Financial Statements

For the year ended 31 March 2017

Co-operative & Community Benefit Societies Act 2014
No. 25733R

Registered Social Landlord
No. LH3728

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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Executives and Advisors

BOARD OF MANAGEMENT

Olu Olanrewaju **Chair**
Duncan Hughes
Zakia Raja
Nigel Newman
Pamela Leonce
Nisha Makwana
Puneet Rajput
Gordon Mattocks

SECRETARY AND REGISTERED OFFICE

Gina Amoh
Unit 3
8 Kew Bridge Road
Brentford
London
TW8 0FJ

SENIOR STAFF TEAM

Gina Amoh – *Chief Executive*
Eric Nelson-Addy – *Director of Finance & Resources*
Christian Carlisle – *Director of Operations*

STATUTORY REGISTRATIONS

Co-operative & Community Benefit Societies Act 2014
No. 25733R

Registered Social Landlord
No. LH3728

BANKERS

National Westminster Bank
1 The Mall
Ealing
London
W5 2PL

AUDITOR

Nexia Smith & Williamson
25 Moorgate
London
EC2R 6AY

SOLICITORS

Prince Evans
Craven House
40-44 Uxbridge Road
Ealing
London
W5 2BS

Devonshires Solicitors
30 Finsbury Circus
London
EC2M 7DT

The Board presents its report and the Association's audited financial statements for the year ended 31 March 2017

PRINCIPAL ACTIVITIES

Inquilab Housing Association Limited (the Association or Inquilab) is a charitable social landlord administered by a board of management. Inquilab is regulated by the Homes and Communities Agency (HCA) and is principally engaged in:

- The provision and management of affordable rented social housing for people who cannot afford to rent in the open market
- The provision of shared ownership homes to meet the needs of people who cannot afford the outright purchase of homes on the open market
- Working in close partnership with other Registered Providers, local authorities, community groups, local contractors and encourage residents' participation in all levels of our decision making to improve the quality of life in local communities.

STATEMENT OF RESPONSIBILITIES OF THE BOARD

The Board is responsible for preparing the Report of the Board and the financial statements in accordance with applicable laws and regulations.

Co-operative and Community Benefit Society law and social housing legislation require the Board members to prepare financial statements for each financial year for the Association in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102, 'The Financial Reporting standard applicable in the UK and Republic of Ireland' and applicable 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 organisation and of the surplus or deficit for that period.

In preparing these financial statements, the Board members 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 and the Statement of Recommended.

Practice for Registered Social Housing Providers (SORP 2014) have been followed, subject to any material departures disclosed, and explained in the financial statements; and

- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping proper 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 to enable them to ensure that the financial statements comply with the Co-operative & Community Benefit Societies Act, the Housing and Regeneration Act 2008, the Accounting Direction for private registered providers of social housing 2015, and the Statement of Recommended Practice: Accounting by Registered Social Landlords (2014).

They are also responsible for safeguarding the assets of the Association and, hence, for taking reasonable steps to prevent and detect fraud and other irregularities.

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

Key aspects of the Association's current governance procedures are detailed below:

BOARD

The Board has nine members, eight are non-executive and one is an executive member. The non-executive members embrace a broad range of experience in business, finance, property development, risk management and housing services.

The Board meets regularly to set and review the strategic direction and the financial and operational performance of the Association. The Chief Executive, in consultation with the Chair, produces an agenda for each meeting supported by papers from executive members who present the papers and answer any questions that arise as part of the Board discussion. The Board has a framework of delegation to committees whose functions are set out below. It also has a number of matters that are reserved to the Board. The Board has authority for implementing the agreed strategy and for general management of the Association is delegated to the Chief Executive and the Board.

All Board members are briefed and are aware of their responsibilities to bring independent judgement on all issues. On appointment, they are informed of the procedure for obtaining professional advice at the Association's expense. Regular site visits, presentations and meetings with senior management and advisers are arranged to ensure that all Board members are kept informed of their responsibilities, the Association's activities, its objectives and the environment in which it operates. In addition, the Chief Executive and senior management team are fully accessible to all Board members and maintain regular contact with them.

BOARD COMMITTEES

The Board formally delegates specific responsibilities to the following committees, each of which operates under terms of reference agreed by the Board. The committee members are all non-executive members of the Board, but the committees are supported by executive team members as appropriate.

THE AUDIT AND ASSURANCE COMMITTEE (A&AC)

This committee comprises four Board members and normally meets four times a year. It has been set up to support the Board in discharging its responsibilities, particularly in maintaining an effective system of internal control. The committee's objective is to give assurance to the Board on the effectiveness of the system of risk management and internal control, the integrity of the Association's annual report and accounts, the work of the internal audit service, the external audit by the external auditor and such other matters as may be referred to it, by the Board. The external and internal auditors attend key meetings and have direct access to the committee Chair. The committee keeps the relationship between the Association and its auditors under review and considers their independence, including the extent of their fees from non-audit services.

REMUNERATION COMMITTEE

This committee comprises of three Board members. It is responsible for the recruitment of Board members, the Board member appraisal system, advising on general corporate governance issues and the pay and remuneration of the Board and executive team.

RISK MANAGEMENT OBJECTIVES AND POLICIES

The Board reviews the Association's financial performance regularly and in light of this, assesses the risks facing the Association through a structured risk management process. Risk management is a planned and systematic approach to the identification, evaluation, prioritisation and control of risks and opportunities. It is defined as the chance of something happening that will have an impact (positive or negative) on the achievement of the organisation's objectives.

We are committed to ensuring that consideration of risks is a part of the everyday management process across the organisation and is intended to:

- improve our decision making and optimise opportunities
- promote innovation in efficient and effective service delivery
- enhance our reputation
- minimise levels of inspection and regulation
- deliver value for money
- avoid unbudgeted expenditure and/or loss of income.

We manage risk rather than avoid it and we identify, analyse, prioritise and mitigate the risks we face. We do this through a risk register that records and analyses risks according to their potential impact and probability. We encourage innovative solutions that we can implement with an awareness and active management of the risks that they carry. Our internal control and corporate governance arrangements include a risk management strategy which aims to:

- deliver our objectives more effectively
- promote service improvement through cost effective actions that manage risk and exploit areas of potential
- minimise and manage unacceptable and avoidable errors and serious incidents
- minimise our exposure to fraud and corruption
- make risk management an integral part of key management processes
- discharge our duty of care to our customers and employees.

NHF GOVERNANCE CODE

The Board is committed to a high standard of corporate governance, and seeks to adhere to the principal recommendations of the NHF's Governance Code 2015 and regularly reviews its activities against this. The Association is fully compliant with the provisions of the Code.

COMPLIANCE WITH THE GOVERNANCE AND FINANCIAL VIABILITY STANDARD

The Board undertakes a regular assessment of compliance with the governance and financial viability standard. The Association is fully compliant with the provisions of the standard.

OUR MISSION

At Inquilab Housing Association we are passionate about supporting our communities, providing homes and a good service to help our customers.

We provide more than 1,250 homes through a wide range of rental and homeownership opportunities to over 3,500 customers in West and North West London, Elmbridge and Slough.

In practice this means that we build high quality homes at affordable rents. We sell some of our homes on a shared ownership basis, let homes at sub-market rents and provide services to tenants and leaseholders. We also help our tenants to find employment and the wider community to help increase their self-reliance and independence.

We invest all our income in support of our charitable objectives. These objectives include building new affordable homes, letting and maintaining our existing homes, improving our customer service and supporting our most vulnerable customers and local communities.

OUR STRATEGIC OBJECTIVES

We are committed to helping address wider social issues among our residents and communities, such as financial inclusion. Our corporate plan for 2016-21 sets out our key objectives and growth strategy and recognises the important influence of the political and economic operating environment. We continue to review the corporate plan on an on-going basis in response to significant changes in the operating environment.

OUR VALUES

Service	Delivering services residents value and we are proud of
Trust	Being open, honest and showing integrity
Accountability	Taking ownership and responsibility
Respect	Showing care, commitment and fairness
Strength	Building on the strength of people, legacy and resources

CORE PRINCIPLES

Our corporate plan 2016-21 is to provide good customer experience, invest new homes and more specifically:

- we will continue to develop our services to residents, in partnership with them through our Residents Scrutiny Panel (RSP) and resident involvement framework
- we will take all reasonable steps to achieve top regulatory rankings for governance and financial viability
- we recognise how difficult it is for a growing number of people to afford a decent home at market prices, so we are committed to building homes and making them available for people on a broader range of incomes
- we will continue to invest in helping our residents to become more self-reliant, more aspirational and less dependent on benefits
- we will remain independent but open to opportunities for growth through manageable mergers or partnerships with other housing associations.

Our corporate plan sets out core themes with key objectives as set out in the table below. These aspirations guide our business planning, budgeting and performance monitoring; we expect to make sustainable progress towards them each year, complying at all times with prudential financial parameters. This is the framework we will use to assess our value for money achievements by 2020-21.

OUR 2021 GOALS

CORE THEMES	KEY OBJECTIVES
FINANCIAL STRENGTH	We will maintain an annual surplus to turnover ratio of at least 10% year on year to 2020-21. Risk management and the delivery of capital programmes will include a focus on protecting Inquilab appropriately from downside risks.
NEW HOMES	We will aim to maximise the number of new rented homes we can deliver through cross-subsidy from other tenures and using grant where available on acceptable terms. We will aim to build new shared ownership homes to meet the aspirations of those who seek to own their own home.
OUR LANDLORD SERVICES	We will tailor the services we provide to meet the different requirements of social rent and leasehold residents. We will invest in our stock to ensure that our assets are managed cost effectively and maintained to achieve agreed levels of customer satisfaction. Existing tenancies will be maintained on existing terms. New lettings will be on five year renewable tenancies.
FINANCIAL INCLUSION AND PARTNERSHIPS	We will deliver cost effective initiatives to help residents into work. We will use our supply chain to create training and employment opportunities for our residents. We will build financial awareness.
PEOPLE	We will improve our recruitment processes to deliver high calibre appointments. We will build staff capacity to deliver great services, growth and commercial success. We will improve staff engagement, leading directly to improved performance.

Financial review

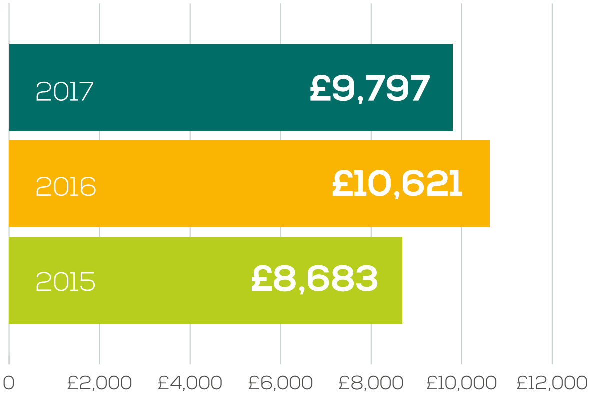
Our financial strength remains key to delivering our social objectives. This year we achieved a surplus of £2.75 million (2016: £2.68 million) and remain financially strong and robust. Our continued sound finances should enable us to continue investing in the services we provide our residents and improving the condition of our properties.

The prime objective is to maintain our financial health and viability, enabling us to invest in quality homes and services.

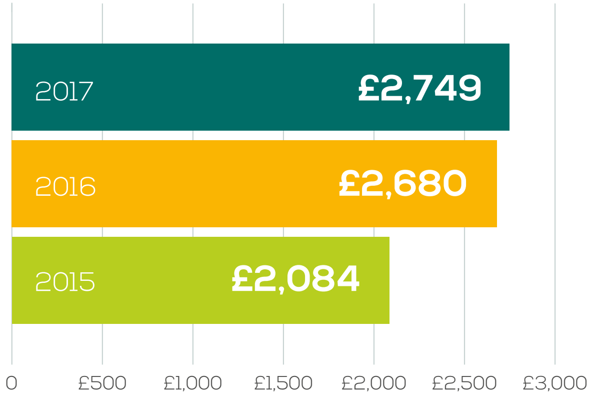
We use a number of key performance indicators to track and monitor performance, together with regular peer group benchmarking.

Turnover was down by 7.8% to £9.80 million (2016: £10.62 million) with income generated from lettings and associated income of £9.52 million (2016: £9.53 million). First tranche sales included in the turnover figure for the year were £0.26 million (2016: £1.062 million).

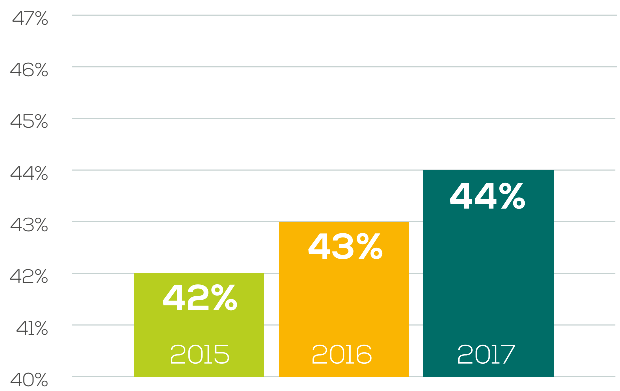
TURNOVER £



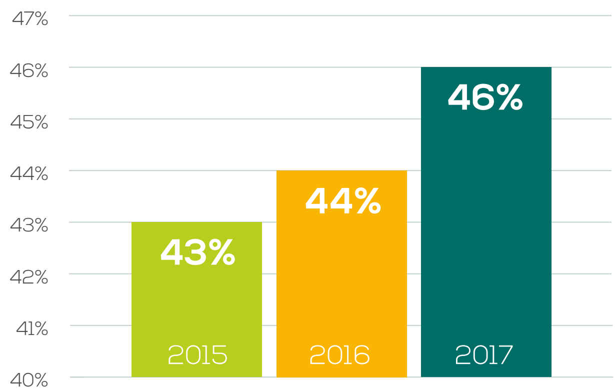
SURPLUS £



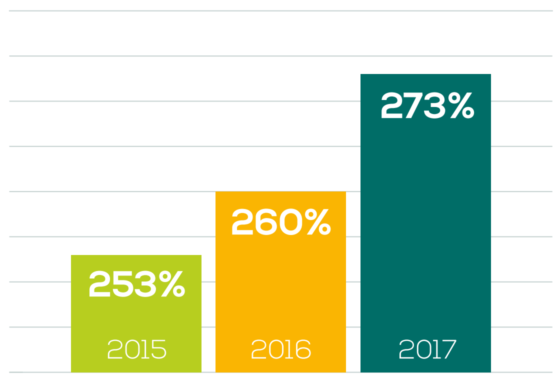
OPERATING MARGINS



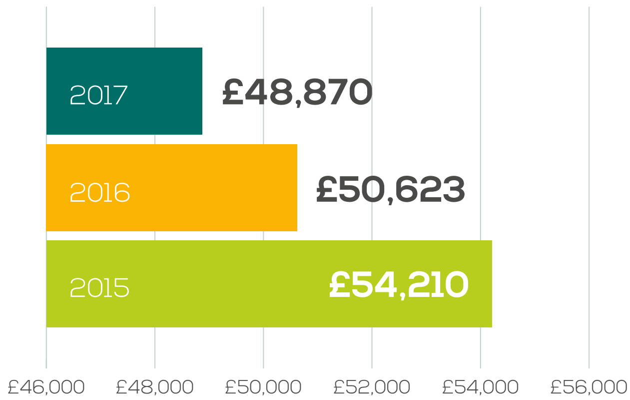
OPERATING MARGINS (SOCIAL HOUSING LETTINGS)



EBITDA



TOTAL DEBT PER UNIT £



The reduction in turnover is mostly attributable to reduced number of first tranche shared ownership sales in the year with marginal impact of 1% cut in rents. Surplus for the year was £2.75 million (2016: £2.68 million). Key features of the results were as follows

- operating surplus of £4.27 million (2016: £4.58 million)
- an improved operating margin of 44% (2016: 43%) due to improved results from social housing activities
- our social housing lettings activities generated an operating surplus of £4.41 million (2016: £4.19 million) on the back of containing operating costs and
- an operating cost per home of £4,082 (2016: £4,257) and
- social housing lettings operating margins of 46% (2016: 44%)
- operating costs of social letting activities reduced by £0.23 million or 4.3%, reflecting our targeted cost reduction programme
- surplus on first tranche sales of £0.03 million (2016: £0.51 million)
- surplus from staircasing sales of shared ownership properties of £0.38 million (2016 £0.25 million
- net interest payable of £1.94 million (2016 £2.16 million).

SUMMARY OF FINANCIAL PERFORMANCE AND YEAR END POSITION

The reduction in turnover is mostly attributable to a reduced number of first tranche shared ownership sales in the year and some impact of a 1% cut in rents. Key features of the results were as follows:

- an operating surplus of £4.27 million (2016: £4.58 million)
- an improved operating margin of 44% (2016: 43%) due to better results from social housing activities
- social housing letting activities generated an operating surplus of £4.41 million (2016: £4.19 million) while containing operating costs
- an operating cost per home of £4,082 (2016: £4,257)
- social housing lettings operating margins of 46% (2016: 44%)
- operating costs of social letting activities reduced by £0.23 million (4.3%) reflecting our targeted cost reduction programme
- a surplus on first tranche sales of £0.03 million (2016: £0.51 million)
- a surplus from staircasing sales of shared ownership properties of £0.38 million (2016 £0.25 million
- interest payable of £2.03 million (2016 £2.27 million).

BALANCE SHEET (£'000)	2017	2016	2015
Housing properties at cost less depreciation	**143,803**	145,197	144,990
Other tangible fixed assets and investments	**2,289**	202	197
Net current assets	**10,548**	11,590	10,221
Total assets less current liabilities	**156,640**	156,989	155,408
Loans due after one year	**58,474**	60,814	63,099
Unamortised grant liability	**68,893**	69,475	68,711
Other long-term liabilities	**2,936**	3,112	2,690
Revenue reserve	**26,337**	23,588	20,908
Total long term liabilities and reserves	**156,640**	156,989	155,408
Interest cover %	**234%**	215%	202%
Gearing gross %	**56.83%**	60.40%	65.14%
Gearing net of cash %	**52.11%**	50.46%	54.65%

TREASURY

Treasury activities focus on ensuring that the Association has sufficient liquidity to fund its operations for a minimum of one year, mitigating the impact of adverse movements in interest rates. Ensuring that loan covenants are met and ranking the preservation of capital ahead of returns when making investment decisions.

Inquilab is financed by a combination of non-distributable retained reserves, long and medium-term committed loan facilities from banks and other lending institutions and Social Housing Grant. Loans and bonds are wholly secured by way of mortgages on certain housing properties.

The treasury management policy focuses on the maintenance of an efficient capital structure and the management of liquidity, interest rates, counterparty and other treasury risks. We monitor covenant compliance on a regular basis and report covenant compliance to the lenders and borrowers on a quarterly basis.

For the year ended 31 March 2017, the Association had total committed loan facilities of £66.2 million, with £61.2 million drawn down. The loan portfolio comprises a mix of 84% loans and 16% bonds. Approximately 73% (2016: 64%) of the loans have fixed rate interest arrangements.

The maturity profile of the debt portfolio reflects the long term nature of the Association's assets and reduces financing risk by staggering repayment of the principal.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board, Audit & Assurance Committee and Executive Team consider the risks throughout the year. Economic, political and social factors are among those that affect the risks faced by the Association. Some also relate to governance structures and inadequate resources.

A formal review of the risk map is undertaken by the Board annually and the Audit and Assurance Committee at least three times a year. Risks across the business are managed according to the overall risk appetite of the organisation and analysed according to their potential impact and probability. These risks are also reviewed and updated by the Executive Team quarterly, with action plans updated to mitigate any risks.

The Association has assessed that the risks in the following table are those most likely to influence future performance:

RISK	RISK MITIGATION
Welfare reform will lead to lower rental income, increasing management costs and more transient/less prosperous communities	We have allocated additional resources to deal with the impact of welfare reform. Intervention projects and proposed changes to our business processes are currently being embedded to address these issues. Our modelling work and stakeholder engagement with the Department of Work and Pensions (DWP) and local authorities has helped us to improve our knowledge of those affected, enabling us to target our interventions.
Unknown and unforeseen changes to government policy/ regulatory regime/external environment	The landscape for housing associations continues to shift as we respond to a challenging political and economic environment. We continue to manage these risks through business plan sensitivity testing, stress testing, loan covenant compliance testing and cashflow/liquidity testing.
Significant health and safety failure	We continue to undertake detailed reviews of our health and safety governance arrangements, including scheduled inspection visits. Additional fire safety checks have been incorporated into the inspection regime in response to the Grenfell Tower fire.
Failure to achieve the growth strategy due to inability to secure enough new developments	Potential causes include an insufficient land bank and unavailable suitable, affordable sites. In order to manage these risks we regularly review our project evaluations and monitoring procedures.
Higher than target staff turnover and difficulty in attracting and retaining business critical staff	Our recruitment focuses on our values and behaviours. To ensure we offer competitive terms and conditions of employment, we actively conduct benchmarking and seek to achieve external accreditation, i.e. Investors in People.

Value for Money (VfM)

OVERVIEW

Inquilab's plan is to mitigate the effects of the rent reductions imposed by the government budget in 2015. This is so we can continue to maintain competitiveness and comparative position against our peer group, and generate surpluses to develop new housing against a backdrop of reducing rents and rising development costs. We also need to maintain our spend and resource commitments to achieve our social objectives.

We have introduced a balanced set of measures to achieve efficiencies, savings and income generation. Plans to re-align our strategic objectives and help manage the impact of future rent reductions were finalised with the Board's approval in June 2016. This plan sets out a series of key initiatives, namely improving the customer experience, strengthening the business and investing in our homes and communities. It provides a strong framework within which to assess VfM.

OUR STRATEGIC APPROACH TO VFM

Our VfM strategy clearly sets out our commitment to Value for Money and shows how we respond to significant changes in the external environment. It takes other key policies into account, including our corporate plan, service performance plans, business plan, customer access strategy, information technology, treasury strategy and procurement strategy.

Our approach to VfM is structured around:

- understanding our costs, benchmarking them internally and with our sector peers
- ensuring that we deliver VfM through service, team and individual action plans
- making sure that quality is an essential element in VfM decisions
- actively involving residents in decisions that affect frontline services
- reinvesting financial savings into improving current and future services
- challenging how we deliver services and deliver VfM
- ensuring that our staff become VfM 'champions' and embed VFM into our culture
- continually quantifying efficiencies to monitor cash savings, quality improvement and to comply with regulation
- procuring goods and services more effectively.

Effective scrutiny, governance and communication with our stakeholders is vital to ensure we deliver VfM and maximise our resources for current and future residents.

Our governance arrangements comply with the National Housing Federation's Excellence in Governance (2015) and is complemented by the Residents' Scrutiny Panel (RSP), the Audit and Assurance Committee (A&AC) and the Resident Services Committee (RSC). Together with a fully functioning performance management system, they ensure that Inquilab has an effective means of monitoring VfM targets.

Over the last year, we have worked with the RSP to re-procure the repairs contract which is now delivering increased satisfaction and reduced costs. Resident feedback is an important part of the policy review process and during the year our rolling programme of service reviews has produced positive results in both cost and customer satisfaction levels.

Our VfM strategy is integrated into the planning and performance management frameworks through:

- strong financial management
- regular VfM reviews with managers to flag up risks and opportunities to be reported to the Executive Team
- robust performance management structures, with VfM routinely included in performance reports
- benchmarking with London housing association peer groups using HouseMark data, as well as cost comparisons using the HCA Global Accounts
- resident involvement in setting priorities and monitoring performance.

Our primary objective is to build new homes for people in need. Our ambition is to continue building more affordable homes over the next five years and we will largely fund this through private loans and reserves, since large grants are no longer available for housing associations. We aim to find alternative ways of funding our activities and will seek to increase our VfM performance significantly to support our future development programme.

ANNUAL COSTS COMPARATORS

We are continually making improvements to our repairs and maintenance service and aim to continue making savings each year on all repair works. We expect to achieve substantial improvements in the quality and durability of the work carried out and to deliver lasting VfM for years to come.

Our cost per unit reduced to £3,523 for the year to March 2017 compared to the previous year's figure of £3,873. Our major repairs spend of £785 per unit compares favourably with that of our peer group (£812, March 2016). The increased spend on major repairs in the year to March 2016 (£1,046) was attributable to works undertaken as the result of stock swap arrangements entered into by the Association in 2012. The overall cost per unit (excluding major repairs) reduced by 3.15% in the year to March 2017.

OUR COST PER UNIT £

YEAR	MANAGEMENT £	SERVICES £	REPAIRS £	MAJOR REPAIRS £	OTHER £	TOTAL £
2017	744	513	1,315	785	165	**3,523**
2016	859	491	1,338	1,046	139	**3,873**
2015	778	364	1,311	625	122	**3,199**

We seek to understand how our efforts compare with others and change over time. This in turn, helps us to identify issues. There have been improvements in the collection of our performance data but we will continue to develop our systems to generate value each year.

Benchmarking and cost comparisons are key drivers in our continuous improvement programme. We utilise both HCA Global Accounts and HouseMark benchmarking data to understand how our cost and performance compare to other providers and to prioritise our work. We have chosen to compare ourselves with other London and South East-based housing associations managing fewer than 7,500 properties, selecting this peer group because the location we share has a strong correlation between cost and satisfaction.

PEER GROUP, LONDON AND SOUTH EAST <7,500 UNITS	INQUILAB 2017	INQUILAB 2016	PEER (GLOBAL ACCOUNTS 2016) MEDIAN
Management costs per unit £	**£744**	£859	£1,018
Service costs per unit £	**£513**	£491	£484
Maintenance costs per unit £	**£1,315**	£1,338	£1,238
Major repairs costs per unit £	**£785**	£1,046	£812
Other costs per unit £	**£165**	£139	£251
Social housing cost per unit £	**£3,523**	£3,873	£4,130
Operating margin %	**44%**	43%	30%
Operating margin (social housing lettings) %	**46%**	44%	34%
New supply delivered (units)	-	46	-
Surplus per home before tax	**£2,194**	£2,134	£1,330
EBITDA-MRI interest cover	**209%**	193%	204%
Gearing (loans/gross book value cost)	**38%**	40%	41%
Surplus SHL as %age of GBV	**2.74%**	2.62%	3.39%
Voids%	**0.15%**	0.37%	0.61%
Bad debts written off %	**0.51%**	0.33%	0.22%
Routine repairs – % of total repairs expenditure (revenue & capital)	**62%**	56%	52%
Management costs as % of social housing rents	**9.79%**	11.32%	16.44%
Service costs % age of recovered	**98%**	107%	86%
Gross book value per home	**£128,436**	£128,152	£63,607
Long term loans per home	**£46,667**	£48,419	£33,003
Weighted average cost of capital	**3.84%**	3.95%	4.89%

The data compares our 2017 and 2016 performance against peer group median for 2016. It shows our combined management and maintenance costs per unit of £2,059 (2017) compares favourably with the peer group median of £2,256. The improvement has been achieved through the combined use of processes enhancements and multi skilled front line staff. The comparison also suggests our operating cost per unit of £3,523 (2017) is comparatively low when compared to the peer group median of £4,130.

Our efforts to reduce debt and help tenants manage their finances contributed to a reduction in rent arrears. However, a recent campaign to track former tenants with historic debts have not been as successful as expected. This has meant an increase in bad debts written off when compared to a peer group median of 0.22%.

A sizeable proportion of our housing stock was built or acquired in the last decade under the limited grant regime hence the higher borrowing and gross book value per home compared to the peer group.

To compensate for the higher interest charges per home, and to meet our loan covenants, we run our operations as efficiently as possible, enabling us to generate operating margins of more than 40% (peer group median of 30%). We remain committed to investing in our stock and although our sound treasury policies have allowed us to borrow at competitive rates of 3.84% compared to peer group median of 4.89%, we are continuously reviewing our development options to maintain our asset values whilst also seeking opportunities to build more affordable homes for rent and shared ownership.

RETURN ON ASSETS

The table below shows our annual operating return on assets from 2013 to the present. We calculate this by dividing the cost of our homes by the operating surplus they generate. We are doing more work to help us identify more efficiently how the different values of our properties affect our returns, according to location and type. We believe this will make the links clearer and help us better understand how we can deliver our objectives more effectively.

SOCIAL RENTS	2017	2016	2015	2014	2013
Fixed asset cost £'000	**£153,981**	£153,549	£143,537	£138,558	£133,312
Operating Surplus £'000	**£4,116**	£3,865	£3,346	£2,915	£2,811
Return	**2.67%**	2.52%	2.33%	2.10%	2.11%
SHARED OWNERSHIP	**2017**	**2016**	**2015**	**2014**	**2013**
Fixed asset cost £'000	**£6,949**	£7,409	£7,257	£7,619	£7,929
Operating Surplus £'000	**£292**	£320	£280	£259	£250
Return	**4.20%**	4.32%	3.86%	3.40%	3.15%

Our shared ownership asset values relate to the retained element of the unsold property which may fluctuate from year to year due to staircasing and the varying levels of first tranche equity shares.

OUR PERFORMANCE IN CONTEXT

Key performance indicators for social homes:

	2017 (ACTUAL)	2017 (TARGET)	2016 (ACTUAL)
Tenant satisfaction with:			
repairs service	**87%**	90%	78%
customer contact centre	**82%**	90%	100%
Customer contact centre:			
calls answered within 30 seconds	**70%**	85%	67%
calls lost or abandoned	**21%**	5%	13%
Repairs			
routine repairs completed on time	**95%**	96%	98%
resolved first time	**86%**	80%	74%
Collecting rents			
general needs rent collected	**101.03%**	100.00%	100.54%
leaseholder income collected	**92.58%**	100.00%	100.08%
leaseholder arrears	**4.47%**	2.50%	2.66%
Managing empty properties			
days to re-let empty homes	**20**	21	18

CUSTOMER CONTACT CENTRE

The contact centre has been through changes during the year, including restructuring to target support to customers in greatest need. This has impacted negatively on the performance of calls answered within 30 seconds. We serve customers with very diverse needs and service delivery is regularly shaped to respond to those needs. Overall customer satisfaction with the contact centre dropped to 82% against a target of 90%. We expect this to improve once the new arrangements have been embedded.

REPAIRS SERVICE

There have been improvements in performance, especially in the areas of repairs resolved first time and in the cost per repair ordered. The repair service was reviewed by the Residents' Scrutiny Panel and further improvements agreed with the Residents' Services Committee are in the process of being implemented. This should result in a further reduction in the cost per repair and increased customer satisfaction.

INCOME COLLECTION

The introduction of our CRM arrears monitoring module has brought in efficiencies in the cost of collection and the speed with which we track customers in default. Income collection for the year was more than 100%. Anticipating the rollout of Universal Credit in our main areas of work, plans are in hand to help residents cope with the changes. These include an increased focus on helping residents back into work and the provision of financial inclusion advice by our staff.

DAYS TO RE-LET

Our year end performance for re-letting homes was positive, although this increased to 20 days from 18 last year, performance was within our 21 day target. We will be reviewing our voids procedure and minimum voids standard during the coming year to seek further improvements in void turnaround times.

PERFORMANCE MEASURES

We monitor a basket of key performance measures to test our operational efficiency. The table below provides an overview of how we are performing across these measures:

PERFORMANCE MEASURES	OUR PERFORMANCE	MEDIAN	COMPARISON
Overall satisfaction with landlord	77.60%	74.00%	✓
Rent collected % (excluding arrears b/forward)	99.72%	99.78%	✗
Current tenant arrears as a % of rent due	3.46%	2.52%	✗
Total overheads cost as %age of turnover	14.39%	13.55%	✗
Rents represent VfM	82.50%	75.60%	✓

We recognise some improvements are required in some areas of the business, including current and leaseholder arrears management and overhead costs as a percentage of turnover.

We regularly review the income recovery strategy and this has led to a continuing reduction in rent arrears over the last three years. We are mindful of the impact of Welfare Reform on our residents and continue to support them with financial inclusion services.

Although we reduced our overhead costs in absolute terms, the overhead cost as a percentage of turnover increased slightly from 14.27% to 14.39%, mainly due to the reduction in rental income following the 1% cut in rents and the reduction in first tranche sales income. We continue to review our overhead costs and the recent office move should deliver further efficiency savings.

VALUE FOR MONEY INITIATIVES DURING THE YEAR

During 2016/17, a number of VfM savings were identified and recorded. These efficiency savings totalled £198k against a target of £184k and represents 2.03% of the annual turnover figure. The savings will be reinvested in the business to build new homes and improve service delivery to our customers.

INITIATIVES (£'000)	TARGET	SAVINGS
Responsive and void repairs	£63k	£20k
Staffing overheads costs	£60k	£89k
Procurement/asset management	£38k	£38k
General overheads	£25k	£51k
Total	£186k	£198k

During the year, we implemented several significant change projects which helped to improve VfM in major operational areas. We have introduced new technology to improve the business and more effective use of information technology throughout the business is also having a significant impact on VfM. We continue to make efficiency improvements in key projects, achievements including:

- using tablets and other mobile technology to support frontline staff and Board members
- reviewing our licensing contracts to reduce annual maintenance charges significantly
- delivering savings by adopting Voice over Internet Protocol (VOIP) technology
- restructuring staff as new technologies are embedded.

Our IT systems play a crucial role in delivering VfM through data collection, monitoring and analysis. The successful implementation of our Customer Relationship Management (CRM) system contributed savings of £49k during the year.

The work of the finance team includes helping managers to make well informed VfM decisions. We also control our costs by setting financial performance targets and applying strong financial management; publish financial performance reports within ten working days of the month end (timely financial information supports effective decision making and reduces financial risk); and structure our financial reporting to show a clear link between cost, activity and satisfaction.

Our performance management group reviews internal unit cost and activity data every month, monitoring targeted areas of spend, such as property maintenance and corporate services.

DELIVERING FUTURE VALUE

Projects and programmes of work to deliver further VfM savings in 2017-18 are already underway. Our internal efficiency savings target for 2017-18 is £169k.

Our 'Go-Paperless' campaign resulted in over 30% of residents opting to use electronic means as their primary way of communicating with us. Our plan is to increase take up to 38% by March 2018. We have geared up our systems to respond to residents' communication preferences and this should yield significant efficiency savings in the future.

PROGRAMME AIM	VALUE FOR MONEY	TARGET
Responsive and void repairs	Improve diagnosis of repair orders and work in collaboration with contractor to reduce variations to repair orders. Projected to yield savings, potentially in the region of 5% of the annual responsive repairs budget.	£20k
Staffing overheads costs	Investment in information technology and standardisation of key processes should yield savings in staffing costs.	£45k
Procurement/asset management	Re-tender current legal services with the costs offered by legal firms to identify cost savings.	£9k
General overheads	Potential savings in office overheads and central administration costs following relocation of offices.	£95k
Total		**£169k**

We recognise the value of working with others in the delivery of VfM efficiency savings and are collaborating with a number of London-based BME housing associations on a series of projects. The group is beginning to deliver VfM through these projects and is exploring other areas that could also deliver VfM:

PROGRAMME AIM	VALUE FOR MONEY
Procurement – utilities	Utilities contracts achieved through group collaboration could deliver savings in the region of 5%-10%. This will be confirmed once a contract is priced.
Procurement – legal services	Savings in legal fees of up to 30% could be achieved through group collaboration, as well as more fixed fee work, providing greater budgeting certainty. Cost savings achieved through collaboration, and the social value achievable through the use of the consortium, will be the VfM elements.
Learning and development – staff training programme	Training sessions organised through group collaboration, rather than by individual associations, could yield savings in the region of £10k.
Employment	Group collaboration could provide access to employment support, guidance and opportunities that enable residents to maximise their potential, find work and achieve financial independence. VfM would be achieved by improving the Association's rental income and by supporting individuals in gaining and keeping employment. The group compare its costs with those of similar employment programmes to identify cost effectiveness.

INFORMATION TECHNOLOGY

Continuation of the 'Go Paperless' project should result in at least 38% of all residents opting to receive electronic communications only.

VALUE FOR MONEY WITHIN THE CORPORATE PLAN

Our corporate plan contains a series of initiatives which will produce savings and the more significant ones are set out below. While we can quantify savings in some cases, in others the work is at too early a stage to measure:

REPAIR SERVICE

We are reviewing the way we deliver our repair service, with plans to re-procure the service from April 2019 in order to deliver efficiency savings over a five-year period. Savings of £20k are projected in 2017-18. Beyond that, savings will continue at least at the 2017-18 level and could increase as the service reaches peak efficiency.

FINANCIAL INCLUSION

The social return on investment from our financial inclusion work will continue throughout the corporate plan period and increase in line with the planned targets for the various areas of activity.

HUMAN RESOURCES

The corporate plan includes a series of human resources initiatives designed to increase efficiency and reduce costs between 2017 and 2020. Although individually significant, taken together they will show a substantial saving. Initiatives include:

- reducing voluntary staff turnover to 10%, which equates to a saving on recruitment and other costs
- reducing the cost of sickness absence.

SELF-ASSESSMENT

Our VfM self-assessment identified that we:

- have robust decision-making in the use and re-organisation of resources
- have performance and scrutiny functions that drive VfM (e.g. clear and up-to-date strategies and targets)
- have SMART performance management and scrutiny functions involving our Board, staff and customers
- are starting to understand the rate of return on all our assets at a granular level
- understand the return on investment of our community development activities
- understand the costs and outcomes of delivering our services and regularly challenge the way we operate
- the savings we have made and will make in the future and how we will reinvest the extra resources generated.

Welfare reform and the state of the economy, particularly in the housing and finance markets, continue to be key risks to the organisation which we keep under close review.

We recognise that there are areas for improvement and have developed a VfM action plan to address these. Over the next 12 months we will:

- review our asset management strategy so that it identifies the homes we need to invest in or dispose of
- maintain investment in our homes and communities
- improve communications with customers about our approach to VfM
- review and update the VfM strategy and action plan.

BOARD ASSURANCE ON VFM

The Board approves the overall VfM strategy and regularly measures performance against target. It regularly reviews management reports and receives feedback from the executives. The Board is satisfied that the VfM self-assessment is a fair reflection of VfM within the Association; it will be made available to all its stakeholders on the Association's website.

CASH FLOW AND LIQUIDITY

Cash flow from operating activities during the year was £1.20 million (March 2016: £4.09 million). The Association had cash reserves of £5.08 million at 31 March 2017 (March 2016: £10.5 million).

CAPITAL STRUCTURE

The Association's assets are financed by a combination of:

- social housing grants of £70 million (45%),
- private finance (loans) of £61 million (39%), and
- internally generated funds of £26 million (17%).

At March 2017, we had a fully secured, unused, revolving credit facility of £5 million.

RENT POLICY

In line with the government's objective of rent harmonisation across the social housing stock, our rent policy is regularly reviewed to ensure compliance. On average our affordable rents are set at 72% of the market rent. The average assured rent charged during the year to 31 March 2017 was £113.90 (March 2016: £114.88).

COMPLIANCE WITH LOAN COVENANTS

The Association continues to operate comfortably within the limits set by its lenders. Loan covenants are based primarily on gearing and interest cover; our covenants are based on gearing ratios of between 70%-75% and an interest cover ratio of 1.10.

Our gearing ratio (level of indebtedness) at March 2017 was 57% (March 2016: 61%).

RESERVES STRATEGY

Our policy on reserves is to build up sufficient funds from our rents to provide a safe working margin for our business and to produce comfortable cover for all our medium and longer term loans and other liabilities. Our policy on major repairs is to set a strategy that matches the build-up of the liability arising from the ageing of our properties over their assumed lives.

Our strategy is to use the reserves to:

- upgrade the current stock in line with return on asset initiatives
- subsidise the development of new homes
- improve our service delivery to residents, and
- invest in our communities.

INTERNAL CONTROLS

We are committed to high standards of corporate governance. The Board recognises and accepts that it is responsible for the Association's system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. It can only provide reasonable, not absolute, assurance against mis-statement or loss.

The Board believes that our system of internal controls is proportionate and provides reasonable assurance that we are not exposed to material mis-statement or loss. The Board confirms that the key processes for identifying, evaluating and managing the significant risks faced by the Association have been in place throughout the year under review, up to and including the date of approval of the annual report and financial statements.

Some of the key policies and processes the Board has established to provide effective internal control include:

- clear delegated powers to Board committees, the Chief Executive and directors
- robust strategic and business planning processes with detailed financial budgets and forecasts

- regular reporting to the Board and appropriate committees on key business objectives, targets and outcomes
- an annual Board review of risk management processes
- documented policies and procedures for all key operational areas
- establishment of a fraud register and related processes, including the review of the register at the Audit and Assurance Committee (A&AC) meetings
- adoption of an internal audit programme monitored by the A&AC
- Board review of the external audit management letter, and A&AC members' interview with Smith Williamson
- review of the performance standard returns and all regulatory reports
- staff being fully conversant with key controls and procedures relating to financial operational systems.

We have an anti-fraud policy designed to tackle fraud, corruption, theft, cybercrime and breaches of regulations. We also have a fraud response plan to help ensure that we respond quickly to fraud or fraud allegations and can recover our assets where necessary.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can delegate authority to the A&AC to review regularly the effectiveness of the system of internal control, which it has. The Board receives minutes from the A&AC meetings.

The A&AC reviews the effectiveness of the system of internal control by considering risk reports, internal audit reports, management assurances, the external audit management letter and specialist reviews.

The A&AC has received and reviewed assurance on the effectiveness of the Association's system of internal control, together with the annual report of the internal auditor. It has reported its findings to the Board through an annual report to the Board and the minutes of its meetings. The Board can confirm that there are no significant problems in relation to internal controls which require disclosure in the financial statements.

The Board confirms that there have been no regulatory concerns which have led the Homes and Communities Agency to intervene in the affairs of the Association, nor are there significant problems in relation to failures of internal controls which required disclosure in the annual report and financial statements. Any weaknesses identified by the Board are being acted on.

GOING CONCERN

The Board has made enquiries and examined areas that could give rise to significant financial exposure and is satisfied that no material or significant exposures exist, other than as reflected in these financial statements. Our business activities, current financial position and factors likely to affect our future operations are set out within the business plan and the Board is satisfied the plan has sufficient funding and is sufficiently robust to ensure that there will be no financial covenant breaches over the next five years. We have in place long term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with our day-to-day operations, for the foreseeable future. For this reason, the going concern principle has been applied in preparing these financial statements.

POST BALANCE SHEET EVENTS

There have been no significant events between the year-end date and the date of approval of these financial statements which would require an adjustment to the financial statements.

AUDITORS

All current Board members have taken all the steps 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 do not know of any relevant audit information of which the auditors are unaware.

Smith and Williamson have expressed their willingness to continue in office. A resolution for the re-appointment of Smith and Williamson LLP as auditors of the Association is to be proposed at the forthcoming General Meeting.

Gina Amoh

Secretary

Date: 25 July 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INQUILAB HOUSING ASSOCIATION LIMITED

We have audited the financial statements of Inquilab Housing Association Limited for the year ended 31 March 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flow, Statement of Changes in Equity and Reserves, and the related notes 1 to 30. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the Association's members, as a body, in accordance with the requirements of statute. 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 THE AUDITOR

As explained more fully in the Statement of the Board's Responsibilities set out on page 4, the Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (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/apb/scope/private.cfm.

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 its result for the year then ended; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing 2015.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 and the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

Nexia Smith & Williamson

Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY

Date:

	Note	2017 £'000	2016 £'000
Turnover	2	9,797	10,621
Cost of sales	2	(226)	(556)
Operating expenditure	2	(5,306)	(5,489)
Operating surplus	2	**4,265**	**4,576**
Gain on disposal of housing properties	5	375	248
Interest receivable	6	87	104
Interest payable and financing costs	7	(2,030)	(2,265)
Movement in fair value of investment	11	52	17
Surplus for the financial year		2,749	2,680
Other comprehensive income		-	-
Total comprehensive income for the financial year		**2,749**	**2,680**

All amounts relate to continuing activities.

	Note	2017 £'000	2016 £'000
Fixed assets			
Housing properties	9	143,803	145,197
Other property, plant & equipment	10	2,289	202
		146,092	**145,399**
Current assets			
Investments	11	763	681
Properties for sale	12	9,887	5,725
Trade and other debtors	13	478	500
Cash & cash equivalent		5,079	10,465
		16,207	17,371
Creditors amounts falling due within one year	14	(5,659)	(5,781)
Net current assets / liabilities		**10,548**	**11,590**
Total assets less current liabilities		**156,640**	**156,989**
Creditors: amounts falling due after more than one year	15	(129,838)	(132,906)
Provisions for liabilities			
Pension provision	18	(415)	(451)
Other provisions	19	(50)	(44)
Total net assets		**26,337**	**23,588**
Reserves			
Revenue reserve		26,337	23,588
Total reserves		**26,337**	**23,588**

These financial statements were approved by the Board and signed on its behalf by:

Olu Olanrewaju
Chairperson

Duncan Hughes
Chair – Audit Committee

Gina Amoh
Secretary

Date of approval: 25 July 2017

	2017 £'000	2016 £'000
Net cash generated from operating activities (see Note 25)	**1,199**	4,602
Cash flow from investing activities		
Purchase of tangible fixed assets	**(3,150)**	(2,912)
Proceeds from sale of tangible fixed assets	**720**	1,079
Grants received	**346**	1,336
Interest received	**60**	92
	(2,024)	(405)
Cash flow from financing activities		
Interest paid	**(2,213)**	(2,165)
Repayments of borrowings	**(2,348)**	(2,170)
	(4,561)	(4,335)
Net change in cash and cash equivalents	**(5,386)**	(138)
Cash and cash equivalents at beginning of the year	**10,465**	10,603
Cash and cash equivalents at end of the year	**5,079**	10,465

	Share Capital £'000	Revenue £'000	Total £'000
Balance as at 1 April 2016	-	**23,588**	**23,588**
Total comprehensive income for the year		2,749	2,749
Balance at 31 March 2017	-	**26,337**	**26,337**

	Share Capital £'000	Revenue £'000	Total £'000
Balance as at 1 April 2015	-	**20,908**	**20,908**
Total comprehensive income for the year		2,680	2,680
Balance at 31 March 2016	-	**23,588**	**23,588**

Notes on the Financial Statements

1 PRINCIPAL ACCOUNTING POLICIES

1.1 Legal Status

The Association is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Homes and Communities Agency (HCA).

The Associations principal activities are stated in Report of the Board of Management on page 3.

The Associations registered office is Unit 3, 8 Kew Bridge Road, Brentford, London, TW8 0FJ.

1.2 Accounting basis

The financial statements of the Association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice for Registered Social Housing Providers (SORP 2014) and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015 ("the Direction"). The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets in accordance with the Association's accounting policies.

In accordance with FRS 102 (3.3A), the Association is a public benefit entity that has applied the "PBE" prefixed paragraphs.

The financial statements are presented in sterling (£'000).

1.3 Going concern

The Association's business activities, its current financial position and factors likely to affect its future development are set out within the Report of the Board of Management. 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 also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

On this basis, the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future and for at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

1.4 Significant judgements and estimates

Preparation of the financial statements in conformity with general accepted accounting practices requires management to make significant judgements and estimates that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the period.

Judgements

The following are the significant management judgements made in applying the accounting policies of the Association that have the most significant effect on the financial statements.

Identification of housing property components

Housing property depreciation is calculated on a component by component basis. The identification of such components is a matter of judgement and may have material impact on the depreciation charge. The components selected are those which reflect how the major repairs to the property are managed.

Capitalisation of property development costs

Distinguishing the point at which a project is more likely than not to continue, allowing capitalisation of associated development costs requires judgement. After capitalisation management monitors the asset and considers whether changes indicate that impairment is required.

Categorisation of housing properties as investment properties or property, plant and equipment

Class of properties within the category of housing properties that are held to earn commercial rentals or for capital appreciation or both are accounted for as investment properties. Properties rented to provide social housing and properties used for the production or supply of goods and services or for administrative purposes are classified as property, plant and equipment.

Financial instruments classification

The classification of financial instruments as "basic" or "other" requires judgement as to whether all applicable conditions as basic are met. This includes consideration of the form of the instrument and its return.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Bad debt provision

The rent debtors balance of £271k recorded in the Association's statement of financial position comprise of a relatively large number of small balances. A full line by line review of trade debtors is carried out at the end of each month. Whilst every attempt is made to ensure that the bad debt provisions are as accurate as possible, there remains a risk that the provisions do not match the level of debts which ultimately prove to be uncollectible.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to 'technological obsolescence' with regard to IT equipment/software and any changes to decent homes standard requiring frequent replacement of components. The accumulated depreciation at 31 March 2017 was £17.1 million.

Housing property impairments

For impairment purposes, as explained in the accounting policies, housing properties are grouped into schemes which reflects how the properties are managed.

Recoverable amounts are based on either future cash flows or, for assets held for their service potential, depreciated replacement cost. The assessment of whether an asset is held for its service potential is a matter of judgement and in making that judgement the Board considers the current use of the asset and the expected future use of the asset. If the asset is unable to be let in its current condition or is not being used for a social purpose, either now or in the foreseeable future, it is assessed as not being held for its service potential.

Recoverable amounts for assets held for their service potential is assessed as the depreciated replacement cost which is the lower of (a) the cost of purchasing an equivalent property on the open market; and (b) the land cost plus the rebuilding cost of the structure and components. The Association has no history of acquiring or selling properties from or to other registered providers and the Board considers that there is no active market. The accumulated impairment provision at 31 March 2017 was £nil.

Multi-employer pension obligation

The Association has entered into a contractual agreement with the Social Housing Pension Scheme (SHPS) to determine how the deficit will be funded. Contributions not expected to be settled within 12 months after the reporting date are measured at the present value of the contributions payable by using a discounted rate (discounted present value basis). The rate used is determined by reference to market yields at the reporting date on high quality bonds. A liability of £415k is recorded in the statement of financial position at 31 March 2017.

Impairment of work in progress and properties held for sale

In assessing whether work in progress and properties held for sale are impaired management make an assessment of the expected net realisable value of the units. This assessment is based upon the anticipated sale price less costs to complete and sell.

1.5 Turnover and revenue recognition

Turnover comprises rental and service charge income, income from shared ownership first tranche sales and sales of properties built for sale, fees and revenue grants receivable from local authorities, government grants received for housing properties recognised in income on a systematic basis and other income.

Rental and service charge income is recognised in the period to which it relates net of rent and service charge losses from voids. Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids.

Service charge and other income are accounted for on the basis of the value of goods or services supplied during the period. Any over or under recovery of variable service charge amounts due is reflected as a creditor or debtor respectively.

Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale. First tranche sales are included within turnover and the related portion of the cost of the asset recognised as an operating cost. The resultant surplus or deficit on first tranche sales is recognised within the income statement.

Revenue grants are accounted for once the Association is legally entitled to the grant. Revenue grants are recognised in the Statement of Comprehensive Income in the same period as the expenditure to which they relate.

Government capital grants received are initially deferred and then credited to turnover in the Statement of Comprehensive Income on a straight line basis over the expected life of the asset which they have funded.

1.6 Short term employee benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

1.7 Value Added Tax (VAT)

Since a large proportion of the Association's income, including its rents, is exempt for VAT purposes whilst the majority of its expenditure is subject to VAT that cannot be reclaimed, expenditure is shown inclusive of irrecoverable VAT.

1.8 Interest payable

Interest is capitalised on borrowings to finance the development of qualifying assets to the extent that it accrues in respect of the period of development if it represents.

a) interest on borrowings specifically financing the development programme after deduction of related grants received in advance; or

b) a fair amount of interest on borrowings of the Association as a whole after deduction of Social Housing Grant (SHG) received in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to the statement of comprehensive income in the year.

1.9 Sale of properties

Sales of housing properties are recognised at the date of completion of each property sold. Sales of housing under the Right to Acquire (RTA) are credited to the Disposal Proceeds Fund in accordance with the Direction. This will be utilised to fund future housing programmes.

1.10 Taxation

The Association has charitable status and therefore is not subject to Corporation Tax on surpluses derived from charitable activities, provided that the surpluses are applied to the charitable objects of the Association.

1.11 Housing properties

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at cost less accumulated depreciation and impairment losses.

Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period.

Where the Association has a mixed tenure development which has more than one element, the Association allocates the cost of the land to each element of the scheme to reflect the respective values of the land for different tenure types.

Where an asset comprises components with materially different useful economic lives, those assets are separately identified and depreciated over those individual lives. The identification of such components is a matter of judgement and may have a material impact on the depreciation charge. The components selected are those which reflect how the major repairs to the property are managed.

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

	ESTIMATED USEFUL LIFE
House structure	100 years
Roof structure and covering	70 years
Windows and external doors	30 years
Bathrooms	30 years
Kitchens and lifts	20 years
Central heating boilers and hard wired alarms	15 years
Heating, ventilation and plumbing systems	30 years
Electrics	40 years

Subsequent expenditure which relates to either the replacement of previously capitalised components or the enhancement of such components which results in incremental future benefit is capitalised and the carrying amount of any replaced component or part component is derecognised.

Properties acquired from another registered provider as a result of stock swaps are recorded at their fair value.

Shared ownership properties are split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The split is determined by the percentage of the property sold under the first tranche disposal and the remainder retained by the Association within its social property, plant and equipment. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover, and the remaining element is classed as fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

The exception to the above is where this would result in a surplus on the disposal of the current asset that would exceed the anticipated overall surplus. In these circumstances any surplus on disposal of the first tranche is limited to the overall surplus by adjusting the costs allocated to current or fixed assets.

The overall surplus is the difference between the net present value of cashflows and the cost. The net present value of the cashflows is the sum of the first tranche proceeds, net rental streams and expected receipts from subsequent disposals of the asset, less any grant repayable

The Association does not depreciate Shared Ownership properties as the residual value is estimated to be equal to the cost of the properties. Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

The residual values of fixed assets, their useful lives, and their depreciation rates are reviewed at each reporting date and where there is an indication of a significant change since the previous reporting date, they are adjusted prospectively.

1.12 Property, plant and equipment

Property, plant and equipment comprises other fixed assets and are stated at cost less accumulated depreciation.

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land.

Leased Properties are written down over the life of the asset.

Long term leases or virtual freehold assets and offices are written down over the life of the asset up to a maximum of 100 Years.

The principal annual rates used for other assets are:

Furniture, fixtures and fittings	25%
Computers and office equipment	25%

Gains or losses arising on the disposal of other tangible fixed assets are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised as part of the surplus/deficit for the year.

1.13 Work in progress and properties held for sale

Stocks and work in progress is stated at the lower of cost and net realisable value. Additions to these properties include the costs of finance charges specifically related to the funding of the purchase and development of the property, except that interest costs incurred prior to construction and after practical completion are written off in the period to which they relate.

Properties completed for outright sale are recorded within current assets at the lower of cost and net realisable value. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal.

1.14 Financial instruments

Financial assets and liabilities comprise investments, trade and other debtors, cash and cash equivalents, trade and other payables, accruals and loan balances.

Financial assets and financial liabilities are recognised when the Association becomes party to the contractual provisions of the financial instrument.

All financial assets and financial liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through the Statement of Comprehensive Income, which are initially measured at fair value (normally the transaction price less transaction costs), unless the arrangement constitutes a financial transaction. If an arrangement constitutes a financial transaction, the financial asset or financial liability is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument. A financing transaction may take place in connection with the sale of goods or services, for example, if payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate.

Financial assets and liabilities are only offset in the Statement of Financial Position when, and only when there exists a legally enforceable right to offset the recognised amounts and the Association intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Debt instruments which meet the conditions of Section 11.9 of FRS 102 are subsequently measured at amortised cost using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Other financial instruments and investments in equity instruments are recognised at fair value with any gains or losses being reported in surplus or deficit.

Financial assets are only derecognised when and only when:

- the contractual rights to the cash flows from the financial asset expire or are settled
- the Association transfers to another party substantially all the risk and rewards of ownership of the financial asset, or
- the Association, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Investments represent a debt service reserve fund which is equivalent to one year's interest on the THFC loan and comprise cash and investment in gilts. Investments are measured at fair value.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank, short-term bank deposits and bank overdrafts which are an integral part of the Association's cash management. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash without significant risk of change in value.

1.15 Impairment

Non-financial assets

Non-financial assets comprise housing properties, property, plant and equipment and stock.

Non-financial assets, other than those measured at fair value, are assessed for indications of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income as described below.

A non-financial asset is impaired where there is objective evidence that, as a result of one or more events after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of a non-financial asset is the higher of its fair value less costs to sell and its value in use.

Value in use for housing properties which are able to be let in their current condition and which are fulfilling the social purpose for which they were acquired is based on the value in use for assets held for their service potential, being the depreciated replacement cost of the asset. For other schemes, value in use is defined as the net present value of the future cash flows before interest generated from the scheme.

Financial assets

Financial assets comprise investments, trade and other debtors and cash and cash equivalents.

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

1.16 Government grants

Government grants include grants receivable from the Homes and Communities Agency (HCA), Greater London Authority (the GLA), local authorities, and other government organisations.

Government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accrual model.

The unamortised element of the government grant is recognised as deferred income in creditors due within one year or due after more than one year as appropriate in the Statement of Financial Position.

Government grants received for housing properties are subordinated to the repayment of loans by agreement with the HCA.

Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors. If unused within a three-year period, grants received from the Greater London Authority or Homes and Communities Agency are repayable, including any accrued interest. The development programme of the Association is such that the recycled grant is expected to be re-used before it becomes repayable. Any unused recycled capital grant held within the recycled capital grant fund is disclosed in the balance sheet, split between creditors falling due within one and after one year.

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised in the statement of comprehensive income.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to the statement of comprehensive income. Upon disposal of the associated property, the Association is required to recycle these proceeds and recognise them as a liability.

Government grants relating to revenue are recognised in the statement of comprehensive income under the performance model of accounting. Grant is released to income over the same period as the expenditure to which they relate, once reasonable assurance has been gained that the Association will comply with the conditions and that the funds will be received.

1.17 Other grants

Grants received from non-government sources are recognised using the performance model. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the association is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability in the statement of financial position.

1.18 Pensions

The Association participates in the Social Housing Pension Scheme (SHPS). SHPS is a multi-employer defined contribution pension scheme administered independently. The Association is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis.

Contributions payable by the Association to SHPS for current service are charged to the statement of comprehensive income based upon the contributions payable for the accounting period.

Where there is a contractual agreement between the scheme and the Association that determines how the deficit will be funded, the contributions payable that arise from the agreement, to the extent that they relate to the deficit are recognised as a liability in the statement of financial position and the resulting expense in the statement of comprehensive income. When the contributions are not expected to be settled within 12 months after the reporting period, the liability is measured at the present value of the contributions payable by using a discounted rate (discounted present value basis). The rate used is determined by reference to market yields at the reporting date on high quality bonds.

1.19 Leases

Leases are classified as finance leases where the terms of the leases transfer substantially all the risks and the rewards incidental to ownership of the leased asset. All other leases are classified as operating leases.

Rentals paid or receivable under operating leases are recognised to the statement of comprehensive income on a straight line basis over the term of the lease, including where payments or receipts are not required to be made on a straight line basis. Lease incentives are similarly spread on a straight line basis over the relevant lease terms.

Assets held under finance leases are measured initially at the fair value of the leased asset and the corresponding lease liability. Assets held under finance leases are included in tangible fixed assets and depreciated in the same way as owned assets.

On transition to FRS 102 the Association elected to determine whether an arrangement existing at the date of transition to FRS 102 contained a lease on the basis of facts and circumstances existing at that date rather than when the arrangement was entered into. The Association also elected to not restate lease incentives where the lease commenced before the date of transition to FRS 102. and has continued to recognise any residual benefit or cost associated with lease incentives on the same basis that applied prior to transition to FRS 102.

1.20 Provisions for liabilities

Provisions for liabilities and charges are recognised when the Association has a present obligation (whether legal or construction) as a result of a past event that can be reliably estimated and it is probable that a transfer of economic benefit will be required to settle the obligation.

1.21 Revenue reserves

Revenue reserves relate to the cumulative surpluses less amounts transferred to designated and restricted reserves.

2 LETTINGS AND OTHER RELATED INFORMATION

2 (A) Particulars of turnover, cost of sales, operating expenditure and operating surplus

	2017				2016			
	Turnover £'000	Cost of sales £'000	Operating expenditure £'000	Operating surplus/ (deficit) £'000	Turnover £'000	Cost of sales £'000	Operating expenditure £'000	Operating surplus/ (deficit) £'000
Social housing lettings (Note 2b)	**9,523**	**-**	**(5,115)**	**4408**	9,532	-	(5,347)	4,185
Other social housing activities								
First tranche low cost home ownership sales	**260**	**(226)**	**-**	**34**	1,062	(556)	-	506
Other	**14**	**-**	**(191)**	**(177)**	27	-	(142)	(115)
Total	**9,797**	**(226)**	**(5,306)**	**4,265**	10,621	(556)	(5,489)	4,576

2(B) Particulars of turnover and operating expenditure from social housing lettings

	Housing Accommodation £'000	Supported Housing £'000	Shared Ownership £'000	Total 2017 £'000	Total 2016 £'000
Income					
Rents receivable net of identifiable service charges	**7,757**	**28**	**318**	**8,103**	8,048
Service charges receivable	**501**	**17**	**109**	**627**	662
Water Rates Receivable	**22**	-	-	**22**	23
Amortised government grants	**762**	**5**	**4**	**771**	799
Turnover from social housing lettings	**9,042**	**50**	**431**	**9,523**	9,532
Operating expenditure					
Service charge costs	**513**	**17**	**113**	**643**	617
Management	**900**	**6**	**26**	**932**	1,079
Routine maintenance	**1,261**	**3**	-	**1,264**	1,440
Major repairs	**36**	-	-	**36**	143
Bad debts	**49**	-	-	**49**	31
Planned Maintenance	**384**	-	-	**384**	241
Rent payable	-	-	-	-	35
Depreciation of housing properties	**1,649**	**3**	-	**1,652**	1,634
Loss on disposals	**137**	-	-	**137**	130
Water rates	**18**	-	-	**18**	(3)
Operating expenditure on social housing lettings	**4,947**	**29**	**139**	**5,115**	5,347
Operating surplus on social housing lettings	**4,095**	**21**	**292**	**4,408**	4,185
Rent losses from voids	11	3	-	14	34

3 BOARD MEMBERS & DIRECTORS' EMOLUMENTS

For the purpose of this note, the directors are defined as the Board Members, the Chief Executive and the Senior Staff Team.

	2017 £'000	2016 £'000
Aggregate emoluments and expenses payable to the executive directors (including pension contributions and benefits in kind)	**212**	276
Pensions Contribution	**14**	19
Emoluments paid to the highest paid director of the Association excluding pension contributions	**107**	103
Pensions contributions in respect of the highest paid director	**7**	8
Total expenses reimbursed to directors not chargeable to United Kingdom income tax	-	-

The Chief Executive is an ordinary member of the Social Housing Pension Scheme (SHPS). SHPS is a final salary contributory scheme. The employers' contribution rate is currently set at 6.45%.

Board member remuneration	**2017** Total £'000	**2016** Total £'000
Olu Olanrewaju (Chair)	**8.0**	7.5
Duncan Hughes	**3.0**	1.9
Zakia Raja	**1.8**	1.8
Nigel Newman	**1.8**	1.5
Pamela Leonce	**2.0**	1.8
Nisha Makwana	**1.8**	1.5
Puneet Rajput	**2.5**	0.5
Gordon Mattocks	**1.8**	0.4
Krish Murali	-	1.1
Suberna Banerjee	-	0.4
	22.7	18.4

4 EMPLOYEE INFORMATION

	Number 2017	Number 2016
The average weekly number of persons (including the Chief Executive) employed during the year was (full time equivalents based on 35 hours per week):	**18**	21

Staff costs during the year:	£'000	£'000
Wages and salaries	**826**	865
Social security costs	**90**	91
Pension costs	**50**	36
	966	992

Salary banding for all employees earning over £60,000 (including salaries, performance-related pay and benefits in kind but excluding pension contributions paid by the employer and any termination payments):

Bands	Number 2017	Number 2016
£60,000 - £70,000	-	-
£70,001 - £80,000	**1**	1
£80,001 - £90,000	-	-
£90,001 - £100,000	**1**	-
£100,001 - £110,000	**1**	1
Total	**3**	2

5 SURPLUS ON SALE OF HOUSING PROPERTIES

	2017 £'000	2016 £'000
Disposal proceeds	**720**	1,083
Carrying value of fixed assets	**(343)**	(831)
Selling cost	**(2)**	(4)
	375	248

6 INTEREST RECEIVABLE

	2017 £'000	2016 £'000
Bank interest	**58**	91
Investment income	**29**	10
SHPS Pension re-measurement (impact of changes in assumptions)	**-**	3
	87	104

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2017 £'000	2016 £'000
SHPS pension – unwinding of the discount factor	**9**	7
SHPS pension – re-measurement (impact of changes in assumptions)	**11**	-
Loans and bank overdrafts	**2,280**	2,400
Cost of raising finance	**35**	87
	2,335	2,491
Interest payable capitalised on housing properties under construction	**(305)**	(229)
	2,030	2,265
Capitalisation rate used to determine the finance costs capitalised during the period	**3.73%**	4.10%

8 SURPLUS FOR THE YEAR

	2017 £'000	2016 £'000
Is stated after charging:		
Auditor's remuneration (excluding VAT): – in their capacity as auditors	**15**	20
Other services	**3**	2
Operating lease payments	**82**	82
Depreciation	**1,769**	1,741

9 HOUSING FIXED ASSETS

	Housing properties held for letting £'000	Completed ownership housing properties £'000	Total £'000
Cost			
At 1 April 2016	153,550	7,409	160,959
Components additions	961	-	961
Disposals	(529)	(460)	(989)
At 31 March 2017	**153,982**	**6,949**	**160,931**
Depreciation and impairment			
At 1 April 2016	15,762	-	15,762
Charged for year	1,652	-	1,652
Disposals	(286)	-	(286)
At 31 March 2017	**17,128**	-	**17,128**
Net book value			
At 31 March 2017	**136,854**	**6,949**	**143,803**
At 31 March 2016	137,788	7,409	145,197

The cost incurred on improvement works to existing properties during the year is analysed as follows:	**2017** £'000	**2016** £'000
Amounts capitalised (all relating to components)	**961**	1,171
Amounts charged to the income and expenditure account	**36**	143
	997	1,314

Carrying amount of secured and unsecured properties	**2017** £'000	**2016** £'000
Secured properties	**81,220**	81,367
Unsecured properties	**55,633**	56,315
	136,854	137,788

10 OTHER TANGIBLE FIXED ASSETS

	Leased Office Premises £'000	Long Leased Office Premises £'000	Office Furniture And Equipment £'000	Total £'000
Cost				
At 1 April 2016	123	-	446	569
Additions	-	2,039	165	2,204
Disposals	-	-	(12)	(12)
At 31 March 2017	**123**	**2,039**	**599**	**2,761**
Depreciation				
At 1 April 2016	86	-	281	367
Charge for year	25	-	92	117
Disposals	-	-	(12)	(12)
At 31 March 2017	**111**	-	**361**	**472**
Net book value				
At 31 March 2017	**12**	**2,039**	**238**	**2,289**
At 31 March 2016	37	-	165	202

11 INVESTMENTS

The Association deposited £520k which is held in trust on behalf of The Housing Finance Corporation as part of the loan agreement. As at March 2017 the balance including accrued interest was £763k (2016: £681k). Fair value of the investment recognised in the Statement of Comprehensive Income is £52k (£17k, 2016).

12 PROPERTIES HELD FOR SALE

	2017 £'000	2016 £'000
Properties under development for outright sale	**9,887**	5,725

13 TRADE AND OTHER DEBTORS

Amounts receivable within one year:	2017 £'000	2016 £'000
Rent arrears	271	354
Housing benefits in arrears	196	134
Less: provision for bad debts	(187)	(204)
	280	284
Prepayments and accrued income	62	81
Other debtors	136	135
	478	500

14 CREDITORS

Amounts falling due within one year:	2017 £'000	2016 £'000
Taxation and Social security payable	29	22
Loan repayments (note 17)	2,392	2,340
Loan interest	109	121
Other creditors and accruals	1,704	2,168
Recycled Capital Grant Fund (note 20)	136	-
Disposal Proceeds Fund (note 21)	150	-
Rent in advance	319	293
Issue Premium (30 year bond)	38	38
Deferred grant income (note 16)	782	799
	5,659	5,781

15 CREDITORS

Amounts falling due after more than one year:	2017 £'000	2016 £'000
Deferred grant income (note 16)	68,893	69,475
Issue Premium (30 year bond)	973	1,011
Recycled Capital Grant Fund (note 20)	516	494
Disposal Proceeds Fund (note 21)	982	1,113
Housing loans (note 17)	58,474	60,814
	129,838	132,906

16 DEFERRED GRANT INCOME

	2017 £'000	2016 £'000
At 1 April	**70,274**	69,510
Grant received in the year	**330**	1,904
Disposal	**(147)**	(341)
Released to income in the year	**(782)**	(799)
At 31 March	**69,675**	70,274
Amounts to be released within one year	**782**	799
Amounts to be released in more than one year	**68,893**	69,475
	69,675	70,274

	2017 £'000	2016 £'000
Government grant previously amortised to income	**10,406**	9,634
Government grant included in deferred income	**69,675**	70,274
Total government grant received	**80,081**	79,908

Previous stock swaps entered into by the Association have resulted in associated grants of £5,395k. These grant liabilities are not recognised within deferred grant income, in line with the related accounting policy, but nevertheless represent a contingent liability.

17 HOUSING LOANS

Housing loans from lending institutions are secured by specific charges on the Association's housing properties at rates of interest between 0.57% and 10.34%. They are repayable in instalments due as follows:

	2017 £'000	2016 £'000
In five years or more	**46,779**	49,788
Between two and five years	**9,022**	9,062
Between one and two years	**3,041**	2,392
Loan finance costs	**(368)**	(428)
	58,474	60,814
In one year or less	**2,392**	2,340
	60,866	63,154

18 PENSIONS

The Association participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the Association to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore, it accounts for the scheme as a defined contribution scheme.

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

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

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

Present values of provision

Reconciliation of opening and closing provisions

	2017 £'000	2016 £'000
Provision at start of period	**451**	365
Unwinding of the discount factor (interest expense)	**9**	7
Deficit contribution paid	**(56)**	(43)
Remeasurements – impact of any change in assumptions	**11**	(3)
Remeasurements – amendments to the contribution schedule	-	125
Provision at end of period	**415**	451

Income and expenditure impact

	2017 £'000	2016 £'000
Interest expense	**9**	7
Remeasurements – impact of any change in assumptions	**11**	(3)
Remeasurements – amendments to the contribution schedule	-	125
Costs recognised in income and expenditure account	**20**	129

Assumptions

	31 March 2017 % per annum	31 March 2016 % per annum	31 March 2015 % per annum
Rate of discount	**1.33**	2.06	1.92

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

Contributions payable for 2017/18 are 58,000 (2016/17 £56,000)

19 PROVISIONS FOR LIABILITIES – OTHER PROVISIONS

	Sinking Fund £'000
At 1 April 2016	44
Additions	6
Utilised in the year	-
At 31 March 2017	50

20 RECYCLED CAPITAL GRANT FUND

	GLA £'000
At 1 April 2016	**494**
Inputs to RCGF: Net sales proceeds recycled	**158**
At 31 March 2017	**652**
Amounts 3 years old or older where repayment may be required	**136**

21 DISPOSAL PROCEEDS FUND

	GLA £'000
At 1 April 2016	**1,113**
Inputs to RCGF: Net sales proceeds recycled	**16**
Interest accrued	**3**
At 31 March 2017	**1,132**
Amounts three years old or older where repayment may be required	**150**

22 SHARE CAPITAL

Allotted, issued and fully paid	**2017** £'000	**2016** £'000
At 1 April	**8**	8
Issued during the year	-	2
Shares cancelled during the year	-	(2)
At 31 March 2017	**8**	8

The share capital of the Association consists of shares with a nominal value of £1 each which carry no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. Where a shareholder ceases to be a member, that person's share is cancelled and the amount paid up thereon becomes the property of the Association. Therefore, all shareholdings relate to non-equity interests; there are no equity interests in the Association.

23 CAPITAL COMMITMENTS

	2017 £'000	2016 £'000
Capital expenditure that has been committed to but has not been provided for in these financial statements	**870**	2,997

Capital commitments are financed from loan funding already drawn down.

24 OPERATING LEASES

Operating lease payments amounting to £34k (2016: £82k) are due within one year for office premises.

	2017 £'000	2016 £'000
Within one year	**34**	82

25 NOTES ON THE CASHFLOW STATEMENT

	2017 £'000	2016 £'000
Surplus for the year	**2,749**	2,680
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	**1,769**	1,754
Components disposal	**137**	130
Amortised grant	**(771)**	(799)
Increase in stock	**(4,084)**	(1,549)
Decrease / (increase) in trade and other debtors	**22**	(8)
(Decrease) / increase in trade and other creditors	**(89)**	405
Increase in provisions for sinking funds	**6**	8
(Increase) / decrease in pension costs less contributions payable	**(56)**	82
Adjustments for investing or financing activities:		
Gain on sale of tangible fixed assets	**(375)**	(248)
Fair value of investments	**(52)**	(17)
Interest payable	**2,030**	2,265
Interest received	**(87)**	(104)
Net cash generated from operating activities	**1,199**	4,602

27 TAXATION

No provision for United Kingdom corporation tax has been made due to the Association's charitable status.

28 UNITS AND BED-SPACES

Under development by development partners at end of year:	2017 Number	2016 Number
Developed for outright sale	**37**	37
	37	37

Under management at end of year:	2017 Number	2016 Number
Owned – General Needs	**1,183**	1,186
Managed on behalf of other RP's – General Needs	**0**	0
Supporting People bed spaces	**6**	6
Owned – Shared Ownership	**64**	64
	1,253	1,256

29 RELATED PARTY TRANSACTIONS

There was one tenant Board member during the year. The tenancy has been granted on the same terms as for all tenants, and the housing management procedures, including those relating to management of arrears has been applied consistently to this tenants. As at 31 March 2017, the tenant's rent was £7k per annum and had a credit balance of £2k.

Disclosures in relation to key management personnel is set out below:

Allotted, issued and fully paid	2017 £'000	2016 £'000
Basic Salary	**197**	257
Employers national insurance	**25**	30
Pensions contributions	**14**	19
As at 31 March	**236**	306

30 FINANCIAL INSTRUMENTS

The carrying values of the Registered Provider's (RP's) financial assets and liabilities are summarised by category below:

	2017 £'000	2016 £'000
Financial assets		
Measured at fair value through the profit or loss		
• Investments in equity instruments	**763**	681
Measured at undiscounted amounts receivable		
• Gross debtors	**467**	488
• Other debtors	**136**	135
• Cash and cash equivalents	**5,079**	10,464
Financial liabilities		
Measured at amortised cost		
• Loans repayable	**60,866**	63,514
• Other creditors and accruals	**1,813**	2,289

The Association's income, expense, gains and losses in respect of the financial instruments are summarised below:

	2017 £'000	2016 £'000
Interest income and expense		
Total interest income for financial assets at amortised cost	**58**	91
Total interest income for financial assets at fair value through profit or loss	**29**	10
Total interest expense for financial liabilities at amortised cost	**2,030**	2,262
Fair value gains and losses		
On financial assets measured at fair value through profit or loss	**52**	17

Financial assets measured at fair value are valued based upon quoted market prices.

INQUILAB

Inquilab Housing Association
Unit 3
8 Kew Bridge Road
Brentford TW8 0FJ
Tel: 0208 607 7777
Email: customerservices@inquilabha.org

www.inquilabha.org