At 31 March 2018 | 632.2 |

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15. FIXED ASSETS - EQUITY LOANS

| | GROUP | | COMPANY | |
|-------------------------------------|---------------|---------------|----------------|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| | £m | £m | £m | £m |
| Gross valuation | | | | |
| At 1 April | 116.9 | 127.4 | - | - |
| Additions in year | 0.3 | 2.0 | - | - |
| Net appreciation in year | 3.1 | 3.0 | - | - |
| Disposals in year | (15.1) | (15.5) | - | - |
| At 31 March | 105.2 | 116.9 | - | - |
| Other associated liabilities | | | | |
| At 1 April | (23.1) | (25.9) | - | - |
| Net appreciation in year | (0.3) | (0.4) | - | - |
| Disposals in year | 3.0 | 3.2 | - | - |
| At 31 March | (20.4) | (23.1) | - | - |
| Net book value at 31 March | 84.8 | 93.8 | - | - |

16. STOCK

| | GROUP | | COMPANY | |
|----------------------------|--------------|--------------|----------------|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| | £m | £m | £m | £m |
| Land | 109.5 | 113.0 | - | - |
| Properties in construction | 215.5 | 92.7 | - | - |
| Completed properties | 61.1 | 50.1 | - | - |
| Other | 1.2 | 1.1 | - | - |
| | 387.3 | 256.9 | - | - |

Stock of housing properties comprises acquisition and development expenditure. Capitalised development interest charged to stock during the year is £nil (2017: £1.55m).

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

| | GROUP | | COMPANY | |
|---|--------------|-------------|----------------|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| | £m | £m | £m | £m |
| Derivative financial instruments held to manage the interest rate profile and currency risk | 8.2 | 19.4 | - | - |
| Trade and other debtors | 8.8 | 9.4 | - | - |
| Agency leases | 0.1 | 0.1 | - | - |
| Loans and advances to customers | 1.3 | 1.2 | - | - |
| Mortgages | 2.4 | 3.3 | - | - |
| | 20.8 | 33.4 | - | - |

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18. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | GROUP | | COMPANY | |
|---|--------------|--------------|----------------|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| | £m | £m | £m | £m |
| Rental debtors | 16.0 | 13.0 | - | - |
| Less: Provision for bad and doubtful debts | (6.0) | (5.1) | - | - |
| | <u>10.0</u> | <u>7.9</u> | <u>-</u> | <u>-</u> |
| Other trade debtors | 19.8 | 25.8 | 0.2 | 0.2 |
| Agency Leases | 0.1 | 0.1 | - | - |
| Mortgages | 0.2 | 0.3 | - | - |
| Deferred tax | 7.8 | 13.5 | - | - |
| Corporation tax | - | 3.0 | - | - |
| Capital debtors | 50.7 | 37.0 | - | - |
| Derivative financial instruments held to manage the interest rate profile and currency risk | 0.5 | 1.5 | - | - |
| Amounts due from related undertakings | - | - | 5.6 | 5.3 |
| Sundry debtors, prepayments and accrued income | 31.1 | 20.9 | 1.6 | 1.7 |
| Loans to employees | 0.1 | 0.1 | - | - |
| | <u>120.3</u> | <u>110.1</u> | <u>7.4</u> | <u>7.2</u> |

19. CURRENT ASSET INVESTMENTS

| | GROUP | | COMPANY | |
|--|--------------|-------------|----------------|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| | £m | £m | £m | £m |
| Bank deposits repayable within one month | <u>98.2</u> | <u>89.0</u> | <u>-</u> | <u>-</u> |

20. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | GROUP | | COMPANY | |
|---|--------------|--------------|----------------|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| | £m | £m | £m | £m |
| Housing and bank loans principal payable within one year | 102.0 | 71.2 | - | - |
| Debentures/stocks principal payable within one year | 22.4 | 41.7 | - | - |
| Discount on bond issue | (4.6) | - | - | - |
| Derivative financial instruments held to manage the interest rate profile and currency risk | 2.6 | 26.6 | - | - |
| Amounts in respect of joint venture undertaking | 4.5 | 8.0 | - | - |
| Recycled Capital Grant Fund | 10.8 | 3.4 | - | - |
| Finance leases | 1.7 | 1.3 | - | - |
| | <u>139.4</u> | <u>152.2</u> | <u>-</u> | <u>-</u> |
| Interest on housing loans | 29.9 | 37.4 | - | - |
| Deferred government grant | 17.2 | 15.9 | - | - |
| Bank overdraft | - | - | - | 0.1 |
| Trade creditors | 6.6 | 9.9 | 0.8 | 1.0 |
| Corporation tax | 5.4 | - | - | - |
| Other taxes | 0.5 | 0.5 | 0.5 | 0.2 |
| Capital development creditor | 94.1 | 52.5 | - | - |
| Other creditors and accruals | 106.5 | 99.5 | 6.9 | 5.6 |
| Payments received on account | 13.9 | 8.0 | - | - |
| Prepaid rent | 5.4 | 5.0 | - | - |
| Social housing pension liability | 0.8 | 1.5 | - | - |
| | <u>419.7</u> | <u>382.4</u> | <u>8.2</u> | <u>6.9</u> |

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

| | GROUP | | COMPANY | |
|---|----------------|----------------|----------------|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| | £m | £m | £m | £m |
| Debt | | | | |
| Debenture stock/bonds | 1,208.2 | 1,210.1 | - | - |
| Discount on bond issue | (37.0) | (12.7) | - | - |
| Amounts due to related undertakings | - | - | - | 4.9 |
| Housing and bank loans | 1,371.9 | 943.1 | - | - |
| Amounts due in respect of joint venture undertakings | 0.7 | 0.7 | - | - |
| Revaluation of foreign currency denominated debt | (2.9) | 25.2 | - | - |
| | 2,540.9 | 2,166.4 | - | 4.9 |
| Derivative financial instruments held to manage the interest rate profile and currency risk | 61.9 | 23.5 | - | - |
| Other financial liabilities | | | | |
| Obligations under finance leases | 226.1 | 69.6 | - | - |
| Recycled Capital Grant Fund (note 22) | 42.2 | 42.3 | - | - |
| Disposal Proceeds Fund (note 22) | 0.5 | 0.3 | - | - |
| | 268.8 | 112.2 | - | - |
| Debt and other financial liabilities | 2,871.6 | 2,302.1 | - | 4.9 |
| Deferred government grant | 1,221.2 | 1,143.7 | - | - |
| Fair value of breakage costs | 118.6 | - | - | - |
| HomeBuy grant | 50.3 | 55.6 | - | - |
| Social housing pension liability | 8.7 | 10.3 | - | - |
| Creditors falling due after more than one year | 1,398.8 | 1,209.6 | - | - |
| Total creditors falling due after more than one year | 4,270.4 | 3,511.7 | - | 4.9 |

The total value of the loans subject to a guarantee is £63.0m (2017: £84.0m).

All secured loans are supported by specific charges on the Group's housing properties and are repayable at varying rates of interest from, 0.76% - 18.03%, in instalments:

Included within housing and bank loans is the amount of £15.1m (2017: £13.2m) which relates to the cost of debt issue.

Analysis of debt

These are repayable as follows:

| | GROUP | | COMPANY | |
|---|----------------|----------------|----------------|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| | £m | £m | £m | £m |
| In less than one year | 139.4 | 152.2 | - | - |
| In one year or more but less than two years | 140.4 | 167.9 | - | - |
| In two years or more but less than five years | 477.7 | 270.9 | - | - |
| In more than five years | | | | |
| By instalments | 400.8 | 352.3 | - | - |
| Not by instalments | 1,852.7 | 1,511.0 | - | 4.9 |
| | 3,011.0 | 2,454.3 | - | 4.9 |

22. RECYCLED CAPITAL GRANT AND DISPOSAL PROCEEDS FUND

RECYCLED CAPITAL GRANT FUND

| | Homes England | | Greater London Authority | |
|--|---------------|-------------|--------------------------|-------------|
| | 2018 £m | 2017 £m | 2018 £m | 2017 £m |
| At 1 April | 25.2 | 31.6 | 16.8 | 15.8 |
| Inputs to RCGF: Grant recycled | 10.1 | 8.1 | 2.2 | 2.8 |
| Interest Accrued | 0.1 | 0.1 | 0.1 | - |
| Business Combinations | 3.5 | - | - | - |
| Recycling of grant: New Build | (6.2) | (14.6) | - | - |
| Repayment of grant to the HE/GLA | - | - | (3.4) | (1.8) |
| At 31 March | 32.7 | 25.2 | 15.7 | 16.8 |
| Amounts 3 years old or older where repayment may be required | 4.2 | - | 6.5 | 3.4 |

DISPOSALS PROCEEDS FUND

| | Homes England | | Greater London Authority | |
|---|---------------|------------|--------------------------|------------|
| | 2018 £m | 2017 £m | 2018 £m | 2017 £m |
| At 1 April | 0.1 | 0.3 | - | - |
| Inputs to RCGF: Grant recycled | 0.1 | 0.1 | - | 0.1 |
| Business Combinations | 0.3 | - | - | - |
| Recycling of grant: New Build | - | - | - | - |
| Transfers to other group members | - | (0.3) | - | - |
| Repayment of grant to the HE/GLA | - | - | - | - |
| At 31 March | 0.5 | 0.1 | - | 0.1 |
| Amounts 3 years old or older where repayment may be required | - | - | - | - |
| Recycled capital grant fund in respect of Scottish subsidiaries | 4.6 | 3.8 | - | - |
| Total recycled capital grant fund | 53.5 | 46.0 | - | - |

23. PROVISIONS FOR LIABILITIES AND CHARGES

| | At 1 April 2017 £m | Additional provision £m | Utilised £m | At 31 March 2018 £m |
|---------------------------------------|-----------------------|-------------------------------|----------------|---------------------------|
| Facilitating access to home ownership | 0.1 | 0.2 | - | 0.3 |
| Legal claims | 1.7 | 0.1 | (1.4) | 0.4 |
| Dilapidations provision | 0.1 | - | - | 0.1 |
| Onerous lease and contracts provision | 0.3 | 0.7 | (0.3) | 0.7 |
| Other provisions | 0.1 | - | (0.1) | - |
| Total | 2.3 | 1.0 | (1.8) | 1.5 |

24. 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. That team 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 £142m (2017: £133m). Bank balances and short-term investments were £171m at the year end (2017: £185m). In addition to this, the Group had further available facilities of £509m (2017: £401m) and has established a European Medium Term Note Programme of £346m (2017: £165m) 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 72% 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 £1.3m 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 £0.8m 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.

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24. 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 24.5% of debt matures within the next 5 years, including 4.3% that matures during the next financial year.

Hedging

The Group hedges its currency risk by taking out fixed/fixed cross currency interest swaps and fixed/floating cross currency interest swaps to fix the GBP value of both interest and principal repayable under foreign currency denominated debt. As at 31 March 2018 the Group held cross currency interest rate swaps with a mark to market value of £55.8m. The currency swaps are held at fair value as disclosed in note 21.

Liquidity Risk

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

Ageing Profile and 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 statement of financial position date, the carrying amount on the statement of financial position and the periods in which they reprice, if earlier than the maturity date.

The ageing profiles below include the impact of hedging transactions, all of which have cash flow movements in line with the impact in the statement of comprehensive income.

Ageing Profile and Interest Rate Risk of Financial Assets as at 31 March 2018

| | Effective interest rate % | Total amount £m | Within 1 year £m | 1-2 years £m | 2-3 years £m | 3-4 years £m | 4-5 years £m | Over 5 years £m |
|--|---------------------------|-----------------|------------------|--------------|--------------|--------------|--------------|-----------------|
| Fixed asset investments: | | | | | | | | |
| Fixed rate | 2.62% | 25.7 | - | - | - | - | - | 25.7 |
| Floating rate | 0.13% | 28.4 | - | - | 20.2 | - | - | 8.2 |
| Amounts due from joint venture undertakings | | 85.0 | 3.1 | - | - | - | 1.1 | 80.8 |
| Investment in shared equity | | 34.5 | 3.4 | 2.8 | 2.1 | 1.7 | 1.4 | 23.1 |
| | | 173.6 | 6.5 | 2.8 | 22.3 | 1.7 | 2.5 | 137.8 |
| Current asset investments | | 98.2 | 98.2 | - | - | - | - | - |
| Cash at bank and in hand | | 72.4 | 72.4 | - | - | - | - | - |
| Long-term debtors | | 8.8 | 1.5 | 1.3 | 0.7 | 0.7 | 0.7 | 3.9 |
| Derivative financial instruments held to manage interest rate risk | | 14.0 | 0.5 | 0.5 | 0.5 | 0.5 | 2.2 | 9.8 |
| | | 367.0 | 179.1 | 4.6 | 23.5 | 2.9 | 5.4 | 151.5 |

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

Comparative figures as at 31 March 2017 were as follows:

| | Effective interest rate % | Total amount £m | Within 1 year £m | 1-2 years £m | 2-3 years £m | 3-4 years £m | 4-5 years £m | Over 5 years £m |
|--|---------------------------|-----------------|------------------|--------------|--------------|--------------|--------------|-----------------|
| Fixed asset investments: | | | | | | | | |
| Fixed rate | 2.80% | 24.8 | - | - | - | - | - | 24.8 |
| Floating rate | 0.16% | 36.4 | - | - | - | 28.2 | - | 8.2 |
| Amounts due from joint venture undertakings | | 80.0 | 39.1 | - | 9.9 | - | - | 31.0 |
| Investment in shared equity | | 38.2 | 3.8 | 3.1 | 2.3 | 1.9 | 1.5 | 25.6 |
| | | 179.4 | 42.9 | 3.1 | 12.2 | 30.1 | 1.5 | 89.6 |
| Current asset investments | | 89.0 | 89.0 | - | - | - | - | - |
| Cash at bank and in hand | | 95.8 | 95.8 | - | - | - | - | - |
| Long-term debtors | | 4.9 | 0.8 | 0.7 | 0.4 | 0.4 | 0.4 | 2.2 |
| Derivative financial instruments held to manage interest rate risk | | 20.9 | 1.5 | 1.7 | 13.4 | 1.1 | 1.1 | 2.1 |
| | | 390.0 | 230.0 | 5.5 | 26.0 | 31.6 | 3.0 | 93.9 |

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.

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24. FINANCIAL INSTRUMENTS (Continued)

Ageing Profile and Interest Rate Risk of Financial Liabilities as at 31 March 2018

| | Effective interest rate % | Total amount £m | Within 1 year £m | 1-2 years £m | 2-3 years £m | 3-4 years £m | 4-5 years £m | Over 5 years £m |
|--|---------------------------|-----------------|------------------|--------------|--------------|--------------|--------------|-----------------|
| GROUP | | | | | | | | |
| Stocks and bonds: | | | | | | | | |
| Fixed rate | 4.44% | 1,765.5 | 81.7 | 76.2 | 74.4 | 52.4 | 52.6 | 1,428.2 |
| Indexed | 3.77% | 48.6 | 0.5 | 0.5 | 0.5 | 47.1 | - | - |
| Discount on bond issue | | (41.6) | - | - | - | - | - | (41.6) |
| | | 1,772.5 | 82.2 | 76.7 | 74.9 | 99.5 | 52.6 | 1,386.6 |
| Housing and other loans: | | | | | | | | |
| Fixed rate | 5.19% | 1,456.4 | 120.2 | 143.0 | 53.6 | 47.6 | 119.8 | 972.2 |
| Floating rate | 2.21% | 577.0 | 39.7 | 22.1 | 184.2 | 25.1 | 101.1 | 204.8 |
| Index linked | 4.09% | 50.2 | 1.6 | 1.7 | 0.4 | 1.7 | 0.3 | 44.5 |
| | | 2,083.6 | 161.5 | 166.8 | 238.2 | 74.4 | 221.2 | 1,221.5 |
| Finance leases | | 227.5 | 1.7 | 1.3 | 1.2 | 0.9 | 1.3 | 221.1 |
| Other financial liabilities | | 58.6 | 15.5 | 12.9 | 11.4 | 10.1 | - | 8.7 |
| Derivative financial instruments held to manage interest rate risk | | 66.9 | 1.9 | 3.9 | 2.9 | 3.1 | 16.9 | 38.2 |
| | | 4,209.1 | 262.8 | 261.6 | 328.6 | 188.0 | 292.0 | 2,876.1 |

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

Cash collateral held under the terms of the swap arrangements was £nil (2017: £2.49m).

Comparative figures as at 31 March 2017 were as follows:

| | Effective interest rate % | Total amount £m | Within 1 year £m | 1-2 years £m | 2-3 years £m | 3-4 years £m | 4-5 years £m | Over 5 years £m |
|--|---------------------------|-----------------|------------------|--------------|--------------|--------------|--------------|-----------------|
| GROUP | | | | | | | | |
| Stocks and bonds: | | | | | | | | |
| Fixed rate | 4.72% | 1,824.5 | 102.1 | 79.4 | 74.9 | 71.8 | 94.9 | 1,401.4 |
| Discount on bond issue | | (12.7) | - | - | - | - | - | (12.7) |
| Housing loans: | | | | | | | | |
| Fixed rate | 4.53% | 1,010.6 | 95.6 | 75.5 | 120.0 | 36.6 | 34.7 | 648.2 |
| Floating rate | 1.84% | 367.2 | 32.7 | 86.8 | 32.1 | 20.0 | 28.3 | 167.3 |
| Index linked | 0.78% | 45.8 | 1.0 | 1.1 | 1.2 | - | 1.3 | 41.2 |
| | | 1,423.6 | 129.3 | 163.4 | 153.3 | 56.6 | 64.3 | 856.7 |
| Finance leases | | 246.8 | 3.0 | 3.1 | 3.2 | 3.3 | 3.3 | 230.9 |
| Other financial liabilities | | 123.6 | 11.3 | 15.7 | 12.6 | 15.3 | 0.1 | 68.6 |
| Derivative financial instruments held to manage interest rate risk | | 43.2 | 19.9 | 1.3 | 1.1 | 1.2 | 1.2 | 18.5 |
| | | 3,649.0 | 265.6 | 262.9 | 245.1 | 148.2 | 163.8 | 2,563.4 |

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 2018 the Group had undrawn committed borrowing facilities expiring as follows:

| | GROUP | |
|---|--------------|--------------|
| | 2018 | 2017 |
| | £m | £m |
| In one year or less, or on demand | 160.0 | 90.0 |
| In more than one year but not more than two years | 51.7 | 311.0 |
| In more than two years | 297.1 | - |
| | 508.8 | 401.0 |

£50.6m of the undrawn committed borrowing facilities require fixed charge security to be placed with lenders (2017: £50.6m).

24. 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 | | | |
|--|-----------|------------------|------------------|------------------|------------------|
| | | 2018 | | 2017 | |
| | | Book value £m | Fair value £m | Book value £m | Fair value £m |
| Financial assets | | | | | |
| Fixed asset investments | 14 and 15 | 257.4 | 260.8 | 321.1 | 324.9 |
| Current asset investments | 19 | 98.2 | 98.2 | 89.0 | 89.0 |
| Cash at bank and in hand | | 72.4 | 72.4 | 95.8 | 95.8 |
| Long-term debtors | 17 | 8.8 | 8.8 | 0.1 | 0.1 |
| Mortgages and loans | 17 and 18 | 3.9 | 3.9 | 4.8 | 4.8 |
| Derivative financial instruments held to manage interest rate risk | 17 and 18 | 8.7 | 8.7 | 21.0 | 21.0 |
| Financial assets falling due within one year | 18 | 80.7 | 80.7 | 72.7 | 72.7 |
| | | <u>530.1</u> | <u>533.5</u> | <u>604.5</u> | <u>608.3</u> |

Included in the table above are rental debtors of £16.0m (2017: £13.0m). The debtors with arrears less than 30 days totalled £5.8m (2017: £4.7m), arrears more than 30 days but less than 90 days totalled £6.3m (2017: £5.2m) and arrears more than 90 days totalled £3.9m (2017: £3.1m). Also included in the table above is a provision of £6.0m (2017: £5.1m) relating to these rental debtors.

| | | | | | |
|--|-----------|----------------|----------------|----------------|----------------|
| Financial liabilities | | | | | |
| Debenture stocks and bonds | 20 and 21 | 1,230.6 | 1,345.1 | 1,251.9 | 1,407.2 |
| Discount on bond issue | 20 and 21 | (41.6) | (41.6) | (12.7) | (12.7) |
| Housing loans | 20 and 21 | 1,473.9 | 1,473.9 | 1,014.3 | 1,014.3 |
| Amounts owed to joint venture undertakings | 20 and 21 | 5.2 | 5.2 | 8.6 | 8.6 |
| Revaluation of foreign currency denominated debt | 21 | (2.9) | (2.9) | 25.2 | 25.2 |
| Derivative financial instruments held to manage interest rate risk | 20 and 21 | 64.5 | 64.5 | 50.1 | 50.1 |
| Other financial liabilities | 20 and 21 | 281.3 | 281.3 | 116.9 | 116.9 |
| Financial liabilities falling due within one year | 20 | 167.9 | 167.9 | 282.4 | 282.4 |
| | | <u>3,178.9</u> | <u>3,293.4</u> | <u>2,736.7</u> | <u>2,892.0</u> |

Of the financial assets above £8.7m (2017: £21.0m) are derivative financial instruments with the remaining amounts being measured and amortised cost.

Of the financial liabilities above £64.5m (2017: £50.1m) 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 statement of financial position 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 statement of financial position 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 statement of financial position 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 as the present value of future cash flows, discounted at the market rate of interest at the statement of financial position date.

24. 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 statement of financial position 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.

25. PENSION OBLIGATIONS

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

Group defined benefit scheme liabilities

| | 2018 | 2017 |
|---|-------------|-------------|
| | £m | £m |
| Places for People Group Retirement Benefit Scheme "PFP Group" | 6.7 | 7.2 |
| PFPL (Holdings) Limited "PFPL (Holdings)" | 0.3 | 0.6 |
| Residential Management Group section of the Citrus Pension Plan "RMG" | 0.4 | 0.4 |
| Cambridgeshire County Council Pension Fund "CCCPF" | 9.1 | - |
| | 16.5 | 8.2 |

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.

This scheme is operated by the Group and 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 £3.3m to the scheme during the year to 31 March 2019.

The funding plan is for the Scheme to hold assets equal to the value of the benefits earned by employees, based on a set of assumptions used for funding the Scheme. The funding assumptions differ from the assumptions used to calculate the figures for these accounts, and therefore produce different results. If there is a shortfall against this funding plan, then the Company and Trustee agree on deficit contributions to meet this deficit over a period.

The mortality assumption used at 31 March 2018 is 115% S2PA CMI_2017 projections with long-term rate of improvements of 1.0%. The mortality assumption used at 31 March 2017 was 115% S1PA CMI_2016 projections with long-term improvement of 1.0%. Based on these assumptions, a male currently aged 60 years old has a life expectancy of 25.2 years (2017: 25.3 years), a female currently aged 60 years old has a life expectancy of 27.2 years (2017: 27.3 years), a male currently aged 40 years old has a life expectancy of 46.4 years (2017: 46.6 years) and a female currently aged 40 years old has a life expectancy of 48.6 years (2017: 48.6 years).

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. 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 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 2017 showed that the market value of the scheme's assets was £4,815,000 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 2017 by an independent qualified actuary. The results of the calculations and assumptions adopted are shown below.

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.

The mortality assumption used at 31 March 2018 is 90% of S2PxA CMI_2017 core improvements [1.25% p. a long-term rate]. The mortality assumption used at 31 March 2017 is 90% of S2PxA CMI_2016 core improvements [1.25% p. a long-term rate]. Based on these assumptions, a male currently aged 65 years old has a life expectancy of 22.7 years (2017: 22.9 years), a female currently aged 65 years old has a life expectancy of 24.6 years (2017: 24.7 years), a male currently aged 45 years old has a life expectancy of 44.1 years (2017: 44.3 years) and a female currently aged 45 years old has a life expectancy of 46.2 years (2017: 46.2 years).

25. PENSION OBLIGATIONS (Continued)

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 RMG scheme was carried out as at 31 March 2017.

Increases in longevity improvements seen in recent years will begin to tail off over the next 10-20 years and are assumed to be in line with the Continuous Mortality Investigation model used at the latest formal valuation. Over the long-term, longevity improvements will stabilise at 1.5% p.a. for males and females. The mortality assumption used at 31 March 2018 is 90% of S2Px A CMI_2016 core improvements [1.25% p. a long-term rate]. The mortality assumption used at 31 March 2017 is 90% of S2Px A CMI_2014 core improvements [1.25% p. a long-term rate]. Based on these assumptions, a male currently aged 65 years old has a life expectancy of 22.6 years (2017: 22.5 years), a female currently aged 65 years old has a life expectancy of 24.7 years (2017: 24.6 years), a male currently aged 45 years old has a life expectancy of 45.2 years (2017: 45.0 years) and a female currently aged 45 years old has a life expectancy of 47.0 years (2017: 46.9 years).

Cambridgeshire County Council Pension Fund

The CCCPF is a multi-employer scheme with more than one participating employer, which is administered by Cambridgeshire County Council under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme. Triennial actuarial valuations of the pension scheme are performed by an independent, professionally qualified actuary using the projected unit method. The latest Triennial actuarial valuation was at 31 March 2016.

Due to the date at which Luminus Group joined the Group, the Group's contributions to the CCCPF for the year ending 31 March 2018 were £nil. Luminus Group's contributions to the CCCPF were £810k for the year ending 31 March 2018. The Group's minimum contribution rate has been fixed as 24.9% of pensionable pay until 31 March 2020. The estimated Group's contributions for the year ended 31 March 2019 are £849k.

The mortality assumption used at 31 March 2018 is that a male currently aged 65 years old has a life expectancy of 22.4 years (2017: 22.4 years), a female currently aged 65 years old has a life expectancy of 24.4 years (2017: 24.4 years), a male currently aged 45 years old has a life expectancy of 44.0 years (2017: 44.0 years) and a female currently aged 45 years old has a life expectancy of 46.3 years (2017: 46.3 years).

The major assumptions used by the actuaries of each scheme were:

| | 2018 | | | |
|--------------------------------------|-------------------------|-----------------|-------|-------|
| | PFP Group | PFPL (Holdings) | RMG | CCCPF |
| Discount rate | 2.70% | 2.60% | 2.60% | 2.70% |
| Rate of RPI inflation | 3.10% | 3.20% | 3.40% | n/a |
| Rate of increase in salaries | 3.00/2.10% ¹ | 3.20% | 2.90% | 2.70% |
| Rate of increase in pension payments | n/a | 2.20% | n/a | 2.40% |
| Rate of CPI inflation | n/a | 2.20% | 2.40% | n/a |
| | 2017 | | | |
| | PFP Group | PFPL (Holdings) | RMG | CCCPF |
| Discount rate | 2.80% | 2.55% | 2.60% | 2.60% |
| Rate of RPI inflation | 3.10% | 3.30% | 2.90% | n/a |
| Rate of increase in salaries | n/a | 2.30% | 2.90% | 2.70% |
| Rate of increase in pension payments | 3.00/2.10% ¹ | 2.30% | n/a | 2.40% |
| Rate of CPI inflation | n/a | 2.30% | 3.20% | n/a |

¹ RPI max 5% pa/ RPI max 2.5%pa

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25. PENSION OBLIGATIONS (Continued)

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

| | 2018 | | | |
|---|-----------|-----------------|-------|-------|
| | PFP Group | PFPL (Holdings) | RMG | CCCPF |
| Diversified growth funds, hedge funds and structure funds | 41.0% | 17.2% | 33.6% | - |
| Equities | 14.0% | 72.7% | 23.8% | 77.0% |
| Gilts | 36.0% | 1.6% | 9.4% | 13.0% |
| Absolute return bonds | 7.0% | - | - | - |
| Corporate bonds | - | 1.3% | 32.2% | - |
| Cash and cash equivalents | 2.0% | 1.0% | 1.0% | 3.0% |
| Other fixed interest | - | 3.9% | - | - |
| Property | - | 2.3% | - | 7.0% |

| | 2017 | | | |
|---|-----------|-----------------|-------|-------|
| | PFP Group | PFPL (Holdings) | RMG | CCCPF |
| Diversified growth funds, hedge funds and structure funds | 24.0% | 9.4% | 33.6% | - |
| Equities | 16.0% | 70.1% | 23.8% | 78.0% |
| Gilts | 49.0% | 1.8% | 9.4% | 13.0% |
| Absolute return bonds | - | - | - | - |
| Corporate bonds | 11.0% | 4.2% | 32.2% | - |
| Cash and cash equivalents | - | 1.0% | 1.0% | 3.0% |
| Other fixed interest | - | 8.4% | - | - |
| Property | - | 5.1% | - | 6.0% |

Amounts recognised in the Statement of Financial Position

| | Value at 31 March 2018 | | | | |
|---|------------------------|-----------------------|--------------|--------------|---------------|
| | PFP Group £m | PFPL (Holdings) £m | RMG £m | CCCPF £m | Total £m |
| Fair value of assets | 209.6 | 5.1 | 5.3 | 23.1 | 243.1 |
| Present value of the scheme's liabilities | (216.3) | (5.4) | (5.7) | (32.2) | (259.6) |
| Deficit in the scheme | (6.7) | (0.3) | (0.4) | (9.1) | (16.5) |

| | Value at 31 March 2017 | | | | |
|---|------------------------|-----------------------|--------------|-------------|--------------|
| | PFP Group £m | PFPL (Holdings) £m | RMG £m | CCCPF £m | Total £m |
| Fair value of assets | 210.9 | 4.8 | 5.1 | - | 220.8 |
| Present value of the scheme's liabilities | (218.1) | (5.4) | (5.5) | - | (229.0) |
| Deficit in the scheme | (7.2) | (0.6) | (0.4) | - | (8.2) |

25. PENSION OBLIGATIONS (Continued)

Amounts recognised in the Statement of Comprehensive Income

| | Year ending 31 March 2018 | | | | |
|--|---------------------------|--------------------------|-----------|-------------|-------------|
| | PFP Group £m | PFPL (Holdings) £m | RMG £m | CCCPF £m | Total £m |
| Current service cost | - | (0.1) | (0.2) | - | (0.3) |
| Loss on curtailments and settlements | - | - | (0.1) | - | (0.1) |
| Amount charged in arriving at operating profit | - | (0.1) | (0.3) | - | (0.4) |
| Expected return on plan assets | 5.8 | 0.1 | 0.1 | - | 6.0 |
| Interest on scheme liabilities | (6.0) | (0.1) | (0.1) | - | (6.2) |
| Amount charged/(credited) to other finance costs | (0.2) | - | - | - | (0.2) |
| Total charged to the statement of comprehensive income | (0.2) | (0.1) | (0.3) | - | (0.6) |

| | Year ending 31 March 2017 | | | | |
|--|---------------------------|-----------------------|-----------|-------------|-------------|
| | PFP Group £m | PFPL (Holdings) £m | RMG £m | CCCPF £m | Total £m |
| Current service cost | - | (0.1) | (0.1) | - | (0.2) |
| Amount charged in arriving at operating profit | - | (0.1) | (0.1) | - | (0.2) |
| Expected return on plan assets | 5.2 | 0.1 | 0.2 | - | 5.5 |
| Interest on scheme liabilities | (6.8) | (0.1) | (0.2) | - | (7.1) |
| Amount charged/(credited) to other finance costs | (1.6) | - | - | - | (1.6) |
| Total charged to the statement of comprehensive income | (1.6) | (0.1) | (0.1) | - | (1.8) |

Amounts recognised in Other Comprehensive Income

| | Year ending 31 March 2018 | | | | |
|---|---------------------------|--------------------------|-----------|-------------|-------------|
| | PFP Group £m | PFPL (Holdings) £m | RMG £m | CCCPF £m | Total £m |
| Actuarial gain/(loss) in pension scheme | (3.3) | 0.1 | (0.2) | - | (3.4) |

| | Year ending 31 March 2017 | | | | |
|---|---------------------------|-----------------------|-----------|-------------|-------------|
| | PFP Group £m | PFPL (Holdings) £m | RMG £m | CCCPF £m | Total £m |
| Actuarial gain/(loss) in pension scheme | (12.7) | (0.3) | (0.8) | - | (13.8) |

25. PENSION OBLIGATIONS (Continued)

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

| | PFP Group £m | PFPL (Holdings) £m | RMG £m | CCCPF £m | Total £m |
|--|-----------------|--------------------------|-----------|-------------|-------------|
| As at 1 April 2017 | 210.9 | 4.8 | 5.1 | - | 220.8 |
| Interest on plan assets | 5.8 | 0.1 | 0.1 | - | 6.0 |
| Company contributions | 4.0 | 0.2 | 0.2 | - | 4.4 |
| Contribution by scheme participants | - | 0.1 | 0.1 | - | 0.2 |
| Contribution in relation to curtailment | - | - | 0.1 | - | 0.1 |
| Benefits paid | (10.2) | (0.2) | (0.1) | - | (10.5) |
| Return on assets less interest | (0.9) | 0.1 | (0.2) | - | (1.0) |
| Assets relating to Luminus Group Limited | - | - | - | 23.1 | 23.1 |
| As at 31 March 2018 | 209.6 | 5.1 | 5.3 | 23.1 | 243.1 |

| | PFP Group £m | PFPL (Holdings) £m | RMG £m | CCCPF £m | Total £m |
|--|-----------------|--------------------------|-----------|-------------|-------------|
| Actual return on scheme assets for year ending 31 March 2018 | 4.9 | 0.2 | (0.1) | - | 5.0 |
| Actual return on scheme assets for year ending 31 March 2017 | 23.7 | 0.7 | 0.5 | - | 24.9 |

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

| | PFP Group £m | PFPL (Holdings) £m | RMG £m | CCCPF £m | TOTAL £m |
|---|-----------------|--------------------------|-----------|-------------|-------------|
| As at 1 April 2017 | 218.1 | 5.4 | 5.5 | - | 229.0 |
| Current service costs | - | 0.1 | 0.2 | - | 0.3 |
| Contribution by scheme participants | - | 0.1 | 0.1 | - | 0.2 |
| Interest costs | 6.0 | 0.1 | 0.1 | - | 6.2 |
| Benefits paid | (10.2) | (0.2) | (0.1) | - | (10.5) |
| Loss on curtailments | - | - | 0.1 | - | 0.1 |
| Gains from changes to demographic assumptions | (1.4) | - | - | - | (1.4) |
| Losses from changes to financial assumptions | 3.8 | - | - | - | 3.8 |
| Actuarial (gain)/loss on obligation | - | (0.1) | (0.2) | - | (0.3) |
| Obligations relating to Luminus Group Limited | - | - | - | 32.2 | 32.2 |
| As at 31 March 2018 | 216.3 | 5.4 | 5.7 | 32.2 | 259.6 |

25. PENSION OBLIGATIONS (Continued)

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:

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.

| | 2018 £m | 2017 £m |
|---|-------------|-------------|
| Present value of provision | 6.0 | 6.9 |
| RECONCILIATION OF OPENING AND CLOSING PROVISIONS | | |
| Provision at start of period | 6.9 | 3.1 |
| Unwinding of the discount factor (interest expense) | 0.1 | 0.1 |
| Deficit contribution paid | (0.9) | (0.3) |
| Remeasurements - impact of any change in assumptions | (0.1) | 0.1 |
| Provision relating to Derwent Housing Association Limited | - | 3.9 |
| Provision at end of period | 6.0 | 6.9 |
| STATEMENT OF COMPREHENSIVE INCOME IMPACT | | |
| Interest expense | 0.1 | (0.1) |
| Remeasurements - impact of any change in assumptions | (0.1) | - |
| Remeasurements - amendments to the contribution schedule | - | (0.1) |
| | - | (0.2) |
| | % per annum | % per annum |
| Rate of discount | 1.72 | 1.33 |

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.

25. PENSION OBLIGATIONS (Continued)

The Scottish Housing Associations' Pension Scheme

The Group participates in the scheme, a multi-employer scheme which provides benefits to over 150 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 company 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 year on 1st April)

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

| | 2018 £m | 2017 £m |
|----------------------------|------------|------------|
| Present value of provision | 3.4 | 4.9 |

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

| | £m | £m |
|--|-------|-------|
| Provision at start of period | 4.9 | 11.7 |
| Unwinding of the discount factor (interest expense) | - | 0.3 |
| Deficit contribution paid | (1.0) | (1.0) |
| Remeasurements - impact of any change in assumptions | - | 0.1 |
| Remeasurements - amendments to the contribution schedule | - | (6.2) |
| Disposal of Places for People Care and Support Limited | (0.5) | - |
| Provision at end of period | 3.4 | 4.9 |

STATEMENT OF COMPREHENSIVE INCOME IMPACT

| | £m | £m |
|--|----|-------|
| Interest expense | - | (0.3) |
| Remeasurements - impact of any change in assumptions | - | (0.1) |
| Remeasurements - amendments to the contribution schedule | - | 6.2 |
| | - | 5.8 |

ASSUMPTIONS

| | % per annum | % per annum |
|------------------|-------------|-------------|
| Rate of discount | 1.51 | 1.06 |

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.

25. PENSION OBLIGATIONS (Continued)

Group defined contribution schemes

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 amount charged to the Statement of Comprehensive Income in relation to this scheme was £4.7m (2017: £4.5m).

The Scottish Housing Associations' Pension Scheme - defined contribution

From 1 April 2014, employees of Castle Rock Edinvar Housing Association Limited, Places for People Scotland Limited and Places for People Scotland Care and Support Limited have the option of joining a defined contribution retirement benefit scheme - the Scottish Housing Associations' Pension Scheme.

The amount charged to the Statement of Comprehensive Income in relation to this scheme was £0.4m (2017: £0.4m).

Other defined contribution schemes operated by Group undertakings

PFPL (Holdings) Limited, Luminus Group Limited, Touchstone Corporate Services, Girlings Retirement Rentals Limited and Residential Management Group Limited operate defined contribution pension schemes for their respective directors and employees, the assets of which are held independently in separately administered funds. The aggregate amount charged to the Statement of Comprehensive Income in relation to these schemes was £0.5m (2017: £0.5m).

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26. CAPITAL COMMITMENTS

| | GROUP | | COMPANY | |
|---|----------------|----------------|----------------|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| | £m | £m | £m | £m |
| Capital expenditure that has been authorised and contracted for but has not been provided for in the financial statements | 149.8 | 135.5 | - | - |
| Capital expenditure that has been authorised by the board of directors | 1,582.3 | 1,437.1 | - | - |

The above commitments will be financed in accordance with the treasury management policy which is detailed in the operating review and note 24 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 |
| | 2018 | 2018 | 2017 | 2017 | 2018 | 2017 |
| | £m | £m | £m | £m | £m | £m |
| In one year or less | 3.9 | 3.8 | 12.8 | 2.5 | 0.1 | 0.2 |
| In one year or more but less than five years | 10.0 | 5.0 | 44.4 | 5.0 | 0.2 | 0.1 |
| In more than five years | 16.3 | - | 149.3 | - | - | - |
| | 30.2 | 8.8 | 206.5 | 7.5 | 0.3 | 0.3 |

27. CONTINGENT LIABILITIES

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.

28. RELATED PARTY TRANSACTIONS

There were no related party transactions during the year.

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29. 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, the registered office address for each entity is 80 Cheapside, London, EC2V 6EE unless otherwise stated and are set out below:

Subsidiaries

| Name | Class of share held | Proportion of shares held |
|---|----------------------------------|----------------------------------|
| Allenbuild Limited | Ordinary A* & B* | 100% |
| Allenbuild (South East) Limited | Ordinary* | 100% |
| Blueroom Properties Limited | Ordinary/Preference* | 100% |
| Braintree District Leisure Community Association Ltd** | N/A | N/A |
| Brio Retirement Living (Applegreen) Limited | Ordinary A* & B* | 78% |
| Brio Retirement Living (Barton Marina) Limited | Ordinary* | 100% |
| Brio Retirement Living (Chapelton) Limited ¹ | Ordinary* | 100% |
| Brio Retirement Living (Chester) Limited | Ordinary* | 100% |
| Brio Retirement Living (Holdings) Limited | Ordinary A*, B & C | 68% |
| Brio Retirement Living (JV) Limited | Ordinary* | 100% |
| Brio Retirement Living (Midco) Limited | Ordinary* | 100% |
| Brio Retirement Living (Poundbury) Limited | Ordinary* | 100% |
| Brio Retirement Living (Sole Risk) Limited | Ordinary A* & B* | 100% |
| Brio Retirement Living (Stow on the Wold) Limited | Ordinary* | 100% |
| Castle Rock Edinvar Housing Association Limited*** ¹ | National/Community | 100% of National s/holding |
| Centro Place Investments Limited ² | Ordinary* | 100% |
| Centro Place Management Limited ² | Ordinary* | 100% |
| Christchurch Estates Limited ³ | Ordinary* | 100% |
| CPM Asset Management (Northern) Limited ³ | Ordinary* | 100% |
| Cotman Housing Association Limited*** | National/Community | 100% of National s/holding |
| Cornerstone Plymouth Limited | Ordinary A* & B* | 100% |
| Curzon Street Management Limited ³ | Ordinary* | 100% |
| David Glass Associates Limited ³ | Ordinary* | 100% |
| Derwent Community Housing Association Limited*** ² | Ordinary* | 100% |
| Derwent Facilities Management Limited ² | Ordinary* | 100% |
| Derwent Housing Association Limited*** | Ordinary | 100% |
| Emblem Homes Limited | Ordinary*/Preference* | 100% |
| F & S Property Management Limited ³ | Ordinary* | 100% |
| Girlings Retirement Rentals Limited | Ordinary* | 100% |
| Gross Fine ³ | Ordinary A* & B* | 100% |
| Gross Fine (Holdings) Limited ³ | Ordinary* | 100% |
| Gross Fine Management Limited ³ | Ordinary* | 100% |
| Gross Fine Services Limited ³ | Ordinary* | 100% |
| Hertford Company Secretaries Limited ³ | Ordinary* | 100% |
| HNJV Limited | Ordinary*/Preference* | 100% |
| Hope Social Enterprises Limited | Ordinary* | 100% |
| JVCO Limited | Ordinary/Preference* | 100% |
| Leisure & Community Partnership Limited** | N/A | N/A |
| Lothian Housing Association Limited ¹ | Ordinary* | 100% |
| Luminus Developments Limited | Ordinary*/Preference* | 100% |
| Luminus Finance Limited** | N/A | N/A |
| Luminus Group Limited** | N/A | N/A |
| Luminus Homes Limited** | N/A | N/A |
| Matilda's Academy Limited | Ordinary* | 100% |
| Matilda's Blanket Limited | Ordinary* | 100% |
| Matilda's Planet Group Limited | Ordinary*, Ordinary A* & B* | 75% |
| Matilda's Planet Manufacturing Limited | Ordinary* | 100% |
| Matilda's Radiant Heating Limited | Ordinary A* & B* | 94% |
| Matilda's Warm Homes Limited | Ordinary* | 75% |
| Matildasplanet Houses Limited | Ordinary* | 100% |
| Matildasplanet Housing Solutions Limited | Ordinary* | 100% |
| Matildasplanet Thermal Systems Limited | Ordinary* | 100% |
| MDH (Group) Limited ⁴ | Ordinary A*, B*, C*, D*, E* & F* | 100% |
| Millwood Contracts Limited ⁴ | Ordinary* | 100% |
| Millwood Designer Homes Limited ⁴ | Ordinary A* & B* | 100% |
| Millwood Designer Homes Kent Ltd ⁴ | Ordinary* | 100% |
| Millwood Designer Homes (Southern) Limited ⁴ | Ordinary* | 100% |
| Oak Foundation** | N/A | N/A |
| Officers Field Development Limited | Ordinary*/Ordinary A* | 100% |
| Osterna Limited ⁵ | Ordinary* | 100% |
| PFP Capital Limited | Ordinary/Preference* | 100% |

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29. DISCLOSURE OF GROUP UNDERTAKINGS (Continued)

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Subsidiaries (Continued)

| Name | Class of share held | Proportion of shares held |
|--|-------------------------------------|----------------------------------|
| PfP Capital Services Limited | Ordinary* | 100% |
| PfP Cossec 2 Limited | Ordinary | 100% |
| PfP Cossec 3 Limited | Ordinary* | 100% |
| PFPC 1 GP Limited | Ordinary* | 100% |
| PFPC 1 LP***** | N/A | N/A |
| PFPC Retirement 1 Limited | Ordinary* | 100% |
| PFPC MMR GP Limited ¹ | Ordinary* | 100% |
| PFPC MMR 1 LP ¹ | N/A | N/A |
| PFPESCO 1 Limited | Ordinary | 100% |
| PFPL Developments Limited | Ordinary* | 100% |
| PFPL (Holdings) Limited | Ordinary* | 100% |
| PFPL Projects (Epping) Ltd | Ordinary* | 100% |
| PFPL Projects (Hinckley) Ltd | Ordinary* | 100% |
| PFPL Projects (Gosport) Ltd | Ordinary* | 100% |
| PFPL Projects (Sandwell) Ltd | Ordinary* | 100% |
| PFPL Projects (Sparkhill) Ltd | Ordinary* | 100% |
| PFPL Projects (Wyre Forest) Ltd | Ordinary* | 100% |
| PFPL123 Limited | Ordinary* | 100% |
| PfP-Igloo (General Partner) Limited | Ordinary* | 100% |
| PfP-Igloo Limited Partnership***** | N/A | N/A |
| PfP-Igloo Nominees Limited | Ordinary* | 100% |
| PfP Polish Real Estate Investment LP***** | N/A | N/A |
| PfP Retirement Investment LP***** | N/A | N/A |
| PfP PRS Investment LP***** | N/A | N/A |
| Places Developments (Holdings) Limited | Ordinary*, Ordinary B & Preference* | 100% |
| PfP PRS 1 GPCo 1 Limited | Ordinary* | 100% |
| PfP PRS 1 GPCo 2 Limited | Ordinary* | 100% |
| Place Investments Limited | Ordinary | 100% |
| Places Academy Limited | Ordinary* | 100% |
| Places Development Services Limited | Ordinary * | 100% |
| Place Builders Limited | Ordinary* | 100% |
| Places Finance Limited | Ordinary* | 100% |
| Places for People Arrangements 1 Limited | Ordinary | 100% |
| Places for People Capital Markets Plc | Ordinary | 100% |
| Places for People Developments Limited | Ordinary*/Preference* | 100% |
| Places for People Developments (PRS) Limited | Ordinary | 100% |
| Places for People Finance plc | Ordinary | 100% |
| Places for People Financial Services Limited | Ordinary/Preference* | 100% |
| Places for People Green Services Limited | Ordinary* | 100% |
| Places for People Homes Limited*** | Ordinary | 100% |
| Places for People International Limited | Ordinary* | 100% |
| Places for People Investments Limited | Ordinary | 100% |
| Places for People Landscapes Limited | Ordinary* | 100% |
| Places for People Leisure Community Association Limited** | N/A | N/A |
| Places for People Leisure Limited** | N/A | N/A |
| Places for People Leisure Management Limited | Ordinary* | 100% |
| Places for People Leisure Partnerships** | N/A | N/A |
| Places for People Living+ Limited*** | Ordinary | 100% |
| Places for People Pension Car Limited | Ordinary/Preference* | 100% |
| Places for People Pension Trustee Limited | Ordinary* | 100% |
| Places for People Placemaking Limited | Ordinary | 100% |
| Places for People Placemaking & Regeneration Limited | Ordinary* | 100% |
| Places for People Retirement Limited | Ordinary*/Preference* | 100% |
| Places for People Retirement (Stow) Limited | Ordinary* | 100% |
| Places for People Scotland Limited ¹ | Ordinary A*/Preference* | 100% |
| Places for People Scotland – Care and Support Limited | Ordinary* | 100% |
| Places for People Scotland (GP) Limited ¹ | Ordinary* | 100% |
| Places for People Scottish Limited Partnership***** ¹ | N/A | N/A |
| Places for People SPV 1 Limited** ⁶ | N/A | N/A |

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29. DISCLOSURE OF GROUP UNDERTAKINGS (Continued)

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Subsidiaries (Continued)

| Name | Class of share held | Proportion of shares held |
|--|---------------------------------|----------------------------------|
| Places for People SPV 2 Limited** ⁶ | N/A | N/A |
| Places for People Treasury plc | Ordinary | 100% |
| Places for People Treasury Services Limited | Ordinary | 100% |
| Places for People Ventures Limited | Ordinary/Preference* | 100% |
| Places for People Ventures Operations Limited | Ordinary*/Preference* | 100% |
| Places Homes Limited | Ordinary | 100% |
| Places Impact** | N/A | N/A |
| Places Leisure Limited | Ordinary* | 100% |
| Places Living+ Limited | Ordinary | 100% |
| Places Management Limited | Ordinary* | 100% |
| Places Plus Limited | Ordinary* | 100% |
| Places Residential Limited | Ordinary* | 100% |
| Places Retirement Limited | Ordinary* | 100% |
| Places Services Limited | Ordinary* | 100% |
| Places Student Living Limited | Ordinary* | 100% |
| Places Students Limited | Ordinary* | 100% |
| Resident Association Management Limited ³ | Ordinary* | 100% |
| Residential Management Group Limited ³ | Ordinary* & Ordinary B | 100% |
| Residential Management Group Scotland Limited ⁷ | Ordinary* | 100% |
| Residential Management Property Limited ³ | Ordinary* | 100% |
| Retirement Rentals Limited | Ordinary* | 100% |
| Retirement Rentals Nominee Company 1 Limited | Ordinary* | 100% |
| RMG Asset Management Limited ³ | Ordinary* | 100% |
| RMG Client Services Limited ³ | Ordinary* | 100% |
| RMG JC Limited ³ | Ordinary* | 100% |
| Sam Jones (Clubs) Limited | Ordinary* | 100% |
| Shrubhill Investments Limited ¹ | Ordinary* | 100% |
| Simmonds & Partners Limited ³ | Ordinary* | 100% |
| The Engine Yard Edinburgh Ltd | Ordinary & Ordinary C* | 99% |
| The Ferry Project** | N/A | N/A |
| Touchstone Corporate Property Services Limited | Ordinary* & Ordinary B | 95% |
| Upper Strand Developments Limited ¹ | Ordinary*/Preference* | 100% |
| Urban Matrix (Ditton) LLP | N/A | N/A |
| Wood & Co. (Surveyors) Limited ³ | Ordinary* | 100% |
| Wood Carewell Managements Limited ³ | Ordinary* | 100% |
| Wood Group Trustees Limited ³ | Ordinary* | 100% |
| Wood Insurance Brokers Limited ³ | Ordinary* | 100% |
| Wood Management Trustees Limited ³ | Ordinary*, Ordinary A*, B* & C* | 100% |
| Wood Managements Group Limited ³ | Ordinary* | 100% |
| Wood Managements Limited ³ | Ordinary* | 100% |
| Wood Trustees Limited ³ | Ordinary* & Ordinary Deferred* | 100% |
| ZeroC Acheson Consortium Limited | Ordinary* | 100% |
| Zero C Holdings Limited | Ordinary* & Ordinary A* | 100% |
| Zero C Ventures Limited | Ordinary* | 100% |
| ZeroC Group (2008) Limited | Ordinary*, Ordinary A* & B* | 100% |

¹ 1 Hay Avenue, Edinburgh, EH16 4RW

² 1 Centro Place, Pride Park, Derby, England, DE24 8RF

³ RMG House, Essex Road, Hoddesdon, Hertfordshire, EN11 0DR

⁴ Bordyke End, East Street, Tunbridge, Kent, TN9 1HA

⁵ Chelford House, Gadbrook Park, Northwich, Cheshire, England, CW9 7LN

⁶ 4 The Pavilions, Portway, Preston, Lancashire, United Kingdom, PR2 2YB

⁷ Unit 6, 95 Morrison Street, Glasgow, G5 8BE

*Shares held by other Group entities but ultimately held by the Group

**A company limited by guarantee without any share capital

***A registered society registered under the Co-operative & Community Benefit Societies Act 2014. Through separate written agreements, the Group ultimately exercises control over the functions and operations of these entities

****A Scottish limited partnership

*****A limited partnership

Places for People Group Limited
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29. DISCLOSURE OF GROUP UNDERTAKINGS (Continued)

Joint Ventures/Partnerships

| Name | Class of shares held | Proportion of nominal value of share class held | Proportion of all share classes |
|---|-----------------------------|--|--|
| Applegreen JV Midco LLP | N/A | N/A | N/A |
| Applegreen Retirement Living LLP | N/A | N/A | N/A |
| Applegreen Retirement Living (Nominee) Limited | Ordinary* | 50% | 50% |
| Applegreen Retirement Living (Stafford Road) LLP | N/A | N/A | N/A |
| Bigg Regeneration Limited Partnership*** ¹ | N/A | N/A | N/A |
| Bigg Regeneration (General Partner) Limited ¹ | Ordinary A* | 100% | 50% |
| Blueprint Limited Partnership**** ² | N/A | N/A | N/A |
| Blueprint (General Partner) Limited ² | Ordinary* | 50% | 50% |
| Blueprint (Nominees) Limited ² | Ordinary* | 50% | 50% |
| Boxed Energy Limited ³ | A Ordinary* | 100% | 50% |
| Brooklands Milton Keynes LLP ⁴ | N/A | N/A | N/A |
| Campbell Park Limited ⁵ | Ordinary* | 50% | 50% |
| Cityscape Edinburgh LLP ⁶ | N/A | N/A | N/A |
| East Wick & Sweetwater Projects (Holdings) Ltd**** ⁷ | A Ordinary*/A Preference* | 100% | 50% |
| Global Habitat Housing SL ⁸ | Ordinary | 50% | 50% |
| Icknield Port Loop LLP ⁹ | N/A | N/A | N/A |
| Lakeshore Timber LLP ⁵ | N/A | N/A | N/A |
| Lighthouse Court LLP ⁶ | N/A | N/A | N/A |
| Market Asset Management Limited ¹⁰ | Ordinary* | 50% | 50% |
| Modularwise Limited ¹¹ | Ordinary B* | 100% | 50% |
| Namegrace Limited ¹² | Ordinary B* | 100% | 50% |
| Placeford Properties LLP | N/A | N/A | N/A |
| Places for People Strategic Land LLP | N/A | N/A | N/A |
| PFP US (IPL) LLP ⁵ | N/A | N/A | N/A |
| PFP US JV LLP ⁵ | N/A | N/A | N/A |
| PFP US JV (Nominee 1) Limited ⁵ | Ordinary* | 50% | 50% |
| PFP US Residential (Park Hill) Limited ⁵ | Ordinary* | 50% | 50% |
| Picture Living LP***** | N/A | N/A | N/A |
| PSSL (Keynsham) Limited | Ordinary* | 50% | 50% |
| Reside Student Living LLP | N/A | N/A | N/A |
| Ruskin Square Phase One LLP ¹³ | N/A | N/A | N/A |
| Shaping Aberdeen Housing LLP ¹⁴ | N/A | N/A | N/A |
| Shrubhill NHT LLP ⁶ | N/A | N/A | N/A |
| Smith's Dock LLP ⁵ | N/A | N/A | N/A |
| Stow Care Village LLP | N/A | N/A | N/A |
| Urban Splash (Park Hill) Limited ⁵ | Ordinary* | 50% | 50% |

Other Group interests/investments

| | | | |
|--|-------------|------|-----|
| Viridian Concepts Limited ¹⁵ | Ordinary* | 5% | 5% |
| Symconnect Limited ¹⁶ | A Ordinary* | 100% | 30% |
| The Vital Spark Incubation Ltd ¹⁷ | Ordinary* | 13% | 13% |
| AMC (Pakistan) ¹⁸ | Ordinary | 25% | 25% |
| Triple Point Social Housing REIT plc ¹⁹ | Ordinary* | 3% | 3% |

* Shares held by other Group entities but ultimately held by the Group

** A Scottish limited partnership

*** A limited partnership

**** East Wick & Sweetwater Projects (Holdings) Limited has incorporated a further seven companies to complete the various phases of the Queen Elizabeth Olympic Park development:

East Wick & Sweetwater Projects (Phase 1) Limited

East Wick & Sweetwater Projects (Phase 2) Limited

East Wick & Sweetwater Projects (Phase 3) Limited

East Wick & Sweetwater Projects (Phase 4) Limited

East Wick & Sweetwater Projects (Phase 5) Limited

East Wick & Sweetwater Projects (Phase 6) Limited

East Wick & Sweetwater Projects (Phase 7) Limited

***** Picture Living LP is a 10:90 limited partnership (10% being Group's interest) and the other entities that sit within the overall structure include:

Picture Living GP LLP

Picture Living Investments LP

Picture Living Investments GP LLP

Picture Living Property Limited

Picture Living Trustee 1 Ltd (incorporated in Jersey, 3rd Floor, Liberation House, Castle Street, St Helier, Jersey, JE1 1BL)

Picture Living Unitholder Ltd (incorporated in Jersey, 3rd Floor, Liberation House, Castle Street, St Helier, Jersey, JE1 1BL)

Places for People Group Limited
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29. DISCLOSURE OF GROUP UNDERTAKINGS (Continued)

- ¹ Canal House, 1 Applecross Street, Glasgow, G4 9SP
- ² First Floor, 48-50 St Mary's Gate, Nottingham, NG1 1QA
- ³ Office 208, 69 Old Street, London, EC1V 9HX
- ⁴ Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF
- ⁵ Timber Wharf, 16-22 Worsley Street, Manchester, M15 4LD
- ⁶ 1 Hay Avenue, Edinburgh, EH16 4RW
- ⁷ 6th Floor, 350 Euston Road, Regent's Place, London, NW1 3AX
- ⁸ Incorporated in Spain with registered address calle Sant Miquel 161, 08330 Premia de Mar, Spain
- ⁹ First Floor, Station House, 500 Elder Gate, Milton Keynes, Buckinghamshire, MK9 1BB
- ¹⁰ Marlborough House, Victoria Road South, Chelmsford, Essex, CM1 1LN
- ¹¹ The Old Cinema, Shobdon, Leominster, Herefordshire, HR6 9NR
- ¹² RMG House, Essex Road, Hoddesdon, Herts, EN11 0DR
- ¹³ 31 Gresham Street, London, EC2V 7QA
- ¹⁴ 1st Floor, South Marischal College, Broad Street, Aberdeen, AB10 1AB
- ¹⁵ 68 Stirling Way, Papworth Everard, Cambridge, Cambridgeshire, CB23 3GY
- ¹⁶ Institute of Life Sciences 2, Room 503, University of Swansea, Singleton Park, Swansea, SA2 8PP
- ¹⁷ 4 Hay Avenue, Edinburgh, EH16 4AQ
- ¹⁸ Incorporated in Pakistan with registered address 31/10-A, Abu Bakr Block, New Garden Town, Lahore
- ¹⁹ 18 St. Swithin's Lane, London, EC4N 8AD

Regulated and non-regulated entities

Places for People Group, a regulated entity, allocates overheads to seven 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.

| | 2018 | 2017 |
|--|------------|------------|
| | £m | £m |
| Places for People Financial Services Limited | 0.1 | 0.1 |
| Places for People Landscapes Limited | 0.3 | 0.3 |
| Places for People Scotland Limited | 0.1 | 0.1 |
| Touchstone Corporate Property Services Limited | 0.5 | 0.5 |
| PFPL (Holdings) Limited | 0.1 | 0.1 |
| Zero C Holdings Limited | 0.2 | 0.1 |
| | 1.3 | 1.2 |

30. COMBINATIONS THAT ARE IN SUBSTANCE A GIFT

On 26 March 2018 Luminus Group joined the Group, becoming a 100% subsidiary, for nil consideration. As such the excess of the fair value of assets received over the fair value of liabilities assumed has been recognised in the Statement of Comprehensive Income.

| | 2018 | 2018 | 2017 |
|--|----------------|----------------|----------------|
| | £m | £m | £m |
| | Fair value | Carrying value | |
| Fixed Assets | | | |
| Housing properties | 390.4 | 390.4 | 494.5 |
| Investment property | 19.7 | 19.7 | 50.8 |
| Other tangible assets | 7.1 | 7.1 | 5.2 |
| Investments | 16.0 | 16.0 | 11.3 |
| | 433.2 | 433.2 | 561.8 |
| Current assets | | | |
| Stock | 10.6 | 10.6 | 6.2 |
| Debtors | 7.2 | 7.2 | 13.0 |
| Cash at bank | 20.4 | 20.4 | 11.1 |
| | 38.2 | 38.2 | 30.3 |
| Creditors: Amounts falling due within one year | (84.4) | (84.4) | (28.5) |
| Creditors: Amounts falling due after more than one year | (331.2) | (212.6) | (518.1) |
| Provisions | (9.1) | (9.1) | (3.8) |
| Net Assets | 46.7 | 165.3 | 41.7 |
| Legal and advisory fees | - | - | (0.3) |
| Additional liability in respect of Derwent Housing Association acquisition | (1.5) | - | - |
| Amount taken in substance as a gift | 45.2 | 165.3 | 41.4 |

On 16 December 2016 Derwent Housing Association Limited Group joined the Group, becoming a 100% subsidiary, for nil consideration. As such the excess of the fair value of assets received over the fair value of liabilities assumed was recognised in the Statement of Comprehensive Income. Under the provisions of FRS 102 section 19.19, the Group has retrospectively increased by £1.5m a provisional liability recognised within the assets and liabilities at the acquisition date, and recognised in the Statement of Comprehensive Income.

Places for People Group Limited
Notes to the Financial Statements
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31. LOTTERY GRANT FUNDING

At 31 March 2018 £31,000 of lottery funds was held in cash at bank and in hand. £570,000 was held in current asset investments.

32. HOUSING STOCK

The Group owns or manages 198,640 housing properties, a breakdown of these housing properties is shown below:

| | GROUP | |
|---|----------------|----------------|
| | 2018 | 2017 |
| | No. | No. |
| Social Housing managed | | |
| - General Needs Housing | 54,184 | 48,505 |
| - Affordable Housing | 1,386 | 1,182 |
| - Supported Housing | 3,273 | 1,433 |
| - Housing for Older people | 2,065 | 2,940 |
| - Low cost home ownership accommodation | 5,936 | 6,057 |
| Total Social housing managed | 66,844 | 60,117 |
| - Market rent | 24,180 | 21,584 |
| - Managed services | 75,983 | 72,090 |
| - Leased housing - freehold only | 6,851 | 6,632 |
| - Armed Forces & Student accommodation | 22,921 | 20,801 |
| - Staff | 125 | 92 |
| Total housing managed | 196,904 | 181,316 |
| Total housing owned but managed by another body | 1,736 | 1,409 |
| Total housing owned or managed | 198,640 | 182,725 |
| Garages, commercial premises and other non-residential units managed or serviced | 11,432 | 9,123 |
| Total residential and non-residential units managed or serviced | 210,072 | 191,848 |

As disclosed in the table above, The Group manages 66,844 social housing units (2017: 60,117).

A breakdown of these social housing properties is shown below:

| | | |
|---|---------------|---------------|
| Social housing | | |
| - General Needs Housing | 54,638 | 43,801 |
| - Affordable Housing | 1,381 | 1,124 |
| - Supported Housing | 3,122 | 2,720 |
| - Housing for Older people | 2,065 | 2,874 |
| - Low cost home ownership accommodation | 5,382 | 5,318 |
| Social housing stock owned | 66,588 | 55,837 |

The Group manages 1,478 social housing residential units (2017: 5,666) which are owned by other Registered Providers.

The Group owns 1,222 social housing units (2017: 1,386) that are managed by another body.

The units above include 6,624 social housing units and 753 non-social housing units owned or managed by Luminus Housing Association Limited which joined the Group on 26 March 2018.

33. EVENTS AFTER THE REPORTING DATE

On 24 May 2018, Places for People Homes Limited, a subsidiary of Places for People Group, entered into a sales agreement for a portfolio of PRS properties for £159.1m, generating a profit of £5.3m.

On 3 May 2018, Places for People Homes Limited purchased a portfolio of assets from the Igloo Regeneration Partnership Fund for a consideration of £17m.

Places for People Group Limited
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Board of Directors.

Non-executives

| | |
|------------|--|
| C Phillips | Group Chairman |
| M Brodman | |
| A Cleal | (appointed 1 October 2017) |
| B Dean | (resigned 31 August 2017) |
| C Garner | (resigned 30 September 2017) |
| N Hopkins | |
| G Kitchen | (appointed 1 October 2017) |
| L Lackey | Senior Independent Director |
| J Lloyd | |
| J Dixon | (appointed 1 October 2017, resigned 5 June 2018) |
| J Seet | (resigned 30 September 2017) |

Executives

| | |
|--------------|--|
| D Cowans | Group Chief Executive |
| P Egan | Group Director Affordable Housing |
| M Parsons | Group Director Placemaking and Regeneration |
| C Rae | Group Director Development |
| A Winstanley | Group Finance Director (appointed 4 August 2017) |
| S Soin | Group Finance Director (resigned 4 August 2017) |

Company Secretary

C Martin

Registered Office

80 Cheapside
London
EC2V 6EE

Bankers

Barclays Bank Plc
38 Fishergate
Preston
PR1 2AD

Registered Auditors

KPMG LLP
15 Canada Square
London
E14 5GL

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 03777037). It is also affiliated to the National Housing Federation.