

Company registration number: 06395296

Homes & Communities Agency registration number: L4527

Charity Commission registration number: 1123496

**CITY SOUTH MANCHESTER HOUSING TRUST
LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 MARCH 2017**



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EXECUTIVES AND ADVISORS

Board

Bernard Priest	Chair	
Anne Southern	Chair of Audit & Risk Committee	Resigned 29 March 2017
Stephen Mole	Chair of Audit & Risk Committee	Appointed 29 March 2017
David Dennehy	Chair of Operations Committee	
Graham Aitken		
Alison Gordon		
Karen Heaton		
Stephen Kinsey		
Philip Summers		Resigned 25 January 2017
Donna Taylor		Resigned 14 June 2017
Mike Amesbury		Resigned 7 December 2016
Nadim Ahmad		
Emily Rowles		Appointed 29 March 2017

Company Secretary

Victor Hassan

Executive Directors

David Power	Group Chief Executive
John McGrail	Group Director of Finance & Resources
Angela Salami	Group Director of Communities
David Williams	Group Director of Growth & Assets

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED
Year ended 31 March 2017

Registered Office	Turing House Archway 5 Hulme Manchester M15 5RL
Company registration Number	06395296
Homes & Communities Agency Number	L4527
Charity Commission Registered number	1123496
External auditors	BDO LLP 3 Hardman Street Manchester M3 3AT
Internal auditors	PricewaterhouseCoopers LLP 101 Barbirolli Square Manchester M2 3PW
Treasury Advisors	Savills Financial Consultants 33 Margaret Street London W1G 0JD
Bankers	Barclays Bank plc 1 st floor, 3 Hardman Street Spinningfields Manchester M3 3HF
Funders	Barclays Bank plc 1 st floor, 3 Hardman Street Spinningfields Manchester M3 3HF Royal Bank of Scotland Kirkstane House 139 St Vincent Street Glasgow G2 5JF

REPORT OF THE BOARD

City South Manchester Housing Trust Limited is a wholly owned subsidiary of One Manchester Limited and, except where specifically stated, this Report reflects the Group position, which in the directors opinion is not inconsistent with the association position.

Principal activities and review of the business

City South Manchester Housing Trust Limited is a registered charity (registration number 1123496) and a Registered Social Housing Provider with the Homes and Communities Agency (registration number L4527).

The principal activity of City South Manchester Housing Trust Limited is the provision, management, maintenance and improvement of affordable social housing. In addition, the Trust is working closely with key agencies for the wider public benefit of its communities and to improve and regenerate those communities and provide a positive environment for people to live in. The Board has complied with its duty in section 17 of the Charities Act 2011 to have due regard to public benefit.

City South Manchester Housing Trust Limited became a subsidiary of One Manchester Limited 1 April 2015 along with Eastlands Homes Partnership Limited to form the One Manchester Group.

The Group operates a common Board structure for the company and the following entities in the Group:

- One Manchester Limited, the Group parent, is a Charitable Community Benefit Society (registration number RS007018) and a Registered Social Housing Provider with the Homes and Communities Agency (registration number 4808).
- Eastlands Homes Partnership Limited is a Company limited by Guarantee, a registered Charity with The Charity Commission, and a Registered Provider (RP).

The Group comprises three further subsidiaries that have their own respective Boards of Directors:

- City South Manchester Developments Limited. A 100% owned subsidiary of City South Manchester Housing Trust Limited and a private limited company (company number 09246629).
- One Manchester Treasury Limited. A 100% owned subsidiary of One Manchester Limited and a private limited company (company number 09456700).
- Eastlands Regeneration Company Limited. A 100% owned subsidiary of Eastlands Homes Partnerships Limited and a private limited company by guarantee (company number 5221864). This company was dormant for the financial year.

Qualifying third party indemnity provisions

The association has qualifying third party indemnity provisions in place for the Directors of City South Manchester Housing Trust Limited – Registered Social Housing Provider.

Compliance with Governance & Financial Viability Standard

The Homes and Communities Agency's (HCA's) Governance & Financial Viability Standard (the standard) was updated in April 2015. This was accompanied by a new code of Practice, which provides guidance to registered providers to ensure compliance with the standard.

The overall required outcomes of the standard are:

- To ensure that there are effective governance arrangements that delivers the aims, objectives and intended outcomes for tenants and potential tenants in an effective, transparent and accountable manner.
- To manage resources effectively to ensure their viability is maintained, ensuring that social housing assets are not put at risk. The standard requires registered providers to assess their compliance with the standard at least annually and boards are now required to report their compliance with the Standard within their annual accounts.

The definition of assurance means that this is not just an internal and external audit issue. Boards need to determine where they are obtaining assurance to demonstrate to the HCA:

- A clear understanding of asset values, related security, potential losses and potential chains of recourse. Note that boards need to know exactly what information will be required in the event of distress and social housing asset exposure in order to value the assets without delay.
- Evidence of application of the principles.
- The assurance they receive on quality of records.

Compliance with the regulator's revised Governance and Viability Standard was assessed by the Board in September 2017. The Group complies in full with the standard.

The Group adopted the National Housing Federation Code of Governance (2015). The Group complies with the Code of Governance in full. A self assessment against the code of governance was completed and reported full compliance to the Remuneration and Governance Committee June 2017.

Going concern

The association's business activities, its current financial position and factors likely to affect its future development are set out in the Strategic Report. The association has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the association's day to day operations. The association has a long-term financial business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders covenants. Robust stress testing has been undertaken and approved by the Board with respect to the long term financial business plan and Board have considered a wide range of scenarios and mitigations to manage risk.

On this basis, the Board has a reasonable expectation that the association has adequate resource to continue in operational existence for the foreseeable future and for this reason it has adopted the going concern basis in the financial statements.

Assessment of the effectiveness of internal control

The Board is the ultimate governing body and is responsible for ensuring that an adequate system of internal control is in place and for reviewing its effectiveness. The system of internal control is designed to manage risk and provide reasonable assurance that key business objectives will be met. It also exists to give reasonable assurance about the preparation and reliability of financial and performance information and the safeguarding of the association's assets. The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk.

Risks are defined as those factors that could adversely affect the achievement of the association's objectives. The internal control framework manages and mitigates risks by identifying those risks and ensuring controls are in place.

The key elements of internal control include:

- Corporate governance arrangements including the adoption of the National Housing Federation Code of Governance (2015);
- Board approved terms of reference and delegated authorities for Audit and Risk Committee, Operations Committee, Remuneration and Governance Committee and Growth Committee;
- The Board agreed a revised Strategic Corporate Plan and a revised strategy for delivery, incorporating Strategic Achievement Measures for 2017/18 and beyond up to 2020 and for Growth 2021 at its meeting in March 2017.
- Strategic and business planning processes within which the Board approves strategy and business plan objectives supported by a performance monitoring framework;
- Development, monitoring and approval of the long term financial business plan updated with the annual budgeting cycle and in response to all significant environmental changes that includes robust stress testing and assessment of key risks and respective mitigation analysis.

- Separately, the Business Plan was reviewed by the HCA, which issues a governance and financial viability assessment. The Group's assessment was considered by the HCA stability check process during the year and the HCA confirmed our ratings as G1/V1 on 14 November 2016;
- The preparation and review of annual budgets which are approved by the Board; review of actual results against the approved budget, and revised forecasts prepared at three month intervals. The annual budgeting cycle informs and is informed by the long term financial business plan when setting the overall resources of the organisation in both the short and medium term;
- Board approved annual Treasury Strategy to control exposures in connection with Treasury management activities and regular monitoring of loan covenants and requirements for new loan facilities.
- Monthly performance indicators to identify trends are reported to Board quarterly to monitor progress towards objectives and to identify changes that require intervention;
- A new Delegatory framework incorporating Financial Regulations and Scheme of Delegation was developed during the year and approved by the Board in January 2017;
- Board approved a revised Value for Money strategy in March 2017, reinforcing our commitment to the Group's economy, efficiency and effectiveness objectives.
- A formal development appraisal group reviews appraisals of all proposed major investments in new properties and place regeneration initiatives that are subject to individual approval by this group prior to approval by the Executive Management Team, Growth Committee or Group Board as defined within the Delegatory Framework;
- Our Risk Appetite was reviewed by the Board in May 2017 ensuring an up to date risk management framework is in place for identifying, evaluating and managing the significant risks faced by the Group;
- The Board approved the implementation of Financial Golden Rules to support quantification of the Group's financial risk appetite to augment covenant headroom monitoring and stress testing at its meeting in March 2017.
- Audit and Risk Committee develop and approve a risk based internal audit plan receiving internal audit reports, tracking implementation of recommendations. The Audit & Risk committee uses the services of PriceWaterhouseCoopers to provide internal audit services;
- Clearly defined management responsibilities for the identification, evaluation and control of significant risks;
- Review of strategic risks at each meeting of the Board and bi-annually by the Audit & Risk Committee. The Audit and Risk Committee also receives updates on internal control framework bi-annually.
- Formal recruitment, retention, training and development policies for all staff;
- Board approved whistle blowing policy;
- Board approved probity policy;
- Programme of Board training is on-going;
- Board approved anti-fraud policy, including tenancy fraud, covering prevention, detection and reporting of fraud and the recovery of assets.

The effectiveness of the controls is assured by:

- Independent assurance by internal auditors as to the existence and effectiveness of the risk management activities described by management;
- Board / Audit & Risk Committee review and approval;
- External audit;
- External regulatory and other reports;
- Review and assurances by management.

The internal control framework, the risk management process and fraud register are subject to regular review by internal audit, which has responsibility for providing independent assurance to the Board via its Audit & Risk Committee. All reports to Board and Committees consider risk and risk appetite and separately the Board and Audit & Risk Committee considers the overarching risk strategy, map and controls bi-annually ensuring quarterly review.

A fraud register is maintained and is reviewed by the Audit and Risk Committee on a quarterly basis. During the year, there have been no dismissals in relation to fraud and no members of staff were given written warnings for wrongful behaviour. In addition, instances of fraud in relation to tenancies have been investigated and, where fraud has taken place, actioned and recorded.

The Audit and Risk Committee has received the Chief Executive's annual review of the effectiveness of the system of internal control for the Company and the annual report of the internal auditor, and has reported its findings to the Board.

The Board confirms that there is an on-going process for identifying, evaluating and managing the significant risks faced by the Group. This process has been in place throughout the year under review and up to the date of the Annual Report and Financial Statements and is reviewed by the Board. The Board has responsibility for the Group as a whole.

Post reporting date events

Following the tragic fire and loss of life at Grenfell Tower in the London Borough of Kensington and Chelsea on 14 June 2017 the Department of Communities and Local Government (DCLG) required all registered providers of social housing to identify high rise buildings that were clad with similar materials and submit samples of the cladding for independent testing. The Association has ten (One Manchester Group has sixteen) high rise developments, of between nine and sixteen floors, with Aluminium Composite Material (ACM) cladding to a single elevation, two elevations or the whole building

The over cladding system in place on the Group's high rise properties is not the same as that used on the Grenfell Tower. The Group's blocks have a rockwool, non combustible insulation in situ, with intumescent vertical and horizontal fire breaks, all windows and balconies are individual pods which in themselves create a fire break.

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

Year ended 31 March 2017

Since 23 June 2017, prior to receipt of the outcomes of initial BRE tests, to ensure the safety of its customers the Group has maintained 24 hours per day, 7 days per week, fire watch patrols in each block to provide a wakeful watch and manage building evacuation in the event of a fire.

During week commencing 25 June 2017 all blocks were subject to robust re-inspections by Greater Manchester Fire & Rescue Service that have confirmed that the blocks are fit to continue in occupation.

The UK Government requested further tests of insulation and cladding systems and these tests were undertaken during July and August 2017; including the systems present on the Group's medium and high rise properties. The outcome of these more detailed tests report that thirteen of the blocks did not meet the standard and three blocks passed, adequately resisting the spread of fire to the standard required by the current building regulations.

The Group is committed to ensuring the safety of its customers and the Board has resolved to install sprinklers and fire alarms to its medium and high rise buildings to ensure the fire safety of its customers. The cladding on the thirteen blocks that failed the second BRE tests will be replaced with a new cladding system as a priority.

The Group has sufficient loan facilities available and secured to fund all committed development, major repair improvement, installation of fire alarms and sprinklers to high rise blocks and remove and replace the ACM cladding should this be required.

Auditors

All of the current board members have taken all the steps that they ought to have taken to make themselves aware of any information needed by the association's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue. A resolution for the re-appointment of BDO LLP as auditors of the Association is to be proposed at the forthcoming Annual General Meeting.

By order of the Board



Victor Hassan
Company Secretary

21 September 2016

STRATEGIC REPORT

City South Manchester is a wholly owned subsidiary of One Manchester Limited and, except where specifically stated, this Strategic Report reflects the Group position, which in the directors opinion is not inconsistent with the association position.

One Manchester – our story

One Manchester is a provider of housing and community services. Formed in April 2015 from a merger between two of Manchester's largest housing associations – City South Manchester Housing Trust and Eastlands Homes Partnerships Limited, we currently own and manage more than 12,000 homes in central, south and east Manchester.

As an experienced and trustworthy landlord, we provide good quality homes that are safe, secure, warm and affordable, and we are proud to be known as a housing association.

One Manchester's customers have access to a range of tenure options. We provide social housing for people who cannot currently afford to rent at market rates. We also offer homes to rent at market rates for when people can afford this option. For those looking to purchase their own home, we offer schemes such as shared ownership and rent to buy.

We also believe that our responsibilities go much further than providing good quality, affordable homes. Our view is that housing associations are all about place-making. We exist to play an active role in developing our communities. We help people manage their money, find work, start-up businesses and stay healthy and well. In directing our attention to the needs of individual people – the very reason we exist – we aim to create places that will thrive and prosper.

Our vision is:

To lead, deliver and inspire social innovation across Manchester and the region. We will be a trusted and dynamic business providing clear direction that creates positive change in our areas. We will provide quality homes and shape services that improve people's lives and attract further growth and investment. We will use our skills and resources to build resilient, thriving communities.

Strategies to achieve our purpose

One Manchester was formed to face the challenges and maximise the opportunities in the city and for the people who live here.

Our strategic plan 2017-2020 outlines seven priorities that we will focus on. This will ensure we deliver on our promises to our staff, customers, communities and partners so that everyone connected to us can benefit from the city's growth and success.

- **Strategic Positioning** – for One Manchester and our customers to have a voice in, and a share of Greater Manchester's growth and success.
- **Transforming Service for our Customers** – to deliver modern and efficient services for our customers in the way they want and expect them to be delivered.

- **Place** – invest in people and manage our neighbourhoods effectively, so that they develop, grow and thrive.
- **Social Innovation and Partnership** – link together our knowledge and skills with those of our communities and partners, in new and imaginative ways, to improve opportunities for our customers.
- **Growth and Diversification** – to provide good quality homes that are affordable for customers to rent or buy.
- **Organisational capacity** – ongoing investment in our people and systems to ensure they are fit for purpose to deliver on our promises.
- **Financial resilience** – to generate and protect our income so that we can reinvest it into services and products that help our customers.

Business model

The One Manchester Group was formed 1 April 2015 when Eastlands Homes Partnership Limited and City South Manchester Housing Trust became subsidiaries of One Manchester Limited. One Manchester Limited, the Group parent, is a Charitable Community Benefit Society and an asset owning Registered Provider of Social Housing.

The Group operates within the City of Manchester.

The One Manchester Strategy is overseen and directed by the Group Board and Executive Team. The strategy is delivered through our operating model of One Manchester Limited providing Executive Management, Business Strategy, Housing Management, Asset Management, Growth and Support Services to the Group's registered providers of social housing. We deliver our property services in-house, with a directly employed team responsible for gas safety, responsive maintenance, grounds maintenance and estate cleaning.

The One Manchester Group adopted an efficient treasury structure upon its formation with a new treasury vehicle, One Manchester Treasury Limited that provides the private finance facilities for the Group. This structure allows for a more efficient use of the Group's security and private finance facilities enabling more efficient borrowing costs.

One Manchester Treasury refinanced the registered providers existing loans at the date of Group formation securing additional facilities with Royal Bank of Scotland Plc in addition to the existing facilities with Barclays Bank Plc. The loan facilities and lending covenants apply to the Group's subsidiary registered providers and One Manchester Treasury, that collectively form the loan facility obligors as depicted in the model below.

City South Manchester Developments Limited is the vehicle through which the Group develops new housing, performing the role of principal development contractor for the Group, ensuring efficient development of new homes in accordance with our growth and diversification strategic priority.

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

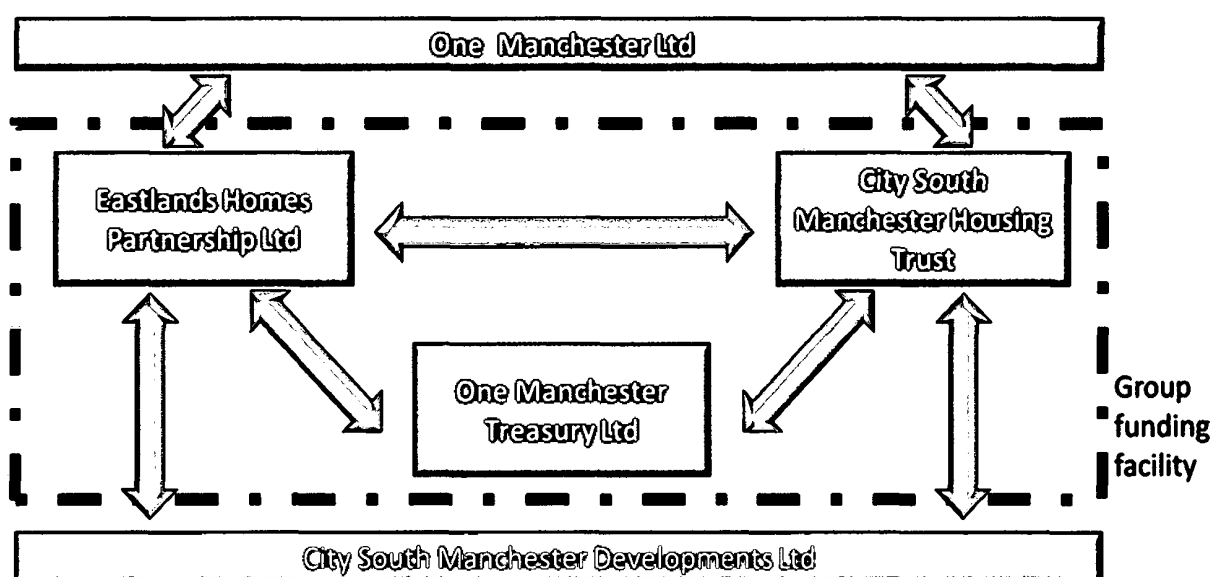
Year ended 31 March 2017

The Group comprises:

- One Manchester Limited, the Group parent and a Registered Social Housing Provider.
- City South Manchester Housing Trust Limited a Registered Social Housing Provider and registered charity.
- Eastlands Homes Partnership Limited a Registered Social Housing Provider and registered charity.
- City South Manchester Developments Limited.
- One Manchester Treasury Limited.
- Eastlands Homes Regeneration Limited (dormant company).

One Manchester Group Structure:

The graphic below shows the group structure and the relationships between the members.



Performance during the financial year

Below is a brief summary of the key areas and an in depth review is carried out in the Value for Money self-assessment available on the Group's website.

Merger and business plan savings

The merger business case leading to the formation of One Manchester identified a range of expected savings mostly being realised by year 3 of the merged business, 2017/18, and in overall terms £2.78m. Following the changes announced in the Government's budget in July 2015 a new business plan and long term Financial Business Plan has set out overall recurrent annual saving of £9.09m by 2020/21.

The Group's Financial Business Plan is underpinned by a detailed savings plan that was monitored by a delegated group of the Board, the Board Implementation Group, to ensure delivery of targeted efficiency savings each year. In developing this savings plan the Group protected its financial commitments to new development in full and its planned reinvestment in our existing assets and places.

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

Year ended 31 March 2017

These savings are delivered through the series of the seven cross organisational strategic priorities set out above. During the financial year One Manchester realised annualised saving of £5.9m, exceeding our target of £5.8m.

Asset Management Strategy

The Group has implemented Asset Performance Evaluation (APE) modelling that looks at the long term sustainability of each of our places and shapes and updates our long term asset strategy. The model has highlighted large areas of investment spend within places and the impact that has on net present value. Evaluation of areas in Beswick and Hulme have prompted master-planning exercises due to a forecasted high level repair spend and an identified opportunity to partner innovative regeneration projects within these places. The APE model continues to support our understanding and identification of areas of relative poor demand and higher turnover, resulting in during the year the opportunity to convert bedsit accommodation properties to ten x 1 bedroom flats that has improved both their sustainability and financial viability.

Growth strategy

The Group Financial Business Plan has committed to, and allocated resources for the development of 1,063 homes by 2021. During the year the Group:

- successfully bid for a grant allocation under the Homes & Communities Agency Shared Ownership and Affordable Housing Programme 2016-2021, receiving an allocation for £23million of grant to develop 765 new homes in Manchester across a range of tenures.
- continued the development of 172 market rent homes for completion in Autumn 2017, adjacent to the city centre in Hulme.
- commenced a development of 34 new houses, being 10 shared ownership and 24 market rent due for completion from August 2017.
- completed the refurbishment, following acquisition last year, of 8 market rent apartments in Levenshulme.
- acquired 24 homes for social and affordable housing as we took part in stock rationalisation with other Registered Providers.

Association Financial review of the year ended 31 March 2017

Overall the Association, before actuarial gain, generated a surplus of £7.2m (2016: £2.9m) which was significantly higher than the planned budget. The surplus achieved, excluding the financial accounting implications of FRS102, was greater than budget by £3.8m principally as a result of:

- sustained high demand for our properties resulting in void performance out performing the budget by £0.1m.
- strong rent collection performance during the year that positively impacted the Association's bad debt provision by £0.1m;
- revaluation of investment properties achieving a £3.6m gain in the year;
- other favourable variances across numerous headings including potentially abortive development costs and major repairs of £0.3m.

Association Financial Results

	2017	2016
	£'000	£'000
Highlights of Comprehensive Income		
Turnover	19,564	20,402
Operating costs	(13,874)	(16,267)
Operating surplus	6,381	5,718
Surplus before actuarial gain	7,190	2,924
Actuarial gain	506	2,605
Total comprehensive income for the year	7,696	5,529
Highlights of Financial Position	£'000	£'000
Social housing properties at cost	61,458	64,099
Non-social housing properties at valuation	20,735	3,027
Cash at bank and in hand	5,682	6,633
Net current (liabilities) / assets	(1,056)	4,861
Revenue reserve	5,396	(2,300)
Debt drawn	(47,033)	(43,100)
Number of homes in management		
Social housing	4,233	4,276
Market rent	19	21

Association Financial Position

Turnover reduced in the year by £0.8m, being 4.1%, to £19.6m. The reduction recognises:

- a £0.4m reduction in income from social housing lettings reflecting the first year of a four year reduction in social housing rents of one percent announced in the UK Government's July 2015 budget.
- a £0.4m reduction in 2017 of non-social housing income, principally a reduction in grant income receivable.

Operating costs reduced in the year by £2.4m to £13.9m. The principal changes of the financial year ended 31 March 2017 to the prior year are:

- £0.7m reduction in management costs and a £0.5m reduction in routine and planned maintenance, reflecting the Group's continued focus on delivering efficiency savings as discussed above in the section titled 'Merger and business plan savings'.
- £1.0m reduction in major repairs expenditure, reflecting the profile of expenditure identified in the Association's stock condition survey.
- £0.5m reduction in restructuring costs following the merger with Eastlands Partnership Homes Limited in April 2015 to form the Group. The costs of £0.3m incurred in the year represent costs incurred in consolidation of the Group office estate.

The total Comprehensive Income for the year was £7.7m (2016: £5.5m) for the year.

As referred to above within 'Growth Strategy' the Association continued the development of 172 new market rent homes in Hulme during the year incurring capital expenditure of £14.1m. The investment of £14.1m and the revaluation gain in the year of £3.6m result in the Association's Investment Properties increasing to £20.7m at 2017 (2016: £3.0m).

The increased development activity is the principal reason for the reported increase in Creditors falling due within one year to £8.4m (2016: £5.7m), that results in a net liabilities position in 2017 of £1.1m (2016: net assets of £4.9m). The Association has access to significant secured loan finance as discussed below.

The Statement of Financial Position reports that revenue reserves increased by £7.7m in the year to £5.4m as at 31 March 2017.

Group Financial Position

The financial position remains strong with social housing properties shown at historic cost of £167.9m (2016: £170.5m) and this compares to an underlying valuation of the Group's social housing properties of £371.8m (2016: £374m) on an Existing Use Value - Social Housing (EUV-SH) basis. The reduction in housing property cost in 2016 reflects disposal of 113 homes, principally through Right to Buy.

Non-social housing assets increased to £24.8m (2016: 5.9m) reflecting 196 market rented properties in development at the year end and a revaluation gain of £3.9m (2016: £1.0m).

These new properties were funded by operational cash flows with the Group's debt reducing to £121.1m (2016: £125.6m) after loan repayments of £4.5m (2016: £9.5m) from March 2016.

The revenue reserve now shows an accumulated loss of £14.2m (2016: £35.8m). The forecast shows that the surplus generated over the next two years will create a positive revenue reserve position.

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

Year ended 31 March 2017

Group Performance	2017	2016
Group Operating Surplus as % of Turnover (excluding fixed asset disposals)	31.0%	24.0%
Rent losses (voids and bad debts as % of rent and service charge receivable)	1.2%	0.5%
Current Rent arrears (gross arrears as % of net rent and service charge receivable)	5.5%	5.0%
Rent collected % excluding current arrears	100.1%	100.1%
Average re-let time in days	20.4	20.3
Net debt to turnover	1.92	1.76
Covenants	2017	2016
Interest cover as per loan agreements (Barclays / RBS)	2.97 / 2.90	1.93 / 1.93
Net Debt per unit (Barclays/ RBS)	£'s 9,015 / 8,963	8,391 / 8,391
Asset Cover (Barclays / RBS)	155% / 620%	150% / 601%
Effective interest rate	5.60%	5.62%

Financial covenants

The Group has three financial covenants, calculated on the aggregate of City South Manchester Housing Trust Limited, Eastlands Homes Partnership Limited and One Manchester Treasury Limited, being:

- Interest cover - calculated as the sum of: Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA), add surplus from property sales, less capitalised major repairs; expressed as a ratio in comparison to interest paid. In 2017 the tightest ratio was at 2.90 (2016: 1.93) which provide significant headroom against the minimum ratio of 1.0.
- Net debt per unit - has increased to £9.0k (2016: £8.4k) being significantly less than the £20k per unit maximum. The increase recognises debt has been repaid of £4.5m and cash levels, although remaining strong, have reduced to fund new development activity during the year.
- Asset cover – expressed as a percentage of the EUV-SH of the properties divided by the drawn loan facilities, resulting in cover for 2017 of 307% across the combined facility (2016: 298%) significantly exceeding the covenant requirement of 110%.

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

Year ended 31 March 2017

Cash flow

The Group has had a net outflow of cash and cash equivalents during the year of £11.3m (2016: net outflow £1m). The cash balance as at 31 March 2016 was £14.1m (2016: £24.4m).

Cash inflows and outflows for the year under review are set out in the Group Statement of Cash Flows. Net cash inflows from operating activities are principally from the management of housing stock.

The most significant net cash outflows are from investing activities; the spend on development and acquisition of new properties £20.2m (2016: £3.5m), major repairs capital expenditure to existing properties of £2.2m (2016: £5.1m), £4.5m debt repaid (2016: £9.5m) and £7.4m interest paid (2016: £7.3m).

Treasury management

Treasury management is the responsibility of the Board. The strategy is set annually, approved by the Board with quarterly review and monitoring reports.

Borrowings at the financial year end were £121.1m (2015: £125.6m) from Barclays Bank Plc and Royal Bank of Scotland Plc (RBS); the Group also has fully secured facilities of an additional £32.7m available to draw. The Treasury Strategy aims to ensure that loans are not all due for repayment in any one year. The Barclays debt of £81.5m and the RBS debt of £39.6m have agreed phased repayments until 2035. The effective interest rate in the year was 5.59% (2016: 5.62%).

The Group's approved long term financial business plan confirms the existing secured facilities and cash balances meets its development and planned investment for in excess of the next two years.

The Group manages the risk of fluctuations in interest rate through a mixture of variable and fixed rate debt. As at 31 March 2017 the Group had 14% of debt on a variable interest rate, 86% was on a fixed rate. The fixed rate loans are on an embedded basis and the Group has no standalone derivatives.

The Group borrows only in sterling so does not have any currency risk. Any cash surpluses are invested in approved UK institutions in accordance with the approved Group Treasury Management practices.

Accounting policies

The policies are set out in pages 29 to 40 of the financial statements. Accounting policies are consistent across the Group.

Future prospects

The Group continues to focus on delivering its efficiency savings programme in response to the Government's budget in July 2015 with the target annualised efficiency savings as follows:

Actual 2017 £'000	Forecast 2018 £'000	Forecast 2019 £'000	Forecast 2020 £'000	Forecast 2021 £'000
5,926	7,418	7,750	8,838	9,088

The Group has reviewed its growth strategy in the context of the national and regional conditions and opportunities. The key elements include:

- Completed a review to increase its growth plan, increasing the planned development of new homes to 1,063 by March 2021.
- Develop Greater Manchester Housing Partnership partnering options;
- Greater balance for routes to ownership in our tenure offer as our development programme includes Rent to Buy and Shared Ownership;
- Establish a market rent and sales management product offer; and
- Development of master plan options for a number of our key places.

Risk and uncertainties

The six top risks in order of net risk are:

Risk	Mitigation and controls
Risk of fire to high rise properties and / or failure to have robust fire precautions in place. Sub - risks of failure to comply with building regulations, failure to carry out remedial work promptly and failures in communication with residents. Potential impact on business planning, reputational risk and impact on growth programme.	Implementation of 24/7 fire watch patrols in all high rise developments until the installation of fire alarms in summer 2017 to be followed by sprinkler systems. The Group's long term Financial Business Plan has been revised confirming financial capacity to accommodate the remedial works to the Group's high rise properties without adverse impact on loan covenant compliance or requirement to defer new homes development programme. Procurement of alarms, sprinklers and replacement cladding solution is supported by external specialists, a Greater Manchester registered providers technical working group (to pool intelligence, best practice and procurement), in conjunction with Greater Manchester Mayor's office and Fire & Rescue Services.

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED*Year ended 31 March 2017*

Risk	Mitigation and controls
Impact on the business of new development programme, and change in product range offered. The successful HCA SOAHP 2016-21 bid now drives the need to secure additional private finance and the costs associated with this.	Stand-alone risk register maintained and monitored by the Board in respect of growth and diversification programme. The Group's approved Financial Business planning included multi variate stress testing of growth risks. The Group Board also approved financial Golden rules to measure and forecast risk appetite and exposure. During the year additional experienced resources were recruited within the Growth Team, supported by increased quality of market, supply chain and economic cycles intelligence, including Savills consultancy, used to inform planning and development period risks. The Group's Governance structure was revised to include the addition of a non-executive Growth committee with dedicated focus to challenge, scrutinise and monitor the growth programme.
Impact on our Business Plan of the 1% cumulative rent reduction in social housing rents until 2020 and the risk of failure to deliver the Group's efficiency savings plan.	Revised long term Financial Business Plan approved by the Board with robust stress testing. Efficiencies identified and expected are being monitored by the Board to ensure delivery of these efficiency savings.
Failure to have in place an adequate succession plan for Board membership in order that the right skills are recruited to successfully deliver One Manchester's strategic aims.	Board development plan based on outcomes of appraisals and skills matrix in place. Successful recruitment and induction during 2016/ 2017 and further board recruitment drive, with external support, to appoint a new member to act as Vice-Chair and to shadow the incumbent Chair to benefit from knowledge transfer until Chair's term ends May 2018.
Reduction in rent collection and increase in arrears due to the impact of welfare reforms, especially the mix and migration of Universal Credit, implementation in 2019 of the Local Housing Allowance rent cap for tenants aged under 35, increase in costs for customers such as council tax and fuel.	Additional resources invested in the Group Income Collection & Financial Inclusion teams to support customers with welfare reforms, combined with investment in behavioural communication techniques to ensure rent collection levels maintained. The Group has included stress testing of potential impacts on voids, bad debts & additional rent collection costs when setting business plans.
Impact of a major incident due to gas supply or appliance failure, failure to service to statutory timelines and / or severe weather leading to injury, illness and reputational damage.	Robust servicing regime utilising our own workforce, supported by action plans, regular audits and quality assurance by independent specialists. Reporting of Landlord Gas Safety records compliance in place and reported to Operations Committee and Board.

Governance

The Board of One Manchester Limited meets as a 'Common Purpose Board' with the Boards of its subsidiaries (and original One Manchester Group partners), City South Manchester Housing Trust Limited and Eastlands Homes Partnership Limited. It is comprised of ten Non-Executive Members, of whom two are residents, six are independent, one is a co-opted officer of Manchester City Council and one Member is an elected Councillor of Manchester City Council and also the Chair of the three Boards. All, with the exception of the Co-opted Member, are also members of the Board of the two subsidiaries. In addition each subsidiary has two Board Members (one resident and one elected Manchester City Councillor) who are exclusively members of that Board. The Group Executive Team attends all meetings of the Board.

Three other subsidiary companies complete the One Manchester Group namely One Manchester Treasury Limited (a subsidiary of One Manchester Limited), City South Manchester Developments Limited (a subsidiary of City South Manchester Housing Trust Limited) and Eastlands Regeneration Company Limited (a subsidiary of Eastlands Homes Partnership Limited).

Board members are remunerated within the National Housing Federation recommended scale.

One Manchester Limited has adopted the National Housing Federation Code of Governance (2015) ('the Code') for itself and its subsidiaries.

The main principles of the Code are:

- The Board must be effective in the strategic leadership and control of the organisation and act wholly in its best interest. Board members must ensure that the interests of the organisation are placed before any personal interests.
- Each Board must be clear about its duties and responsibilities. These must be formally recorded and made available for all existing and potential board members. Each Board must be headed by a skilled chair that is aware of his or her duties as leader of the Board.
- Recruitment to board vacancies must be open and transparent and based on the Board's considered view of the skills and attributes required to discharge its functions. The Board must select or appoint new members objectively on merit and must undertake regular appraisals of its members and of the Board as a whole.
- The Board must act effectively, making clear decisions based on timely and accurate information. Committees may be established where the Board determines that they will provide expertise and enable it to deliver effective governance and manage risk.
- The Board must establish a formal and transparent arrangement for considering how the organisation ensures financial viability, maintains a sound system of internal controls, manages risk and maintains an appropriate relationship with its auditors.
- There must be clear working arrangements between the Board and the Chief Executive and clear delegation of authority.

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

Year ended 31 March 2017

- Organisations must maintain, and be seen to maintain, the highest ethical standards of probity and conduct. Boards must operate in an open and transparent manner, having dialogue with and accountability to tenants and other key stakeholders.

One Manchester Limited and its subsidiaries comply with the National Housing Federation Code of Governance (2015) in full.

Value for money self-assessment 2016/17

The Group Accounts for One Manchester Limited contain a Value for Money (VFM) executive summary and the extract is drawn from the full VFM self-assessment that can be located on the One Manchester company website at www.onemanchester.co.uk/who-we-are/performance/vfm. If you have any difficulty in locating the full electronic version a hard copy can be obtained by writing "For The Attention of The Company Secretary" at One Manchester Limited, Eastlands House, Victoria Street, Openshaw, Manchester, M11 2NX.

By order of the Board



Victor Hassan
Company Secretary

21 September 2017

DIRECTORS' RESPONSIBILITIES

The board are responsible for preparing the strategic report, annual report and the financial statements in accordance with applicable law and regulations.

Company law and social housing legislation requires the Board to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the association and of surplus or deficit of the association for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed and the Statement of Recommended Practice: Accounting by registered providers of social housing 2014, 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 charitable company will continue in business.

The Board are responsible for keeping adequate accounting records that are sufficient to show and explain the association's transactions and disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. They are also responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board members are responsible for ensuring that the report of the Board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2014.

Financial statements are published on the association's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the association's website is the responsibility of the Board. The Board responsibility also extends to the ongoing integrity of the financial statements contained therein.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

We have audited the financial statements of City South Manchester Housing Trust Limited for the year ended 31 March 2017 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in reserves and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the association's members, as a body, in accordance with the Housing and Regeneration Act 2008 and Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the board and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 March 2017 and of the association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 in England 2015.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITY SOUTH MANCHESTER HOUSING TRUST LIMITED (CONTINUED)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept by the association, or returns adequate for our audit have not been received from branches not visited by us; or
- the association financial statements are not in agreement with the accounting records and returns; or
- a satisfactory system of control has not been maintained over transactions; or
- certain disclosures of board member and or directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

BDO LLP

*Hamid Ghafoor (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Manchester
United Kingdom*

Date: 22/09/2017 .

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2017

	Note	2017 £ '000	2016 £ '000
Turnover	3	19,564	20,402
Operating costs	3	(13,874)	(16,267)
Surplus on the disposal of fixed asset housing properties	6	691	1,583
Operating surplus	3,5	6,381	5,718
Interest receivable and similar income	7	51	73
Interest payable and similar charges	8	(2,879)	(2,957)
Increase in fair value of Investment properties	14	3,640	90
Surplus on ordinary activities before taxation		7,193	2,924
Tax on deficit on ordinary activities	11	(3)	-
Surplus for the financial year		7,190	2,924
Other comprehensive income:			
Actuarial gain relating to pension scheme	10	506	2,605
Total comprehensive income for the year		7,696	5,529

The notes on pages 29 to 62 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
At 31 March 2017

	Note	2017 £ '000	2016 £ '000
Tangible fixed assets			
Housing properties	12	61,458	64,099
Other tangible fixed assets	13	2	29
Investment properties	14	20,735	3,027
		<hr/>	<hr/>
		82,195	67,155
Current assets			
Debtors	16	1,678	2,917
Investments	17	-	1,016
Cash at bank and in hand		5,682	6,633
		<hr/>	<hr/>
		7,360	10,566
Creditors: amounts falling due within one year	18	(8,416)	(5,705)
		<hr/>	<hr/>
Net current (liabilities) / assets		(1,056)	4,861
		<hr/>	<hr/>
Total assets less current liabilities		81,139	72,016
		<hr/>	<hr/>
Creditors: amounts falling due after more than one year	19	(72,564)	(70,992)
Pension liability	10	(3,179)	(3,324)
		<hr/>	<hr/>
Net assets / (liabilities)		5,396	(2,300)
		<hr/>	<hr/>
Capital and reserves			
Revenue reserve		5,396	(2,300)
		<hr/>	<hr/>
		5,396	(2,300)
		<hr/>	<hr/>

The notes on pages 29 to 62 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 21 September 2017 and are signed on its behalf by:



Bernard Priest
Chair



Stephen Mole
Chair of Audit & Risk Committee

STATEMENT OF CHANGES IN RESERVES

2017	Income & Expenditure Reserve £ '000
Balance at 1 April 2016	(2,300)
Surplus for the year	7,190
	<hr/>
Actuarial gain on defined pension scheme (note 10)	506
	<hr/>
Other comprehensive income for the year	506
	<hr/>
Balance at 31 March 2017	5,396
	<hr/>
 2016	 Income & Expenditure Reserve £ '000
Balance at 1 April 2015	(7,829)
Surplus for the year	2,924
	<hr/>
Actuarial gain on defined pension scheme (note 10)	2,605
	<hr/>
Other comprehensive income for the year	2,605
	<hr/>
Balance at 31 March 2016	(2,300)
	<hr/>

The notes on pages 29 to 62 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Legal status

City South Manchester Housing Trust Limited is incorporated under the Companies Act 2006 and Charities Act 2011 and is registered with the Homes and Communities Agency as a Registered Provider.

2. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which for the association includes the Companies Act 2006, the Housing and Regeneration Act 2008, FRS 102 "the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland", the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2014, "Accounting by registered social housing providers" and the Accounting Direction for Private Registered Providers of Social Housing 2015.

The association is a Public Benefit Entity (PBE) and has applied the provisions for FRS102 specifically applicable to PBE's.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Association's accounting policies (see end of note 2).

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of One Manchester Limited as at 31 March 2017 and these financial statements may be obtained from their registered office.

The following principal accounting policies have been applied:

NOTES TO THE FINANCIAL STATEMENTS

2. Accounting Policies (continued)

Consolidation

The financial statements reflect the activities of the company only and not the consolidated financial information including subsidiary undertaking, City South Manchester Developments Limited. The company has taken the exemption from producing consolidated financial information as it is included by full consolidation in its parent company, One Manchester Limited's consolidated financial statements.

Income

Income is measured at the fair value of the consideration received or receivable. The association generates the following material income streams:

- Rental income receivable (after deducting lost rent from void properties available for letting),
- Service charges receivable,
- Revenue grants,
- Amortisation of Social Housing Grant and Gap funding grant,
- proceeds from the sale of land and property, including first tranche sale of shared ownership properties.

Rental income is recognised from the point when properties under development reach practical completion and are formally let. Revenue Grants are receivable when the conditions for receipt of agreed grant funding have been met. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities. Income from first tranche sales of shared ownership property and sales of properties built for sale is recognised at the point of legal completion of the sale.

Service charges

The association adopts the variable method for calculating and charging service charges to its tenants and leaseholders. Expenditure is recorded when a service is provided and charged to the relevant service charge account or to a sinking fund. Income is recorded based on the estimated amounts chargeable.

Schemes managed by agents

Income is shown as rent receivable and management fees payable to agents are included in operating costs.

Should the association carry the financial risk on property managed by agents, all the income and expenditure arising from the property during the year will be included in the Statement of Comprehensive Income.

Should an agency carry the financial risk, then the Statement of Comprehensive Income will include only that income and expenditure that relates solely to the association.

NOTES TO THE FINANCIAL STATEMENTS

2. Accounting Policies (continued)

Pension costs

Contributions to the association's defined contribution pension scheme are charged to the Income Statement in the year in which they become payable.

The association participates in a funded defined benefit scheme, the Greater Manchester Pension Fund (GMPF). The difference between the fair value of the assets held in the association's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the association's balance sheet as a pension asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the association is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the Statement of Financial Position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Statement of Financial Position date.

Taxation

The charge for taxation for the year is based on the surpluses arising from non-charitable activities which are liable to tax.

Deferred taxation is provided in full on timing differences which result in an obligation at the Statement of Financial Position date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise, based on current tax rates and law.

Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax balances are not discounted.

Value added tax

The majority of the association's income, being rents, is exempt for VAT purposes and this gives rise to a partial exemption calculation for VAT recovery. Expenditure is therefore primarily recorded inclusive of VAT with the small proportion that can be recovered credited to the Statement of Comprehensive Income. The balance of VAT payable or recoverable at the year end is included as a current liability or asset.

NOTES TO THE FINANCIAL STATEMENTS

2. Accounting Policies (continued)

Finance costs

Finance costs are charged to Income Statement over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument and amortised over the period of the related loan.

Tangible fixed assets – Social housing properties

Housing properties are valued under the historical cost basis and stated at cost less depreciation and impairment (where applicable).

The cost of housing land and property represents their purchase price and any directly attributable costs of acquisition which may include an appropriate amount for staff costs and other costs of managing development.

Directly attributable costs of acquisition includes capitalised interest calculated, on a proportional basis, using finance costs on borrowing which has been drawn in order to finance the relevant construction or acquisition. Where housing properties are in the course of construction, finance costs are only capitalised where construction is on-going and has not been interrupted or terminated.

Expenditure on major refurbishment to properties is capitalised where the works increase the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the net rental income, a reduction in future maintenance costs, or a subsequent extension in the life of the property. All other repair and replacement expenditure is charged to the Statement of Comprehensive Income.

Housing properties in the course of construction, excluding the estimated cost of the element of shared ownership properties expected to be sold in first tranche, are included in Tangible fixed assets – housing properties and held at cost less any impairment, and are transferred to completed properties when ready for letting.

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

Gains and losses on disposal of social housing property are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

2. Accounting Policies (continued)

Depreciation of housing property

Assets in the course of construction are not depreciated until they are completed and ready for use to ensure that they are depreciated only in periods in which economic benefits are expected to be consumed.

The cost of all other housing property (net of accumulated depreciation to date and impairment, where applicable) and components is depreciated over the useful economic lives of the assets on the following basis:

Freehold land is not depreciated.

Housing properties are split between the structure and the major components which require periodic replacement. The costs of replacement or restoration of these components are capitalised and depreciated over the determined average useful economic life as follows:

Description	Economic useful life (years)
Structure	100
Kitchen	20
Bathroom	30
Roofs	55
Doors	25
Boiler	15
Rewiring	30
Windows	30
Central Heating	30
Lifts	25
Overcladding	30

Leasehold properties are depreciated over the length of the lease except where the expected useful economic life of properties is shorter than the lease; when the lease and building elements are depreciated separately over their expected useful economic lives.

NOTES TO THE FINANCIAL STATEMENTS

2. Accounting Policies (continued)

Gap funding grant

The association is partly funded through Gap Funding Grant from the Homes and Communities Agency (HCA). This grant is provided to meet the Decent Homes Standard, regenerate the area and improve the environment. Such funding is accounted for by reference to the accounting treatment of the grant eligible costs so funded. The funding of revenue costs is regarded as revenue income with Turnover, and the funding of capitalised additions to Housing Properties is carried as deferred income in the Statement of Financial Position and released to the Statement of Comprehensive Income on a systematic basis over the useful economic lives of the assets for which it was received.

Government grants

Grants received in relation to assets that are presented at historic cost have been accounted for using the accrual model set out in FRS 102 and the Housing SORP 2014. Grant is carried as deferred income in the balance sheet and released to the Statement of Comprehensive Income on a systematic basis over the useful economic lives of the asset for which it was received. In accordance with Housing SORP 2014 the useful economic life of the housing property structure has been selected.

Where Social Housing Grant (SHG) funded property is sold, the grant becomes recyclable and is transferred to a recycled capital grant fund until it is reinvested in a replacement property. If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within creditors is released and recognised as income within the Statement of Comprehensive Income.

Grants relating to revenue are recognised in Income Statement over the same period as the expenditure to which they relate once performance related conditions have been met.

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

Recycled capital grant fund

On the occurrence of certain relevant events, primarily the sale of dwellings, the HCA can direct the association to recycle capital grants or to make repayments of the recoverable amount. The association adopts a policy of recycling, for which a separate fund is maintained. If unused within a three year period, it will be repayable to the HCA with interest. Any unused recycled capital grant held within the recycled capital grant fund, which it is anticipated will not be used within one year is disclosed in the Statement of Financial Position under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

NOTES TO THE FINANCIAL STATEMENTS

2. Accounting Policies (continued)

Disposal proceeds fund

Receipts from Right to Acquire (RTA) sales are required to be retained in a ring fenced fund that can only be used for providing replacement housing. The sales receipts less eligible expenses are credited to the Disposal Proceeds Fund. Any sales receipts less eligible expenses held within disposal proceeds fund, which it is anticipated will not be used within one year is disclosed in the Statement of Financial Position under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

Investment properties

Investment properties consist of commercial properties and other properties not held for social benefit or for use in the business. Investment properties, including assets in the course of construction, are measured at cost on initial recognition and subsequently carried at fair value at each reporting date. Fair value is determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive Income.

Impairment of fixed assets

The housing property portfolio for the association is assessed for indicators of impairment at each accounting date. Where indicators are identified then a detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which impairment is indicated to their recoverable amounts. An option appraisal is carried out to determine the option which produces the highest net realisable value. Valuations on rental return or potential sale proceeds are obtained and used to inform the options. The association looks at the net realisable value, under the options available, when considering the recoverable amount for the purposes of impairment assessment. The recoverable amount is taken to be the higher of the fair value less costs to sell or value in use of an asset or cash generating unit. The assessment of value in use may involve considerations of the service potential of the assets or cash generating units concerned or the present value of future cash flows to be derived from them appropriately adjusted to account for any restrictions on their use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Where the recoverable amount of an asset or cash generating unit is lower than its carrying value an impairment is recorded through a charge to Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS

2. Accounting Policies (continued)

Tangible fixed assets – Other

Other tangible fixed assets, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The association adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the association. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to Statement of Comprehensive Income during the period in which they are incurred.

Depreciation of other tangible fixed assets

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Description	Economic useful life (years)
Freehold offices	40
Furniture, fixtures and fittings	4
Computers and applications	3
Plant and equipment	4
Motor vehicles	4

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Statement of Comprehensive Income.

Debtors and creditors

Debtors and creditors, with no stated interest rate, receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Statement of Comprehensive Income in other operating expenses.

NOTES TO THE FINANCIAL STATEMENTS

2. Accounting Policies (continued)

Stock and properties held for sale

Stock is stated at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales proceeds after allowing for all further costs to completion and selling costs.

Properties developed for outright sale are included in current assets as they are intended to be sold, at the lower of cost or estimated selling price less costs to complete and sell.

At each reporting date, stock and properties held for sale are assessed for impairment. If there is evidence of impairment, the carrying value is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

Recoverable amount of rental and other trade receivables

The association estimates the recoverable value of rental and other receivables and impairs the debtor by appropriate amounts. When assessing the amount to impair it reviews the age profile of the debt, historical collection rates and the class of debt.

Rent and service charge agreements

The association has made arrangement with individuals and households for arrears payments of rent and service charges. These arrangements are effectively loans granted at nil interest rate.

Loans, investments and short term deposits

All loans, investments and short term deposits held by the association are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost), FRS 102 requires that basic financial instruments are subsequently measured at amortised cost. Loans and investments that are payable or receivable within one year are not discounted.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Leased assets

Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

2. Accounting Policies (continued)

Leased assets: Lessor

Where assets are leased to a third party analysis of the lease is undertaken to determine if the lease gives rights approximating to ownership of the asset to the lessee. The group accounts for lessor transaction based on this analysis:

- where rights are granted to the lessee approximating to ownership (finance leases), the assets are treated as if they have been sold outright.
- where rights are not granted to the lessee approximating to ownership (operating leases), their annual rentals are credited to Statement of Comprehensive Income on a straight-line basis over the term of the lease.

Contingent liabilities

A contingent liability is recognised for a possible obligation, for which it is not yet confirmed that a present obligation exists that could lead to an outflow of resources; or for a present obligation that does not meet the definitions of a provision or a liability as it is not probable that an outflow of resources will be required to settle the obligation or when a sufficiently reliable estimate of the amount cannot be made.

A contingent liability exists on grant repayment which is dependent on the disposal of related property.

NOTES TO THE FINANCIAL STATEMENTS

2. Accounting Policies (continued)

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the following judgements have had the most significant effect on amounts recognised in the financial statements.

- **Indicators of impairment of the association's tangible and intangible assets**

Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. The association have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on EUV-SH or depreciated replacement cost. The members have also considered impairment based on their assumptions to define cash generating units.

- **Development expenditure**

The anticipated costs to complete on a development scheme include anticipated construction cost, effective rate of interest on loans during the construction period, legal costs and other costs. Initial capitalisation of costs is based on management's judgement that the development scheme is confirmed, usually when Board approval has taken place including access to the appropriate funding. In determining whether a project is likely to cease, management monitors the development and considers if changes have occurred that result in impairment.

- **Pension**

The critical underlying assumptions in relation to the estimate of the pension defined benefit scheme obligation include standard rates of inflation, mortality, discount rate and anticipated future salary increases. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expense.

- **Leases**

Whether leases entered into by the association are operating lease or finance leases depends on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

- **Categorisation of housing properties**

The association has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the association has considered if the asset is held for social benefit or to earn commercial rentals. The association has determined that market rented properties are investment properties.

NOTES TO THE FINANCIAL STATEMENTS

2. Accounting Policies (continued)

Other key sources of estimation uncertainty:

- **Tangible fixed assets**

Tangible fixed assets, other than investment properties, are depreciated over their useful economic lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. For housing property assets, the assets are broken down into components based on assessment of the properties. Individual useful economic lives are assigned to these components.

- **Rental and other trade receivables (debtors)**

The estimate for receivables relates to the recoverability of the balances outstanding at the year end. A review is performed on an individual debtor basis to consider whether each debt is recoverable.

- **Fair value of investment Properties**

The group carries its investment properties at fair value, with changes in fair value recognised in the Statement of Comprehensive Income. The group engaged independent valuation specialists to determine the fair value at the Statement of Financial position date. The valuer used a valuation technique based on a discounted cash flow model. The determined fair value of the investment property is the most sensitive to the estimated yield as well as the long term vacancy rate. The key assumptions used to determine the fair value of investment property are further explained in note 14 of the financial statements.

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED
Year ended 31 March 2017

NOTES TO THE FINANCIAL STATEMENTS

3. Turnover, operating costs and operating surplus

	2017			2016		
	Turnover	Operating costs	Operating surplus/ (deficit)	Turnover	Operating costs	Operating surplus/ (deficit)
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Social housing lettings	19,196	(13,227)	5,969	19,587	(15,617)	3,970
Other social housing activities						
Supporting people	9	(9)	-	-	-	-
Development costs not capitalised	-	(71)	(71)	-	(45)	(45)
	9	(80)	(71)	-	(45)	(45)
Non-social housing activities						
Place, Skills, Health & Wellbeing	-	(374)	(374)	226	(262)	(36)
Market Rent lettings	103	-	103	57	(11)	46
Development costs not capitalised	-	-	-	-	(284)	(284)
Other	256	(193)	63	532	(48)	484
	359	(567)	(208)	815	(605)	210
	19,564	(13,874)	5,690	20,402	(16,267)	4,135
Surplus on disposal of fixed asset housing property (note 6)			691			1,583
			6,381			5,718

NOTES TO THE FINANCIAL STATEMENTS

3. Turnover, operating costs and operating surplus (continued)

Particulars of income and expenditure from general needs social housing lettings

	2017	2016
	£ '000	£ '000
Social Housing Lettings		
Rent receivable net of identifiable service charges	17,446	17,809
Service charge income	327	299
Capital grant amortisation (note 19)	1,423	1,479
Net general needs housing related income	19,196	19,587
Management	4,647	5,356
Services	1,259	1,211
Routine maintenance	1,904	3,205
Planned maintenance	767	-
Major repairs expenditure	1,122	2,169
Bad debts	194	(229)
Depreciation of housing properties	3,027	3,002
Depreciation of other assets	27	29
Restructuring	280	874
Operating costs on social housing lettings	13,227	15,617
Operating surplus on social housing lettings	5,969	3,970
Void losses	87	106

The restructuring costs incurred during the year ended 31 March 2017 represent costs incurred in consolidation and rationalisation of the Group office estate.

The comparison in respect of the year ended 31 March 2016 represent voluntary redundancy scheme costs, rebranding costs and integration project expenditure arising from the merger with Eastlands Homes Partnership on 1 April 2015.

NOTES TO THE FINANCIAL STATEMENTS

4. Accommodation in management

At the end of the year, units managed for each class of accommodation were as follows:

	2017	2016
	No.	No.
Social housing		
General housing (social rents)	4,233	4,276
Non-social housing		
Market rent (investment properties)	19	21

5. Operating surplus

This is arrived at after charging:

	2017	2016
	£ '000	£ '000
Depreciation of housing properties	3,027	3,022
Depreciation of other tangible fixed assets	27	29
Operating lease rentals		
- vehicles, office equipment & computers	-	29
- land & buildings	366	366
Auditors' remuneration (including VAT)		
- for external audit services	10	10
- for non-audit services (tax advisory, other)	-	-

6. Surplus on disposal of fixed assets – housing properties

	2017	2016
	No.	No.
	£'000	£'000
Disposal proceeds	2,397	2,328
Carrying value of fixed assets	(628)	(652)
MCC Contribution	(1,242)	(1,310)
Grant released to income on disposal	318	1,217
Transfer to Disposal Proceeds Fund	(154)	-
	691	1,583

In line with emerging practice the surplus on disposal of fixed assets has been presented as part of the operating surplus. The impact in restating results for the year ended 31 March 2016 is to increase operating surplus by £1,583k, there is no impact on the overall surplus for that year.

NOTES TO THE FINANCIAL STATEMENTS

7. Interest receivable and similar income

	2017	2016
	£ '000	£ '000
Interest receivable on bank deposits	51	73
	<hr/>	<hr/>
	51	73
	<hr/>	<hr/>

8. Interest payable and similar charges

	2017	2016
	£ '000	£ '000
Loans and bank overdrafts	2,814	2,725
Capitalised Interest	(119)	-
Bank charges	10	1
Amortisation of Financing Costs	53	53
Pension fund funding costs (note 10)	121	178
	<hr/>	<hr/>
	2,879	2,957
	<hr/>	<hr/>

9. One Manchester Group Employees, Board members and executive directors

Employees

All employees of One Manchester Group are employed on joint contracts of employment for all companies within the Group and at any time may be engaged on work for any of the Groups companies.

The following disclosures reflect the staff and payroll costs of the whole group.

One Manchester Group average monthly number of employees expressed in full time equivalents:	2017	2016
	No.	No.
Administration	63	63
Neighbourhood Services	149	172
Property Services	152	166
	<hr/>	<hr/>
Total Full time equivalents based on a 35 hour working week:	364	401
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS**9. One Manchester Group Employees, Board members and executive directors
(continued)**

One Manchester Group Employee costs:	2017	2016
	£ '000	£ '000
Wages and salaries	11,345	11,925
Social security costs	1,121	1,046
Pension costs	1,932	2,900
	<hr/>	<hr/>
	14,398	15,871
	<hr/>	<hr/>

One Manchester Group salary bandings for all Employees (including Directors) earning over £60,000 was as follows:

Bands	2017	2016
£60,000-£69,999	8	4
£70,000-£79,999	5	-
£80,000-£89,999	-	-
£90,000-£99,999	1	2
£100,000-£109,999	2	1
£110,000-£119,999	-	-
£120,000-£129,999	-	1
£130,000-£139,999	1	-
	<hr/>	<hr/>
	17	8
	<hr/>	<hr/>

Following the merger in April 2015, the group has implemented a new Operating Model and staff structure, resulting in the senior management team being restructured and new appointments made at benchmarked salaries. The year to 31 March 2017 therefore reflects the first full financial year of the new operating model.

NOTES TO THE FINANCIAL STATEMENTS

9. One Manchester Group Employees, Board members and executive directors (continued)

One Manchester Group Board members and executive directors

	2017	2016
	£ '000	£ '000
Aggregate remuneration paid to Directors (including Pension contributions)	509	496
Aggregate remuneration paid to Board members	58	43
Emoluments paid to the highest paid Director, Chief Executive (excluding pension contributions)	131	130

The Chief Executive is a member of the Local Government – Greater Manchester Pension Fund. He is an ordinary member of the pension scheme and no enhanced or special terms apply. The Company does not make any further contribution to an individual pension arrangement for the Chief Executive.

Directors comprise the Chief Executive and Executive Directors as listed within the One Manchester Group financial statements. These individuals are those considered by the company to be the key management personnel.

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED
Year ended 31 March 2017

NOTES TO THE FINANCIAL STATEMENTS

9. Group & Association Employees, Board members and executive directors (continued)

Board members	Remuneration £	Member of:				Audit & Risk Committee	Operations Committee	Growth Committee	Remuneration & Governance Committee
		Group Board	Eastlands Homes Partnership	City South Manchester Housing Trust					
Bernard Priest (Chair)	-	X	X	X				X	X
Graham Aitken	5,890	X	X	X	X				
David Dennehy	6,963	X	X	X	X	X	X		
Alison Gordon	5,890	X	X	X	X	X			
Karen Heaton	6,963	X	X	X					X
Anne Southern	6,963	Resigned 29/3/17	Resigned 29/3/17	Resigned 29/3/17	Resigned 29/3/17				
Stephen Mole	983	Appointed 29/3/17	Appointed 29/3/17	Appointed 29/3/17	Appointed 29/2/17			X	
Phil Summers	5,890	Resigned 26/7/17	Resigned 26/7/17	Resigned 25/1/17	Resigned 26/7/17	Resigned 26/7/17	Resigned 26/7/17	Resigned 26/7/17	
Stephen Kinsey	5,890	X	X	X	X				X
Sara Todd	4,122	X							
Donna Taylor	-	Resigned 14/6/17	Resigned 14/6/17	Resigned 14/6/17			Resigned 14/6/17		
Nadim Ahmed	2,948			X			X		
Mike Amesbury	-			Resigned 7/12/16					
Emily Rowles	-			Appointed 29/3/17					
John Brown	2,948		X		X	X			
Suzanne Richards	2,948		X					X	X

NOTES TO THE FINANCIAL STATEMENTS

9. Group & Association Employees, Board members and executive directors (continued)

City South Manchester Housing Trust Limited – Company Only Staff Costs Incurred

As outlined previously, since the company joined the One Manchester Group on 1 April 2015 payroll costs have been incurred on a group basis. All employees of One Manchester Group are employed on joint contracts of employment for all companies within the Group and at any time may be engaged on work for any of the Groups companies.

The costs shown below reflect the costs recharged to the company from total group payroll costs. The Group employee numbers and costs are allocated and recharged to the subsidiaries from the parent company based upon the number of properties in management for each respective subsidiary.

	2017	2016
	£ '000	£ '000
Wages and salaries	4,084	4,293
Social security costs	404	377
Pension costs	695	1,044
	<hr/>	<hr/>
	5,183	5,714
	<hr/>	<hr/>
Company average monthly number of employees expressed in full time equivalents:	2017	2016
	No.	No.
Administration	23	23
Neighbourhood Services	54	62
Property Services	55	60
	<hr/>	<hr/>
Total Full time equivalents based on a 35 hour working week:	132	145
	<hr/>	<hr/>

10. Pensions

The Greater Manchester Pension Fund

The Scheme commissions an actuarial valuation of the Scheme every 3 years. This is to determine the financial position of the Scheme and assess the level of future contributions required, so that the Scheme can meet its future pension obligations as they fall due.

Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

NOTES TO THE FINANCIAL STATEMENTS

10. Pensions (continued)

The most recent full actuarial valuation was carried out in 2016, performed by a professionally qualified actuary using the "projected unit credit" method. This valuation is updated by the actuary at each reporting date to provide financial statement assets and liabilities values.

Expected contributions for the year 2017/18 are £836k.

Financial assumptions

	31 March 2017	31 March 2016
	% per annum	% per annum
Discount rate	2.6%	3.5%
Future salary increases	3.2%	3.5%
Future pension increases	2.4%	2.2%

Mortality assumptions

The post-retirement mortality assumptions adopted to value the benefit obligation at 31 March 2017 is based on the CMI2013 model (2016: CMI2010 model). The assumed life expectations on retirement at age 65 are:

	2017	2016
	No. of years	No. of years
Current pensioners:		
Males	21.5	21.4
Females	24.1	24.0
Future pensioners:		
Males	23.7	24.0
Females	26.2	26.6

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

	2017	2015
	%	%
Equities	75	73
Bonds	16	17
Properties	5	6
Cash	4	4

NOTES TO THE FINANCIAL STATEMENTS

10. Pensions (continued)

Changes in Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for year ended 31 March 2017

Period Ended 31 March 2017	Assets £'000	Obligations £'000	Net (liability) / asset £'000
Fair value of plan assets	27,311	-	27,311
Present value of funded liabilities	-	30,635	(30,635)
Opening position at 31 March 2016	27,311	30,635	(3,324)
Service costs			
Current service cost	-	880	(880)
Total service cost	-	880	(880)
Net interest			
Interest income on plan assets	961	-	961
Interest cost on defined benefit obligation	-	1,082	(1,082)
Total net interest	961	1,082	(121)
Total defined benefit cost recognised in profit or (loss)	961	1,962	(1,001)
Cashflows			
Plan participants contributions	263	263	-
Employer contributions	640	-	640
Benefits paid	(549)	(549)	-
Expected closing position	28,626	32,311	(3,685)
Remeasurements			
Changes in demographic assumptions	-	100	(100)
Changes in financial assumptions	-	6,904	(6,904)
Other experience	-	(2,196)	2,196
Return on assets excluding amounts included in net interest	5,314	-	5,314
Total remeasurements recognised in Other Comprehensive Income (OCI)	5,314	4,808	506
Fair value of plan assets	33,940	-	33,940
Present value of funded liabilities	-	37,119	(37,119)
Closing position as at 31 March 2017	33,940	37,119	(3,179)

NOTES TO THE FINANCIAL STATEMENTS

10. Pensions (continued)

Changes in Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for year ended 31 March 2016

Period Ended 31 March 2016	Assets £'000	Obligations £'000	Net (liability) / asset £'000
Fair value of plan assets	27,053	-	27,053
Present value of funded liabilities	-	32,392	(32,392)
Opening position at 31 March 2015	27,053	32,392	(5,339)
Service costs			
Current service cost	-	1,101	(1,101)
Total service cost	-	1,101	(1,101)
Net interest			
Interest income on plan assets	872	-	872
Interest cost on defined benefit obligation	-	1,050	(1,050)
Total net interest	872	1,050	(178)
Total defined benefit cost recognised in profit or (loss)	872	2,151	(1,279)
Cashflows			
Plan participants contributions	278	278	-
Employer contributions	689	-	689
Benefits paid	(550)	(550)	-
Expected closing position	28,342	34,271	(5,929)
Remeasurements			
Changes in demographic assumptions	-	-	-
Changes in financial assumptions	-	(3,427)	3,427
Other experience	-	(209)	209
Return on assets excluding amounts included in net interest	(1,031)	-	(1,031)
Total remeasurements recognised in Other Comprehensive Income (OCI)	(1,031)	(3,636)	2,605
Fair value of plan assets	27,311	-	27,311
Present value of funded liabilities	-	30,635	(30,635)
Closing position as at 31 March 2016	27,311	30,635	(3,324)

NOTES TO THE FINANCIAL STATEMENTS

11. Tax on surplus on ordinary activities

Current tax reconciliation	2017 £ '000	2016 £ '000
Surplus on ordinary activities before tax	7,193	2,924
Tax on surplus on ordinary activities at standard CT rate of 20% (2016: 20%)	1,439	585
Deferred tax not recognised	(6)	-
Charitable income not chargeable to tax	(1,430)	(585)
Actual current and total taxation charge	3	-

12. Tangible fixed assets - housing properties

	Social housing properties held for letting £ '000	Housing properties for letting under construction £ '000	Total housing properties £ '000
Cost			
At 1 April 2016	80,762	-	80,762
Reclassification from Investment Properties	59	-	59
Properties acquired	27	-	27
Works to existing properties	905	-	905
Disposals	(910)	-	(910)
At 31 March 2017	80,843	-	80,843
Depreciation			
At 1 April 2016	16,663	-	16,663
Charged in year	3,027	-	3,027
Eliminated on disposal	(305)	-	(305)
At 31 March 2017	19,385	-	19,385
Net book value			
At 31 March 2017	61,458	-	61,458
At 31 March 2016	64,099	-	64,099

NOTES TO THE FINANCIAL STATEMENTS**12. Tangible fixed assets - housing properties (continued)**

Expenditure on works to existing properties	2017	2016
	£ '000	£ '000
Amounts capitalised	905	2,433
Amounts charged to income and expenditure account	1,122	2,169
Total	2,027	4,602

13. Tangible fixed assets - other

	Furniture fixtures and fittings £ '000	Computers and office equipment £ '000	Plant and equipment £ '000	Total £ '000
Cost				
At 1 April 2016	579	1,005	62	1,646
Additions	-	-	-	-
Disposals	(579)	(993)	(58)	(1,630)
At 31 March 2017	-	12	4	16
Depreciation				
At 1 April 2016	577	985	55	1,617
Charged in year	2	18	7	27
Eliminated on disposal	(579)	(992)	(59)	(1,630)
At 31 March 2017	-	11	3	14
Net book value				
At 31 March 2017	-	1	1	2
At 31 March 2016	2	26	1	29

NOTES TO THE FINANCIAL STATEMENTS

14. Tangible fixed assets – investment properties

	Market Rent properties held for letting £ '000	Investment Properties under construction £ '000	Total £ '000
At 1 April 2016	1,707	1,320	3,027
Reclassification to Housing Properties	-	(59)	(59)
Property additions	610	13,517	14,127
Revaluation	(265)	3,905	3,640
Disposals	-	-	-
At 31 March 2017	2,052	18,683	20,735

The company's investment properties are valued annually on 31 March at fair value, determined by an independent, professionally qualified valuer. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual. Investment properties are held at open market value subject to existing tenancies.

The surplus on revaluation of investment property arising of £3,640k (2016: £90k) has been credited to the Statement of Comprehensive Income for the year.

The historic cost of investment properties is £16,985k (2016: £2,937k).

15. Investments in subsidiaries

The company has one subsidiary, City South Manchester Developments Limited.

City South Manchester Housing Trust Limited owns the entire issued share capital (£1) of City South Manchester Developments Limited.

City South Manchester Developments Limited is incorporated in the UK and is a building contractor.

NOTES TO THE FINANCIAL STATEMENTS

16. Debtors

	2017	2016
	£'000	£'000
Due within one year		
Rent and service charges receivable	1,774	1,618
Less: Provision for bad and doubtful debts	(864)	(724)
Net rent and service charges receivable	910	894
Other debtors	456	513
Prepayments and accrued income	260	162
Recoverable VAT debtor	-	71
Amounts owed from Group undertakings	52	1,277
	1,678	2,917

17. Current Asset Investments

	2017	2016
	£'000	£'000
Bank deposits	-	1,016
	-	1,016

18. Creditors: amounts falling due within one year

	2017	2016
	£'000	£'000
Trade creditors	741	698
Rent and service charges received in advance	754	556
VAT & RTB Sharing agreements – MCC Council	375	654
Accruals and deferred income	1,584	723
Other taxation and social security	3	-
Disposal Proceeds Fund (note 20)	154	-
Other creditors	19	51
Deferred capital grant (note 19)	1,420	1,480
Loans - Amounts owed to Group undertakings	1,937	1,181
Amounts owed to Group undertakings	1,429	362
	8,416	5,705

NOTES TO THE FINANCIAL STATEMENTS

19. Creditors: amounts falling due after more than one year

	2017	2016
	£'000	£'000
Debt - Amounts owed to Group undertakings	45,096	41,919
Less: Unamortised loan arrangement fees	(956)	(1,009)
Deferred capital grant	28,424	30,082
	72,564	70,992

Deferred capital grant

	2017	2016
	£'000	£'000
Net deferred capital grant at start of year	31,562	34,128
Grant received	-	-
Grant disposals	(295)	(1,087)
Grant amortisation	(1,423)	(1,479)
	29,844	31,562
Net deferred capital grant due in less than one year	1,420	1,480
Net deferred capital grant due in more than one year	28,424	30,082
	29,844	31,562

Gross accumulated capital grant received is £40,361k (2016: £40,361k). Total accumulated revenue grant received is £25,331k (2016: £25,331k).

20. Disposal Proceeds Fund

	2017	2016
	£'000	£'000
At 1 April 2016 / 2015	-	-
Additions	154	-
Interest	-	-
Utilised	-	-
At 31 March 2017 / 2016	154	-

NOTES TO THE FINANCIAL STATEMENTS**21. Debt analysis**

On 1 April 2015, following the creation of the One Manchester Group loans were repaid in full and redrawn in the name of One Manchester Treasury Limited, a wholly-owned subsidiary of One Manchester Limited, the group parent. These monies were then on lent by One Manchester Treasury Limited to the company.

Housing loans are repayable as follows:

	Inter- Group loans 2017 £ '000	Inter- Group loans 2016 £ '000
Within one year	1,937	1,181
Between one and two years	2,646	1,919
Between two and five years	2,450	-
After five years	40,000	40,000
	<hr/>	<hr/>
	47,033	43,100
	<hr/>	<hr/>

Security

Bank loan facilities are provided to fellow group undertaking One Manchester Treasury Limited who then on lends by way of a Group Funding Arrangement to City South Manchester (CSM) and Eastland's Homes Partnership (EHP). Both CSM and EHP guarantee One Manchester Treasury Limited which is backed by a fixed charge on their housing assets in favour of the banks.

22. Non-equity share capital

The shares provide members with the right to vote at general meetings, but do not provide any rights to dividends or distributions on a winding up.

23. Financial commitments

Capital expenditure	2017 £ '000	2016 £ '000
Expenditure contracted for but not provided in the accounts	12,441	237
Expenditure authorised by the Board, but not contracted	15,691	24,819
	<hr/>	<hr/>
	28,132	25,056
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

23. Financial commitments (continued)

Capital commitments for the Association will be funded as follows:

	2017	2016
	£ '000	£ '000
Existing loan facilities	12,082	7,488
First tranche and outright sale of properties	2,776	-
Grants	3,045	-
Existing reserves	10,229	17,568
	<hr/>	<hr/>
	28,132	25,056
	<hr/>	<hr/>

24. Operating leases

The association had minimum lease payments under non-cancellable operating leases as set out below:

	2017	2016
	£ '000	£ '000
Land & Buildings		
Within one year	366	396
One to five years	90	495
Beyond five years		-
	<hr/>	<hr/>
	456	891
	<hr/>	<hr/>

25. Contingent liabilities

The Company had no contingent liabilities requiring disclosure at 31 March 2017 (2016: £Nil).

26. Related parties

On 1 April 2015, Eastlands Homes Partnership Limited and City South Manchester Housing Trust Limited combined to form One Manchester Housing Group. There is equal representation of both parties within the management structure. As a public benefit entity combination in which the rights of the controlling parties of the combined entity remain unchanged relative to other controlling parties the transaction has been accounted for following the principles of merger accounting as set out in FRS 102 section 34. The ultimate parent is One Manchester Limited, a Community Benefit Society and a Registered Provider.

NOTES TO THE FINANCIAL STATEMENTS

26. Related parties (continued)

One Manchester Ltd provides management services, other services and loans to its subsidiaries. The company also receives charges from its subsidiaries.

Intra-group management fees are receivable by the Company from its subsidiaries to cover the running costs the Company incurs on its behalf in managing the subsidiaries.

The company has taken the exemption available not to disclose details of transactions with other regulated entities within the One Manchester Group.

City South Manchester Housing Trust Limited has tenant members of the Board, but it is the Company policy that the tenancy of any tenant member of the Board is on normal commercial terms and they cannot use their position to their advantage. The rent charged for the year was £3,574 for the first tenant and the tenant had a credit balance of £130 at the 31 March 2017 (31 March 2016: credit balance of £395). The rent charged for the year to the second tenant was £3,562 and the tenant had a debit balance of £211 at the 31 March 2017 (31 March 2016: debit balance of £216).

Four members of the Board that served during the year were local authority appointed members. All transactions with the council are on normal commercial terms and the councillors are not able to use their position to their advantage.

Transactions with non-regulated group entities

During the year the Association incurred construction costs totalling £11,181k (2016: £1,018k) from subsidiary City South Manchester Developments Limited. Management costs of £nil (2016: £5k) were charged to City South Manchester Developments Limited. As at 31 March 2017 £1,063k (2016: £354k) was due to City South Manchester Developments Limited. A Gift Aid payment of £nil was received from City South Manchester Developments Limited in the year (2016: £31k).

During the year the Association incurred interest and non-utilisation fees totalling £2,817k (2016: £2,772k) from the Group company One Manchester Treasury Limited. The interest was charged at the rate as incurred by One Manchester Treasury Limited on its bank loans plus a margin of 0.1% (2016: nil margin). As at 31 March 2017 Loans of £47,033k (2016: £43,100k) was due to One Manchester Treasury Limited (Note 20) and a further £136k was due to One Manchester Treasury (2016: £961k due from One Manchester Treasury).

NOTES TO THE FINANCIAL STATEMENTS

27. Post balance sheet events

Following the tragic fire and loss of life at Grenfell Tower in the London Borough of Kensington and Chelsea on 14 June 2017 the Department of Communities and Local Government (DCLG) required all registered providers of social housing to identify high rise buildings that were clad with similar materials and submit samples of the cladding for independent testing. The Association has ten (One Manchester Group has sixteen) high rise developments, of between nine and sixteen floors, with Aluminium Composite Material (ACM) cladding to a single elevation, two elevations or the whole building

The over cladding system in place on the Group's high rise properties is not the same as that used on the Grenfell Tower. The Group's blocks have a rockwool, non combustible insulation in situ, with intumescent vertical and horizontal fire breaks, all windows and balconies are individual pods which in themselves create a fire break.

Since 23 June 2017, prior to receipt of the outcomes of initial BRE tests, to ensure the safety of its customers the Group has maintained 24 hours per day, 7 days per week, fire watch patrols in each block to provide a wakeful watch and manage building evacuation in the event of a fire.

During week commencing 25 June 2017 all blocks were subject to robust re-inspections by Greater Manchester Fire & Rescue Service that have confirmed that the blocks are fit to continue in occupation.

The UK Government requested further tests of insulation and cladding systems and these tests were undertaken during July and August 2017; including the systems present on the Group's medium and high rise properties. The outcome of these more detailed tests report that thirteen of the blocks did not meet the standard and three blocks passed, adequately resisting the spread of fire to the standard required by the current building regulations.

The Group is committed to ensuring the safety of its customers and the Board has resolved to install sprinklers and fire alarms to its medium and high rise buildings to ensure the fire safety of its customers. The cladding on the thirteen blocks that failed the second BRE tests will be replaced with a new cladding system as a priority.

The Group has sufficient loan facilities available and secured to fund all committed development, major repair improvement, installation of fire alarms and sprinklers to high rise blocks and remove and replace the ACM cladding should this be required.

NOTES TO THE FINANCIAL STATEMENTS

28. Financial Instruments

The financial instruments may be analysed as follows:

	2017 £ '000	2016 £ '000
Financial Assets		
Financial Assets measured at historical cost:		
- Trade receivables	910	894
- Other receivables	768	2,023
- Current asset investments	-	1,016
- Cash and cash equivalents	5,682	6,633
	<hr/>	<hr/>
	7,360	10,566
	<hr/>	<hr/>

The financial instruments may be analysed as follows:

	2017 £ '000	2016 £ '000
Financial Liabilities		
Financial liabilities measured at amortised cost:		
- Loans payable	46,077	42,091
Financial liabilities measured at historical cost:		
- Trade creditors	741	698
- Other creditors	34,162	33,908
	<hr/>	<hr/>
	80,980	76,697
	<hr/>	<hr/>

Financial assets measured at historical cost comprise trade debtors, other debtors, and amounts owed by associated undertakings.

Financial liabilities measured at historical cost comprise trade creditors and other creditors.

NOTES TO THE FINANCIAL STATEMENTS

28. Financial Instruments (continued)

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

	2017	2016
	£ '000	£ '000
Floating rate	7,033	3,100
Fixed rate	40,000	40,000
	<hr/>	
Total	47,033	43,100
	<hr/>	

The floating rate financial liabilities comprise bank loans and overdrafts that bear interest at rates based on the three-month LIBOR.

Fixed rate loan rates range from 6.37% to 6.68% and the average rate during the year was 6.51% (2016: 6.41%).

The debt maturity profile is shown in note 21.