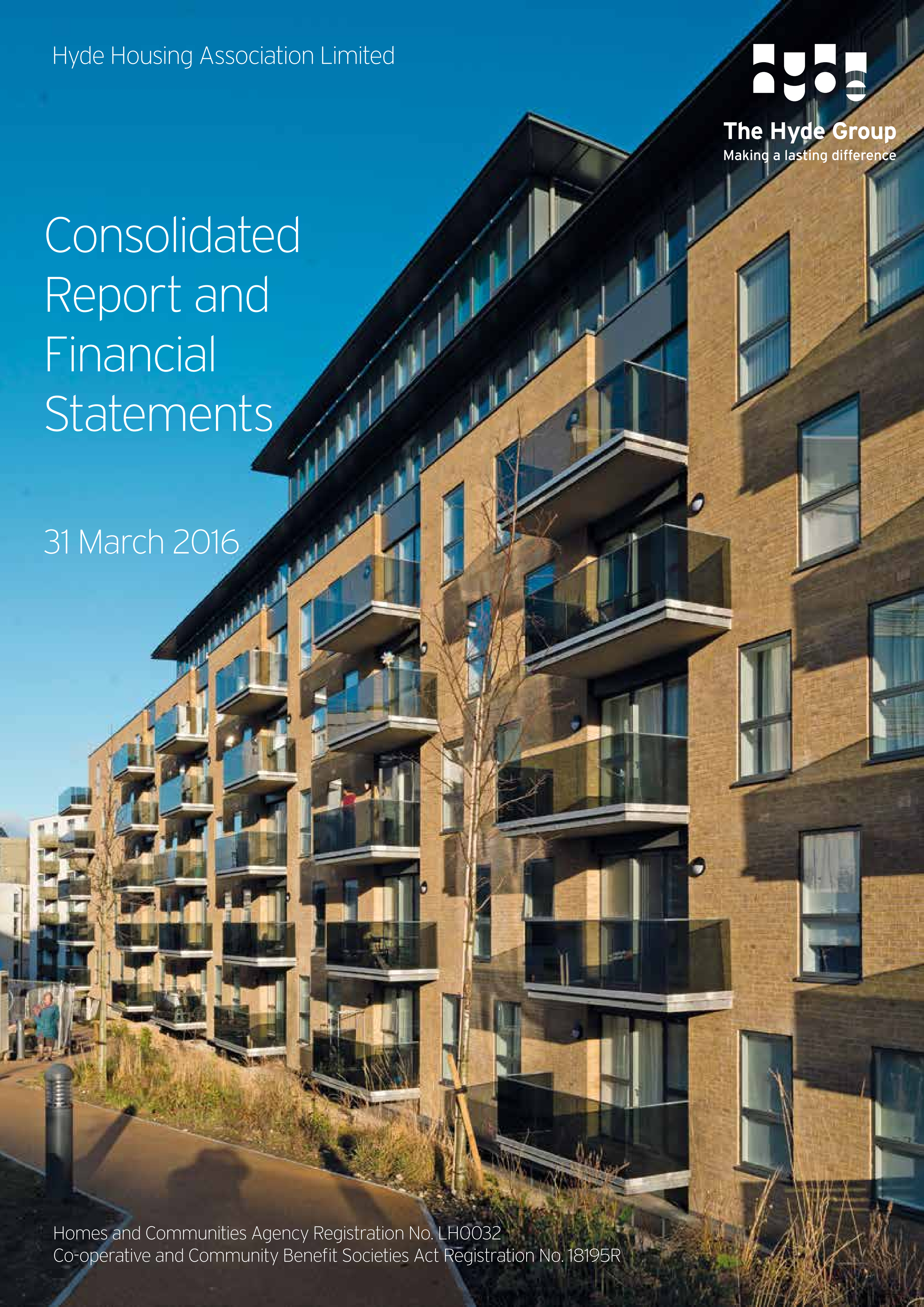
Hyde Housing Association Limited



The Hyde Group
Making a lasting difference

Consolidated Report and Financial Statements

31 March 2016

Homes and Communities Agency Registration No. LH0032
Co-operative and Community Benefit Societies Act Registration No. 18195R

Contents

The Hyde Group Highlights 2015-16

The Hyde Group (the "Group") is one of the UK's leading providers of affordable housing in London, the South East of England and the Midlands. In 2015/16 the Group revised its Strategic Plan, providing the Group with a clear focus on what it needs to do to achieve its overall vision and mission. An overview of the Group's overall strategic objectives and achievements delivered against these in 2015/16 is provided below:

Deliver quality services

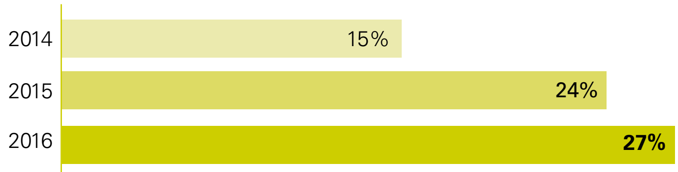
- Resident satisfaction increased during the year by 5%, as a result of planned service improvements. This trend of improvement has continued into 2016/17.
- £57.3m was invested into the homes of our residents, to improve facilities and to maintain stock. Through greater efficiencies, a saving of £6m was made on maintenance activities.
- 257 people were helped into jobs, 254 into training and 2,950 received advice/support. 153 bursaries and grants were awarded for valuable local projects.

Be efficient

- Turnover increased from £338m to £351m. This was primarily due to an increase in rental income as a result of inflation-linked rental increases and the delivery of more affordable homes.
- Underlying surplus increased from £81m to £95m. This was due to an increase in operating surplus and in the surplus generated from strategic asset disposals. This was partially offset by greater net financing costs and a reduction in joint venture income.
- Total margin increased from 24% to 27%, due mainly to the higher surpluses generated in 2015/16 from strategic asset disposals and stock swaps.
- As noted above, the Group's total sale and disposal activities generated strong surpluses in 2015/16. All surpluses are retained by the Group and are used to support ongoing investment. Over the past five years the Group has invested on average more than 2.4 times its surplus on the acquisition and construction of housing. In 2015/16 the Group invested the equivalent of 3.5 times its surplus – enabled through greater efficiency and maximising income from sales.

Group turnover £m

Group surplus £m



Total margin %

Build more homes

- The Group delivered 730 new homes in the year. Of these, 382 were homes for rent, with the remainder for shared ownership and outright sale. In addition, the Group achieved its highest ever number of land acquisitions (2,646 plots) and starts on site (1,947).
- Rollout of the construction management programme to selected schemes saved the Group 10% on these schemes compared to traditional build costs.
- The Group was awarded a 'Gold Award' from In House, recognising that 91% of the Group's shared ownership customers would recommend Hyde to friends or family.

Value our people

- The Group invested £799k in training and developing our people.
- The Group launched 'MY Career' tool helping staff to identify potential career paths and launched the Group's first talent development programme.
- We recruited our third cohort of apprentices and gained successful outcomes from the second cohort, with seven apprentices securing employment within the Group.

Board and Advisors

The Board

Mark Sebba (Chair)	
Nicolas Badman	(resigned 26 September 2015)
Alan Collett	
Paul Cook	
Lynn Gilbert	(appointed 26 September 2015)
Kishwer Falkner	(resigned 26 September 2015)
Paula Hay-Plumb	
Alastair Imrie	
Duncan Ingram	
Prodaman Sarwal	(resigned 26 September 2015)
Piers White	
Elaine Bailey	
Simon Peacock	(resigned 31 December 2015)

Executive Management Team

Elaine Bailey	Group Chief Executive
Stephen Aleppo	Group Finance Director (appointed 1 January 2016)
Tracy Allison	Group Director Corporate Services
Carol Carter	Group Director of Housing
David Gannicott	Group Business Development Director
Neville Hounsome	Group HR Director
Simon Peacock	Group Finance Director (resigned 31 December 2015)

Company Secretary
John Edwards

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Web: www.hyde-housing.co.uk

Bankers
National Westminster Bank Plc
143 High Street
Bromley
BR1 1JH

Solicitors
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London Wall
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EC2M 7DT

Towers and Hamlins
3 Bunhill Row
London
EC1Y 8YZ

Independent Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors
1 Embankment Place
London
WC2N 6RH

Introduction from the Chair and Chief Executive

During the last year there have been several major changes in Hyde's operating environment. Since winning the general election, the Conservative government has made house building and home ownership clear priorities. It has adopted a more challenging approach to housing associations by stressing the need for them to be more efficient and build more homes.

Arguably the biggest challenge to the sector came in government's first budget in the summer of 2015, when the Chancellor announced that social housing rents should be reduced by 1% each year, for four years, from April 2016. This has resulted in a real reduction in housing associations' income. It prompted organisations like Hyde to reconsider their plans and to make sure that they are fit and able to deliver more for less.

Then, as we were finalising this report, the result of the "Brexit" referendum was announced. At the time of writing, the intention for Britain to leave the European Union has been made clear, but the plan for how this will actually happen has not. The consensus is that political and economic uncertainty is likely to continue for months - if not years.

On the surface then, the world might seem to be a more challenging place today than it did a year ago. However, at Hyde, we've worked tirelessly to prepare ourselves for the challenges ahead. We have refreshed our corporate strategy, our financial plan and our development strategy to take account of the rent reduction and other relevant factors. We remain committed to delivering quality services, building more homes, being efficient and valuing our people.

We have set out clear plans to be more efficient and reduce our costs to offset the rent reduction, making sure that we continue to deliver quality landlord services. We are already delivering these plans and we included initial savings in our budget for 2016/17.

We will continue to reinvest every penny of our surplus into the business. Our business will continue to generate healthy surpluses and this will maximise our capacity to deliver services and build new homes. Our development strategy reflects this ambition by showing an increase in investment and output – we are determined to build more homes that are so badly needed in the areas that we work in. These homes will be a mix of market and sub-market, for rent and for sale.

We have stress tested our plans extensively, using similar tests to the UK banking sector. This gives us great confidence that Hyde is resilient enough to cope with extreme economic shocks. Towards the end of the financial year we announced our intention to merge with our fellow social landlords London and Quadrant and East Thames.

We believe that we are all like-minded organisations who will fit together well. We believe that we can do more together than we can apart – we will become even more efficient and build even more homes. Our progress so far has been good. We hope to conclude the merger successfully later in 2016. In the meantime, we will continue to deliver our services and we will not allow the work on the merger to be a distraction.

2015/16 was yet another strong year for Hyde financially. We delivered a record surplus of £95m, up from £81m a year ago. This surplus will be reinvested in delivering services and building more homes.

We delivered 730 new homes in the year, around half of which were for sub-market rent. We acquired more than 2,600 plots of land that will eventually yield around 3,000 homes. We started construction on projects that will deliver 1,947 units. We are on track to increase our output in line with our development strategy.

We are a responsible landlord and our residents are important to us. We want to make sure they are happy with the services we provide, so in 2015-16 we launched a new programme called "Look Again" which will define our landlord services more clearly and make them more efficient and easy to access by the end of 2016/17. We have already seen some positive impacts from this programme. We have reorganised the way we deal with empty homes and how we re-let them and we have done the same for our anti-social behaviour service. In addition, we have revamped our complaints handling process to focus more on the customer experience and the ratio of complaints to transaction volumes is now extremely low. Customer satisfaction with repairs improved to 82% from 76% a year ago. Rent loss due to empty homes was just 1.07% of income. Our operating cost per unit of accommodation is among the lowest in the G15.

People make an organisation, and we are lucky to have such passionate, talented and motivated people working for Hyde. They were central to our achievements this year and they will be central to our future success. We want to enhance opportunities for our people, giving them more scope to develop and progress their careers. We are excited about the prospect of increasing investment in training and apprenticeships. We want to create a strong culture that brings the values of the organisation to life.

We continue to be a well-run and well-governed organisation. The regulator carried out an in-depth assessment of us and confirmed that Hyde meets its highest standards for good governance and financial viability. We also maintained our strong reputation and good relationships with our stakeholders, including investors, suppliers and local authorities. These relationships with our external partners are critical to our success.

In summary, we're in great shape. We know what we want to achieve, we've laid rock-solid foundations, and we're very excited and inspired about what the future holds. We look forward to working with staff, residents and partners to make our business the very best it can be, without losing sight of our social purpose: to provide decent, affordable homes and to manage them responsibly.

Mark Sebba
Hyde Group Board Chair

Elaine Bailey
Group Chief Executive

Strategic Report

The Directors present their strategic report for the year ended 31 March 2016.

Operating review for the year

Review of the business

The Hyde Group (the "Group") is one of the UK's leading and award winning providers of affordable housing in London, the South East of England and the Midlands. The Group is primarily a group of 'not-for-profit' organisations (headed by Hyde Housing Association Limited (the "Association")) whose main business is the provision and management of good quality accommodation at affordable rents. The Group is a public benefit entity. As at 31 March 2016, the Group owned 41,520 homes (2015: 41,880) and managed a further 6,687 homes (2015: 7,766) under contracts with both the London Borough of Islington and the London Borough of Brent.

As shown in notes 3 and 4 of the financial statements, the Group is a diverse business operating in the following activities:

- General needs, Affordable Rental Tenure and Intermediate Market Rent homes, primarily for individuals/families who are unable to rent or buy at open market rates
- Supported housing
- Low cost home ownership, primarily shared ownership, whereby residents purchase a share in the equity of their homes and pay rent to the Group on the remaining share
- Temporary social housing (leasehold and management schemes)
- Health accommodation
- Market rent
- Leasehold management
- Outright sale to the private market to generate profits to build more social homes. This is predominantly specific to Hyde Vale, a wholly owned subsidiary of the Group.

	Group		Association	
	2016	**2015**	**2016**	**2015**
General Needs	26,058	26,302	17,823	18,046
Affordable Rental Tenure	1,679	1,203	1,404	1,110
Supported Housing	2,425	2,947	2,408	2,479
Older People Accommodation	1,042	598	598	598
Shared Ownership	3,314	3,394	3,092	3,207
Leasing and Management Schemes	408	990	408	990
Health & Education Accommodation	442	822	442	822
Intermediate Market Rent	431	381	387	330
Other Rented Properties	381	363	380	361
Leaseholders	5,340	4,880	3,629	3,200
Total Owned	**41,520**	**41,880**	**30,571**	**31,143**
Contract Management	6,687	7,766	6,341	7,420
Total	**48,207**	**49,646**	**36,912**	**38,563**

Development and performance of the business during the year and at the end of the year

Deliver Quality Services

Resident satisfaction with repairs significantly increased during the year by 5% to achieve a stable level of 81% at year end. This was short of our 85% target but performance has continued to improve into 2016/17 and as of May 16 was 85%. This improvement has been achieved through a comprehensive recovery plan which included additional staff training; quicker access to contractor appointment systems; a strengthening of contract management expertise and collaborative working at all levels with contractors on resource planning and problem solving.

Overall, the number of complaints received across the Group total fewer than 1% of all transactions. During the year, the Group's complaints management process was reorganised, with most of the central complaints team resource redeployed into specific service teams. Additional training was provided to staff and new processes put in place to improve service and efficiency. These changes enabled the Group to exceed its satisfaction target for handling repair complaints.

During the year, some performance indicators (call answering and resolution, repair recalls, void loss, complaints satisfaction) experienced a dip in performance during the mobilisation of new repairs and maintenance contractors. These contractors are now fully mobilised and performance indicators have returned to target levels in the first quarter of 2016/17. Void rent loss ended the year below target and below peer group average, but since then we have reduced the number of empty homes which we intend to re-let by 50% and expect to reach our target of 0.95% void rent loss by the end of 2016/17.

In 2015/16 the Group set a challenging target to achieve 83% overall satisfaction with Hyde's services. As of year-end, overall satisfaction was 75%, just below our peer group average (77%). Satisfaction with our repairs service ended the year at 81% and resident services at 78%, so we expect overall satisfaction with Hyde's services to begin to rise in line with these key drivers of satisfaction.

The Group has continued to manage the impact of welfare reforms and other key changes in our operating environment, maintaining our income and keeping bad debt levels to 3.9% (2015: 3.9%). This was enabled in part by improved customer data and a robust approach to debt collection combined with specialist support for those in financial difficulty.

During the year we strengthened the capacity and skills of our health and safety compliance team and bedded-in the new contracts mobilised in late 2014. The Group maintained full compliance in the key area of gas servicing and ran a substantial servicing and inspection programme for all other areas including fire risk, asbestos and legionella. We are continuing to invest in the development of a new compliance IT system to enable more efficient administration and data handling.

Performance indicator	**Target measure**	**Actual measure 31 March 2016**	**Actual measure 31 March 2015**
Resident satisfaction with repairs	85%	81%	78%
Overall satisfaction with complaints	40%	24%	23%
Percentage of jobs with recall	1.0%	4.6%	4.0%
Percentage of calls resolved at contact centre	83%	75%	81%
Void rent loss	1.1%	1.4%	1.1%
Rent arrears	4.5%	3.9%	3.9%
Overall resident satisfaction	83%	75%	73%
Compliance of properties with gas certificates	100%	100%	100%
Satisfaction with first point of contact	85%	90%	86%
Overall satisfaction with ASB Handling	N/A	71%	67%

The Group has continued to invest in the development of a new service charge system to ensure that service charges continue to be accurate and fair and it is anticipated that the new system will deliver improved efficiency and savings through greater automation and improved processes. During the year, we also introduced processes to capture and recharge more of our landlord costs – particularly in relation to health and safety compliance.

We delivered savings on the maintenance budget of £6.0m per annum through more efficient working practices, a new 'Commonsense Investment' approach and contract savings. Our Direct Labour Organisation – Hyde Property Services – which provides maintenance services to 17,000 of our tenants, benefited from investment in a new Contractor Management System, new supply chain arrangements and new fleet, and is set to achieve operational savings of £1.1m per annum from next year.

During the year, we successfully delivered £57.3m of investment in stock renewal and generated £9.0m additional income from the disposal of poor performing assets. An independent property stock condition survey was carried out, confirming that our stock is in good condition with almost no 'catch up' repair requirements. Our Asset Management Strategy continues to ensure we achieve value for money and is forecast to deliver significant savings over the next four years.

Hyde Plus – our social investment team – continues to provide services to help residents sustain their tenancies and access opportunities. During 2015/16, 257 people were helped into jobs, 254 into training and 2,950 received advice/support. Additionally, 13 apprenticeships were secured through our maintenance contractors and 224 young tenants improved their financial management skills through our "Money House" project. We provided 153 grants to the value of £87k to support people in realising their aspirations.

Build More Homes

During 2015/16 the Group delivered 730 much-needed new homes in the year. Of these, 382 were homes for rent, with the remainder for shared ownership and outright sale. In addition, the Group achieved its highest ever number of land acquisitions (2,646 plots) and starts on site (1,947).

Over the next five years the Group aspires to deliver 6,000 new homes, supported by investment of around £60m in local infrastructure such as schools, community centres and open spaces and, through our build programme, create 700 apprenticeships and more than 1,000 full time jobs. Over the last couple of years we have focused on growing the development pipeline. Our new development strategy is targeting the delivery of around 1,500 homes per year from 2017/18. We have discretion over a significant portion of the programme and we will only make these investments provided conditions are favourable.

Hyde's Design and Quality Panel assesses all new developments to minimise costs and maximise value. During 2015/16 we saved £11m on our development programme through improving design and build specifications, enough to help fund a further 60 new homes. This panel oversaw a number of innovative ideas, including creating private gardens where possible reducing common space, improving communal lighting and standardisation of kitchen units and window sizes and styles. In addition to this, continued rollout of the Group's construction management programme to selected schemes saved the Group 10% on these schemes compared to traditional build costs.

The Group has continued to seek opportunities to work in partnership through joint ventures, particularly where schemes have a high level of complexity or risk and in which a partner can help mitigate and add value. Recently secured opportunities include being selected as a Transport for London (TFL) development partner and our joint venture with Brighton and Hove City Council to deliver 1,500 homes.

During the year a number of our schemes were recognised by industry awards, including a Five Star award for the Best Residential Development in East Sussex for One Hove Park and a 'Gold Award' from In House, recognising that 91% of the Group's shared ownership customers would recommend Hyde to friends or family.

Value our People

Our staff are at the heart of what we do, and we remain committed to helping them to meet their career aspirations and in ensuring that we retain and attract the best people.

During 2015/16 we invested £799k in training and developing our people. This equated to more than two days of training per person, with around a third of this delivered in-house. In total 30 staff attended accredited programmes to improve their management, leadership and/or commercial skills and a further 38 were offered sponsorship to undertake a professional or accredited qualification.

Having launched the MY Career tool to help staff identify potential career paths in 2015, we built on this work by launching our first talent development programme in 2016. Twenty people were included in this programme which is part of our overall approach to succession planning.

We retendered for our Learning and Development managed service provider this year, reappointing Thales. As part of this exercise, we improved a number of our core Learning and Development processes to provide a more efficient operation. Our learning and development programmes across the Group continue to equip our people with the skills and knowledge they need.

We continued to develop our Flexible Benefits Scheme during the year, allowing employees to choose their benefits package. More than 90% of employees are members of one of Hyde's pension schemes.

We recruited our third cohort of apprentices who are on a customer services or business administration programme. Hyde Property Services also recruited a group of apprentices on a multi trades programme. We continue to gain successful outcomes with seven apprentices from the second cohort securing jobs with Hyde.

Employees and equal opportunities

The Group continues to reward performance through its performance-related pay scheme. Negotiations regarding general levels of pay commence with the Joint Negotiating Council from January each year. We benchmark individual salaries at appointment, upon promotion, and one-off increases outside the annual pay review. Benchmarking is against relevant market data and pay reflects an individual's performance and contribution.

We operate a strong performance management process. All our staff have an annual appraisal and all managers attend assessment centres as part of their recruitment, to ensure that they have the right skills and are provided with the right level of support for them to be successful in their leadership role.

We share information about our objectives, progress and activities through regular individual team and departmental meetings. Regular staff communications are produced and consultations with staff and union representatives take place on appropriate matters affecting staff. We also run regular staff surveys and action plans to improve employee engagement.

The Group recognises its legal and social obligations with regard to the employment of disabled persons and those with protected characteristics. Applications for employment by disabled persons are given full consideration, taking account of aptitude and ability. The Group recognises its responsibility to support employees who become disabled during the course of their employment.

Our people are instrumental to our success and we value the diversity that each employee brings to the business. The Group maintains its IiP Gold status and Positive about Disabled People accreditation. The Group is also a Stonewall Diversity Champion.

Figure 1.1 Breakdown of the gender of the Executive Management Team, Senior Leadership Group and employees at the end of the financial year

	2016		**2015**	
	Men	**Women**	**Men**	**Women**
Executive Management Team	50%	50%	50%	50%
Senior Leadership Group	54%	46%	51%	49%
All other employees	45%	55%	44%	56%

Be Efficient

Achieving VFM

The Group Board is responsible for ensuring Hyde establishes and maintains a comprehensive and strategic approach to achieving value for money in meeting our Corporate Objectives. This approach is designed to ensure a robust assessment of the performance of our assets and resources (including, for example, financial, social and environmental returns) and takes into account the interests and commitments to our stakeholders. The VFM strategy is designed to assist the Group in managing our resources economically, efficiently and effectively, to provide quality services and homes and to plan for and deliver ongoing improvements in value for money.

The key elements in delivering our VFM approach include;

1. Group Board approval of the Strategic Plan which includes VFM objectives and annual review of the VFM Strategy, supported by detailed budgets and VFM targets that are reviewed annually and cascaded down to budget holders
2. Decision-making supported by robust strategies and business planning that seeks to optimise the use of resources to deliver our objectives, taking into account the priorities of our residents (through HRV- Hydewide Residents Voice), our obligations to maintain decent homes and to invest in building new homes
3. Our Asset Management Strategy ensures we understand the returns on our housing and commercial assets, and provides the tools to assess how best to optimise future returns in both social and financial terms. This may include additional investment, redevelopment, change in tenure type or disposal
4. Our performance monitoring framework is overseen by the Group Housing Services Board for housing service delivery, the Group Investment Committee for investment and development delivery, the Group Board for treasury management and the Group Audit Committee for risk and internal control. This is supported by resident scrutiny of local performance through Resident Assurance Committees and for service experience by HRE (Hydewide Residents Eye). In addition we carry out a yearly self-assessment against the HCA National Standards to ensure that we are compliant and note plans for continuous improvement
5. A strategic approach to service enhancement. This is supported by a business case approach to change delivery and investment proposals, with clear cost benefit measures reflected in budgets and service KPIs. Our approach makes use of well-established tools such as Best Value reviews, benchmarking within the G15 (the 15 largest associations in London) peer group and comparison to service models outside of the sector
6. Establishing centres of expertise to support Group activities; such as Hyde Plus (supporting residents to manage debt and sustain their tenancies), our in-house legal team (facilitating early intervention and mediation on tenancy matters and supporting Housing Officers with tenancy enforcement), and our centralised procurement team (allowing us to take a strategic approach to procurement, helping to shape internal service delivery and benchmark to market). Our aim is to strengthen frontline services, focusing on digital and telephone resolution, with residents accessing more services on line and through social media channels.

Measuring success in VFM

The Group has a suite of performance KPIs (page 9) which capture how well Hyde is delivering on its social purpose and ensuring it is a viable, thriving organisation that will deliver its Corporate Plan.

Further details on how we are delivering against our VFM plan, our VFM self-assessment and plans for the future can be found summarised in our annual report, in our annual value for money plan and also on our website (www.hyde-housing.co.uk).

Financial performance

Figure 1.2 Financial highlights

	2012* £m	2013* £m	2014* £m	2015 £m	2016 £m
Group Statement of Comprehensive Income					
Total turnover	229.6	259.9	281.7	338.3	350.5
Operating surplus	67.3	74.8	79.0	104.8	113.3
Net financing costs (interest payable and receivable)	(58.7)	(55.8)	(58.2)	(61.0)	(66.0)
Underlying Surplus for the year before taxation	**13.8**	**25.7**	**41.6**	**80.8**	**95.7**
Derivative instrument adjustments	(56.4)	(27.7)	27.3	(109.6)	(73.3)
(Loss)/surplus for the year before taxation	**(42.6)**	**(2.0)**	**68.9**	**(28.8)**	**22.4**
Group Statement of Financial Position					
Housing properties net of depreciation	2,654.2	2,756.1	2,825.4	2,726.5	2,764.3
Long term assets	19.6	17.5	16.1	111.7	131.2
Fixed assets net of depreciation and grants	2,673.8	2,773.6	2,841.5	2,838.2	2,895.5
Current assets less current liabilities	72.6	136.0	224.8	210.0	147.8
Total assets less current liabilities	**2,746.4**	**2,909.6**	**3,066.3**	**3,048.2**	**3,043.3**
Long term liabilities	(2,526.7)	(2,701.8)	(2,782.8)	(2,772.9)	(2,739.4)
Net assets	**219.7**	**207.8**	**283.5**	**275.3**	**303.9**
Reserves	**219.7**	**207.8**	**283.5**	**275.3**	**303.9**
Consolidated Statement of Cash Flows					
Net cash flow from operating activities	78.2	101.1	108.4	101.7	77.5
Net cash outflow from returns on investment and servicing of finance	(72.8)	(70.9)	(75.1)	(87.9)	(69.5)
Net cash (inflow)/outflow from capital expenditure	(87.7)	(110.8)	(25.3)	61.9	(52.1)
Financing	(18.7)	99.7	97.4	(76.1)	(15.2)
(Decrease)/increase in cash	**(101.0)**	**19.1**	**105.4**	**(0.4)**	**(59.3)**
Interest cover (parent entity only)	0.88	1.00	0.98	1.26	1.54
Gearing (parent entity only)	68%	68%	67%	63%	66%
Surplus before asset sales £'000 (Group)	£8,742	£19,334	£21,231	£20,174	£25,282
Net operating margin (Group)	29%	29%	28%	31%	31%
Interest cover (Group)	1.15	1.35	1.36	1.72	1.72
Margin before asset sales (Group)	30%	29%	25%	31%	33%

** 2012 to 2014 is under previous UK GAAP.*

The Group's underlying surplus before taxation in the year was £95.7m (2015: £80.8m). This surplus is before reflecting the impact of market value movements on financial instruments used by the Group to hedge its interest costs. The impact of the market value movements in 2015/16 was a negative net movement of £73.3m (2015: negative net movement of £109.6m). The result of the Group, including these items, was therefore a £22.1m surplus (2015: £29.0m loss) on ordinary activities before taxation.

The underlying surplus of £95.4m after tax, up £14.8m on last year, reflects a very strong performance from the Group's core housing management operations and, in particular, our property trading sale activity. We are also seeing the benefits of our sustained investment in business transformation made over the last three years for the benefit of both the business and our residents, as well as our active management of interest costs.

Figure 1.3 Turnover Analysis

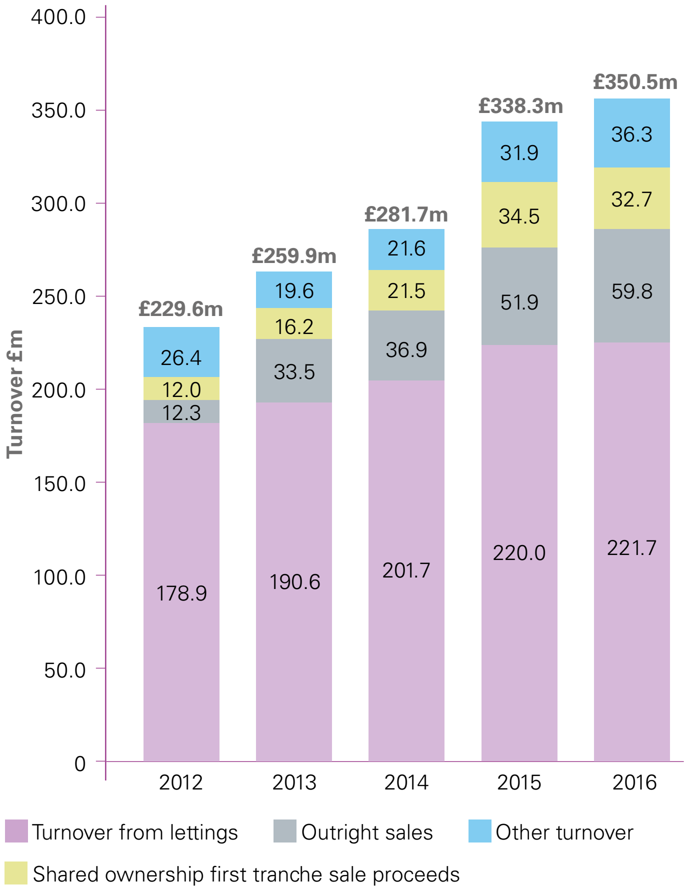
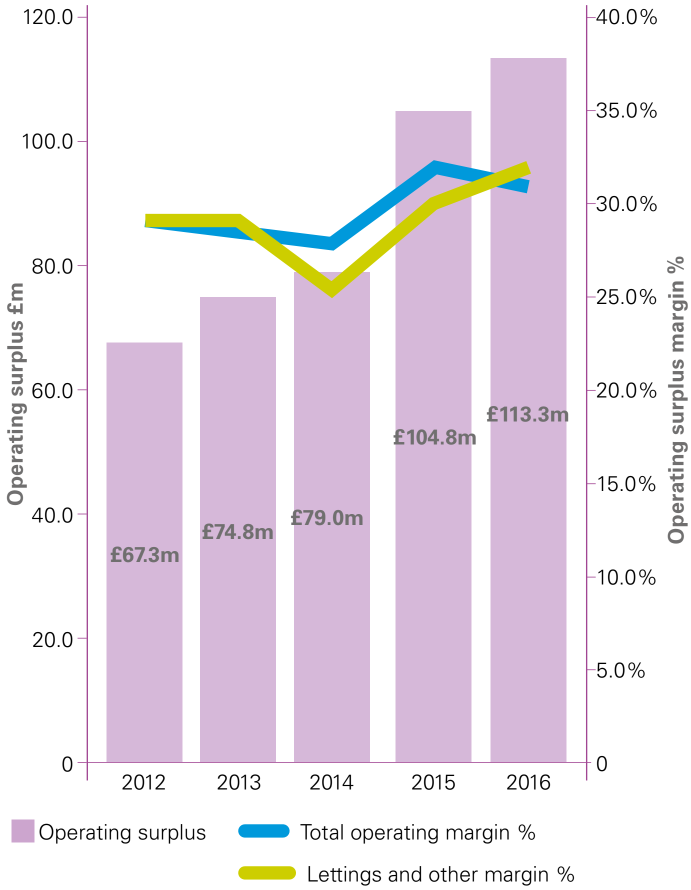


Figure 1.4 Operating surplus



Turnover increased this year from £338.3m to £350.5m due to an increase in rental income and property sales. Turnover from lettings increased only slightly because although there were increases due to new developments and inflation linked rental uplifts, this was offset by a reduction in temporary and student accommodation units. Turnover from outright sales and first tranche shared ownership homes increased by £6.1m to £92.5m due to a slightly higher number of completions during 2015/16.

Operating Surplus has increased by £8.5m in 2015/16 to a £113.3m surplus. The operating surplus margin has stayed the same at 31%. Total operating expenditure increased year on year by £3.7m to £237.2m.

Net interest payable in the year increased to £66.0m, due to greater net borrowing balances on average. Our overall Group surplus of £22.1m (after taking into account the fair value financial instruments loss of £73.3m) has resulted in our accumulated reserves increasing to £330.8m. We will continue to use these reserves to support reinvestment into our business, with the aim of providing good quality services and delivering more new homes.

Material estimates and judgements were made on provision for bad debts, impairment of plant, property and equipment, investment property valuation, provisions and pension obligations. Provisions for bad and doubtful debts are calculated based on average collection rate by amount overdue. Judgements made in this calculation are around grouping levels of arrears to assess recoverability.

Investment properties are valued annually by third party valuers. Management relies on estimates to determine the value such as discount factors, timing of cash flows, predicted future rents and the life of the asset.

Impairment adjustments are made where there is evidence of impairment. Any impairment is charged to operating profit. Impairment is assessed by comparing carrying value of cost generating schemes to the higher of value in use and fair value less costs to sell. If the carrying value is greater than the higher of value in use and fair value less costs to sell, an impairment provision is made. Value in use requires management estimates of timing of cash flows, discount rate and the life of the asset. Management use estimates to determine fair value less costs to sell based on information available regarding sales of similar properties and depreciated replacement cost.

Provisions are made for lease dilapidations, onerous leases and legal claims where an obligation is probable. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of cash flows and discount rates used to establish net present value of the obligations require management's judgement.

The Group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. The assumptions reflect historical experience and current trends.

Figure 1.5 Use of reserves

	2016 £m	**2016 %**	**2015 £m**	**2015 %**
Property – cost less depreciation and impairment	2,764.3		2,726.5	
Financed by:				
Loans (net of cash)	1,232.7	45%	1,162.8	43%
Grant	1,114.0	40%	1,172.6	43%
Reserves	330.8	12%	303.2	11%
Other	86.8	3%	87.9	3%
	Nil	**100%**	**Nil**	**100%**

As the above table shows, the Hyde Group has a total investment of £2,764.3m in property, of which 57% has been financed from reserves and loans.

Given the changes to sector funding (in particular the reduction in grant funding) we use our surplus to support our development programme. Over the past five years we have invested more than 2.4 (2015: 3.5) times our surplus in the acquisition and construction of housing, as the following table shows:

Total average underlying surplus over the past five years	£51.4m
Total average cash spent on acquisition and construction of housing over the past five years (net of grant)	£123.7m
Cash spent on housing as a multiple of surplus	2.4 times

The multiple of surplus has decreased due to us having increased our surplus over the past five years by making efficiencies and maximising our income through sales, which allows us to reinvest in more social housing.

Capital structure and treasury policy

The Group is financed by a combination of committed bank facilities (long dated term, and shorter dated revolving credit facilities), senior secured sterling bonds issued in the capital markets, private placement funding, Social Housing Grant funding from the UK Government and retained reserves. The Group's Corporate Finance and Treasury department maintains sufficient cash and readily-available committed credit facilities to fund the Group's working capital requirements and investment programmes in the short to medium term. The Group's treasury strategy and policy is reviewed and approved annually by the Group Board to ensure it underpins the financial budget, operational targets and longer term strategic and financial plans of the Group. The Group reduces volatility in cash flows and interest payable through the use of an actively managed interest rate risk hedging programme. The Group's financial and treasury strategy is reviewed annually by both S&P and the HCA as part of their financial assessment of the Group. The Group is rated AA negative by S&P and has a top financial viability rating of V1 from the HCA.

Loans and credit facilities

At 31 March 2016 the Group had committed facilities of £1,576.2m (2015: £1,556.9m), of which £1,320.1m (2015: £1,309.5m) net of loan costs had been drawn. Committed undrawn facilities were £244.0m (2015: £234.0m). Additionally, cash of £80.0m meant that the total liquidity at the end of the March 2016 was £324m. This is considered sufficient to fund over two years' worth of contractual commitments including both capital spend and loan repayments due. 75% (2015: 75%) of the credit facilities were provided by the UK bank and private placement debt markets and 25% (2015: 25%) by the bond capital markets. The Group monitors the maturity and duration of its borrowings to ensure an orderly repayment profile, thereby reducing refinancing and liquidity risk. The maturity profile is shown below:

Figure 1.6 Loan facilities

	2016 £m	2015 £m
0-1 years	76.9	8.4
1-2 years	82.2	71.2
2-3 years	171.6	76.4
3-5 years	68.7	172.0
More than 5 years	1,176.8	1,228.9
Total	1,576.2	1,556.9

The weighted average maturity duration of facilities across the Group is 15.6 years (2015: 17.4 years). Treasury ensures refinancing risk is kept low by ensuring that no more than 20% of the loan portfolio matures in any one year.

Hedging and risk policy

The Group considers the management of its exposure to interest rate risk to be a critical element in achieving its business objectives. The Group is able to manage its exposure to this risk through loan agreements and the embedded hedging instruments contained therein (all closely related to the host contracts) and by arranging standalone hedging with approved counterparties governed by ISDA (International Swaps and Derivative Association) agreements. The Group has a policy of holding a portfolio of hedges incorporating a mix of characteristics and maturities that provides it with substantial protection against the effects of adverse movements in interest rates and, to a lesser extent, inflation movements.

The Group's interest rate risk management policy sets minimum and maximum thresholds for its fixed to floating debt ratio within the Board approved treasury policy. The current approved range for fixed rate debt is 70%-95% (including interest rate swaps) and the mix is shown below:

Figure 1.7 Group borrowing

	2016 £m	2016 %	2015 £m	2015 %
Fixed Rate	1,174.0	89%	996.5	76%
Variable Rate	146.1	11%	313.0	24%
Total drawn down	**1,320.1**		**1,309.5**	

Financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. Due to limitations on the application of hedge accounting, volatility has been introduced into the Statement of Comprehensive Income as market value movements are not fully offset by movements in the underlying hedged item within each period. There is no cash flow impact to the Group's results due to International Accounting Standard 39 – Financial Instruments Recognition.

Given that the reasons for entering into the derivatives remain commercially sound (i.e. they are intended to be held to maturity to reduce volatility in the Group's cash flows), the Group has opted to report the underlying result of the Group before reflecting the impact of these accounting standards.

This approach reflects the manner in which the Group manages its risks. It is supported by funders of the Group who, where applicable, have amended lending covenants to exclude the impact of these accounting standards in recognition of the fact that the Group's ongoing cash flows are not impacted and hence there is no change in the ability of the Group to continue to service its debt. The inclusion of this accounting volatility decreases the reported 2016 surplus by £73.3m (2015: £109.6m decrease of surplus). The relatively large movement in value this year reflects the relative decrease in applicable long term interest rates during 2015/16.

The Group monitors and manages concentrations of risk for individual loan and swap counterparties, hedge type or hedge instruments on a daily basis. Speculative financial transactions are not permitted and the Group uses financial instruments for risk management purposes only.

The Group monitors on a daily basis its exposure and sensitivity to potential mark-to-market (MTM) cash margin calls on its standalone interest rate swap arrangements. Sufficient cash balances, property collateral and readily-available committed credit facility reserves are maintained at all times to cover reasonably foreseeable liabilities, even during times of unfavourable interest rates. Any Group MTM exposures created by the fair value calculations at month-end or year-end on any standalone interest rate swaps are always covered by property and/or cash collateral to reduce any outstanding exposure to zero.

Other treasury risks

The Group does not have any natural currency or major security or commodity market risks due to the nature of its business. Liquidity surpluses are deposited with a Group Board approved panel of counterparties having approved credit ratings and are monitored on a daily basis.

The Group's weighted average cost of capital for the year was 5.27% (2015: 5.36%), reflecting the lower interest rate environment.

Loan facility security

All committed facilities were secured by fixed charges over properties at the year-end. In addition, the Group held 8,190 (2015: 7,899) unencumbered properties available for use as security for new loans. These properties were estimated to provide potential security for a further £685.0m (2015: £624.0m) of new loans.

Covenants and covenant headroom

Financial covenant compliance is managed centrally by the Corporate Finance and Treasury department and reported on a monthly basis. Interest cover, gearing, tangible net worth and asset cover covenant ratios are the main financial tests required by lenders. There were no breaches in the year and a full covenant compliance report is maintained as part of management reporting procedures.

Cash flow

The main factor influencing the amount and timing of borrowings drawn is the pace of the development programme. While the amount and timing of payments may be monitored and predicted, the timing of sales receipts, land acquisitions and interim payments to contractors may materially influence the cash flow profile. Short, medium and long term cash flow forecasts are used to manage the Group's liquidity positions and headroom availability.

Looking forward

Objectives and strategy

The Hyde Group's vision and mission statements drive everything we do. Our vision is "to make a lasting difference to people's lives", and our mission is "to be a responsible landlord; to operate as a successful business with charitable objectives and to build more new homes".

During 2015/16, the Group revised its Strategic Plan (2016-20 Strategic Plan, published April 2016), providing the Group with a clear focus on what it needs to do to achieve its overall vision and mission. The Group's overall strategic objectives are to:

- Deliver Quality Services
- Build More Homes
- Value Our People
- Be Efficient

The table below provides an overview of our strategic objectives, targets and planned activities against these (actual KPI results for 2015/16 are shown on page 9).

Deliver Quality Services

Objectives

Cultivate a culture of responsibility to deliver straightforward accessible services.

- Use new technology to deliver major projects to help us re-shape our service model to better deliver 'easy to use' and digital services to a good standard
- Review our product range and customer segments to address future changes in market demand and aspirations of home ownership for our customers
- Help our most vulnerable residents to sustain their tenancies.

KPI targets in 2015/16

- Compliance of properties with gas certificates 100%
- Satisfaction with repairs service ≥ 89%
- Satisfaction with complaints service ≥ 65%
- Calls handled within service level agreement ≥ 85%

Projects planned in 2016/17

- Simplify access to clearly defined core landlord services, creating a service experience for our tenants which is as effortless as possible
- Promote channel shift to digital services
- Provide targeted support to those residents who are most vulnerable and at risk of losing their tenancy
- Consider new innovative product offerings as part of development strategy.

Long term targets

Customer satisfaction will be 84%; and in the top quartile of our peers.

Our customers are our most important stakeholders and so we will give them the best service we can. This will start by ensuring our services are simple and easy to use and our customers can achieve the outcome they want, with the least amount of effort.

Build More Homes

Objectives

Increase the number of homes we own and build to increase the housing supply and maximise our financial strength.

- Maximise the number of homes we build across all tenures
- Work collaboratively with partners to deliver new supply
- Explore innovative funding structures to support mechanisms for new supply
- Maintain the confidence of our regulator and investors
- Enhance Hyde's reputation as a thought leader to shape thinking and increase influence on policy makers.

KPI targets in 2015/16

- 100% start on site homes against forecast
- 100% practical completions against forecast
- 100% outright sales against target
- 100% shared ownership sales against target

Projects planned in 2016/17

- Deliver 6,000 homes over the next five years and 1,000 from 2016/17
- Continue to pursue opportunities to work in partnership with local authorities, joint ventures, and with pension funds
- Increase capacity through new funding vehicles
- Maintain strong governance, viability and credit ratings
- Generate profits from property transaction.

Long term targets

We will have built over 6,000 homes of varying tenure.
We are passionate about building more homes to ease housing pressures. We will grow our core areas, through development and stock acquisition, so we become more efficient and improve our service offer to our residents and other stakeholders.

Value our People

Objectives

Support our people to deliver organisational objectives and improve our employees' working lives.

- Have the right people in place, with the right capabilities, who are innovative and passionate about what we do
- Embed a culture of working together and individual responsibility to deliver excellent customer service
- Invest in effective staff engagement strategies so our people feel empowered, valued and ready to give their best
- Ensure Hyde remains an attractive and competitive employer and good staff are retained, developed and promoted.

KPI targets in 2015/16

- Increase staff engagement to 73%

Projects planned in 2016/17

- Retain gold Investors in People (IIP) status
- Increase staff retention, engagement and promotion levels increase staff development activity
- Promote a culture that enables Hyde's values to come alive during interactions between staff, residents and each other.

Long term targets

Our staff engagement, development and retention will be within the upper quartile of our peer group.
We believe that a highly engaged, innovative and skilled workforce is the key building block to achieving our objectives. We will embed a culture of working together and individual responsibility and maintain our programme of staff wellbeing initiatives.

Be Efficient

Objectives

Maximise value, embrace digital solutions and streamline our systems and processes.

- Continue to modernise our service to meet customer expectations. Core service areas will be reviewed to create confident, expert teams who know how to deliver good outcomes
- Consolidate operating geography and markets through swaps, disposals and proactive mergers and acquisitions
- Maximise the asset value of both new and existing homes
- Sustain income collection given the current environment but actively seek out opportunities to increase this across the business
- Recognise the environmental impact of our business and continue to reduce waste and other undesirable impacts.

KPI targets in 2015/16

- Rent arrears ≤ 4.2%
- Void rent loss ≤ 0.8%

Projects planned in 2016/17

- Simplify access to clearly defined core landlord services, creating a service experience for our tenants which is as effortless as possible
- Promote channel shift to digital services
- Provide targeted support to those residents who are most vulnerable and at risk of losing their tenancy
- Consider new innovative product offerings as part of development strategy.

Long term targets

Our transactional cost per home will be among the best within the G15.

We will ensure that our internal costs deliver even better value for money, allowing us to maximise our surplus to re-invest into providing quality services for our customers and building more homes.

Future prospects

During the coming year the Hyde Group and the Association will begin its five year programme of delivering savings to the budget to meet the challenging external pressures in the market such as the rent reduction. These will be delivered mainly in the areas of management, maintenance and financing costs. This will enable the Group and Association to fulfil its ongoing commitment to building new homes.

On 6 April 2016, the Group announced that it was entering merger discussions with London and Quadrant Homes (L&Q) and East Thames Homes. This is an exciting opportunity for the Group and at the time of writing we anticipate that the merger will come to legal completion by the end of 2016.

Governance and Risk

Risks, uncertainties and governances

The Group Audit Committee reviews the arrangements for risk identification and management annually. Strategic risks, that might impact the delivery of the Corporate Plan, are monitored by the Group Board. Operational risks, those which may impact the provision of day-to-day services, are monitored by the Group Housing Services Board and the Group Investment Committee. These risks are refreshed annually along with the Corporate and Annual plans. The Group's appetite for risk is defined as 'open' (using HM Treasury definitions). This means we are willing to consider all potential delivery options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward. Our risk appetite is described as 'open' generally for the delivery of services governing our statutory health and safety requirements, compliance with legislation and our regulatory framework. However, the approach adopted by management is 'minimalist' in that preference is for ultra-safe business delivery options. The Group Code of Governance and the Internal Controls Assurance are set out on pages 23 to 25. To ensure risk management is part of everyday activities, the EMT reviews emerging issues monthly and report impact, mitigation and a wider PESTLE analysis to each business meeting of the Committees and Group Board. The key risks from the Group Strategic Risk Map are as follows:

Key Risk	Mitigation/action
Continuous improvements to operational efficiency are not delivered or embedded, leading to over-dependency on asset sales, downgrade in credit rating or reduction in development programme. Service quality fails to keep pace with sector developments or residents' changing requirements, the cost of provision becomes unaffordable, or there is insufficient staff and management capacity, buy in, expertise to deliver business change.	• We have a robust approach to programme and project management that includes pilot and phased delivery of service changes, formal gateway review scrutiny, lessons learnt and tracking of benefit realisation • Hyde has in place a number of communication channels with which we engage and communicate with our staff to ensure that we gain staff buy-in and momentum as we deliver service improvements • Our Corporate Plan cascades targets to teams and includes value for money targets • We actively involve our residents through the inspection of our services, procurement panel and resident assurance committees to monitor our service performance • We use benchmarking and self-assessments against regulatory standards to ensure operational efficiency and overall value for money.
The Group fails to effectively position itself in light of Government and public perception of sector or in the event of a significant service failure. Relationships with residents and customers, regulator, funders, local authorities and partners becomes strained due to poor performance and governance, response to Government policy, long term viability concerns, thus impacting reputation and ability to secure funding.	• Hyde has in place a robust governance framework including a funded Corporate Plan which contains SMART milestones • The Group Board regularly monitors our progress against the Corporate Plan and through our embedded risk management processes reviews our risks and emerging issues • Our Resident Engagement Strategy ensures we actively engage with our residents • Our Communications, Social Media and Stakeholder Management Strategies ensure that we actively communicate, consult and engage with all our key stakeholders • We are reviewing the impact and the actions required as a result of Government policy; and have remodelled our financial plan.
Operational environment impacts make the corporate plan unachievable. Changes in availability of loan funding, government policy, future reduction in rents and capital grants, Welfare Reform including changes to housing benefit rules have been identified as key risks to the Group. Such changes could impact on the Group's ability to deliver its planned development programme and also affect core activities, for example if rental arrears increase as a result of reductions in housing benefit.	• We have in place a three year Corporate Plan which is supported by a number of plans and strategies including a ten year Finance Plan, an Annual Finance Plan, an Annual Business Plan and an Asset Management Strategy • Our Group Board undertakes a strategic review of our Financial Plan including future funding options, sensitivity testing and contingency plans to ensure that the Group has adequate resource to deliver committed activities and development • We monitor the impact of Government policy interventions including welfare reform, have established a welfare reform working group and have invested in prevention methods through Hyde Plus • Hyde takes part in Central Government briefings, lobbying and working parties to inform the debate and influence decisions • We continue to enhance our financial stress testing and our asset and liabilities register in line with regulatory requirements • Our loan portfolio is largely fixed with long term staggered maturity profile resulting in low refinancing risk.

Key Risk	Mitigation/action
Failure to provide products and services that meet market demand. Successful delivery of the development programme depends on continued support from the HCA, GLA and Local Authorities, as well as the ability and willingness of development contractors to continue to build our schemes in a challenging economic environment. Success also depends on maintaining a track record and credibility to be a landlord of choice.	• Hyde wishes to be a landlord of choice and continues to offer services on top of providing affordable housing; for example Hyde Plus, which is a key differentiator for our services. Hyde Plus continues to improve the quality of life and promotes life chances for our residents with a particular focus on those experiencing disadvantages • We continue to maintain the top financial rating from our Regulator, the HCA, and an AA Stable Credit Rating with Standard & Poor's • Hyde has a Business Development Strategy. All major development schemes are considered, evaluated and approved in advance by our Group Investment Committee • We work closely with the HCA and local authorities to implement and deliver new funding arrangements and to develop suitable tenure models.
Fluctuations in housing market impacts on open market sales, shared ownership programme and adversely impacts affordable housing programme delivery. Macroeconomic factors such as a change in interest rates or a downturn in the overall health of the economy could result in a fall in house prices. These external issues could impact on the Group's ability to generate its projected income and support the delivery of its affordable housing programme.	• Where appropriate Hyde works with external partners through joint ventures to share risks in the development of schemes • Hyde continuously reviews market conditions and values, and the Group has a balanced geographical development programme • Hyde has mitigation strategies in place in the event of a market downturn • We have reduced our development financing risks by hedging or fixing our loans to safeguard against increases in interest rates • Hyde has stress tested its Financial Plan to determine the Group's ability to deal with fluctuations in the housing market and the potential impact of fluctuations described in the Bank of England guidance for stress testing the UK banking system.
Insufficient liquidity. Inability to fund asset investment or meet obligations as they become due leading to disposal of social assets.	• The Group Board approve the Treasury Strategy, Treasury Management Policy and the Financial Plan on an annual basis • Our financial governance is reviewed by the regulator, credit rating agency and funders • The Scheme Appraisal Panel and Group Investment Committee review and monitor housing market conditions and major development programmes • Our revised financial plan has been approved by the regulator following Government policy announcements and proactive steps have been taken ahead of receiving the policy details on Right to Buy and Pay to Stay • A plan is in place to provide our Group Board with assurance that we are monitoring and mitigating the risks associated with protecting our social assets which includes external validation.
Mergers and acquisitions. Failure to successfully deliver merger proposal and integrate operations adversely impacts service performance, staff morale and damages reputation.	• Agree Heads of Terms and seek to gain regulatory and funders consent • Ensure Board approval for outline business case and due diligence findings • Dedicated resource to support project and transition planning • Ensure there us a proactive communications plan • Transition plan sets out key actions, benefit timelines and clear link to efficiency gains • Executive and Board visibility with regular focus on targets and outputs.

Group Code of Governance

The Group Board has adopted the NHF Code of Governance "Code of Governance" as the governance code for the Hyde Group. The Group conducts a Group-wide self assessment of compliance with the Code and Governance and Financial Viability Standard at least once a year. The results of the assessment are reported to the Group Board. The Group concluded that they complied with the Code during the year.

The Group's constitution continues to maintain a maximum board size of 15 places (including co-options), three higher than the NHF Code of Governance suggests, to provide membership flexibility in any potential future growth opportunities. However, during the year, Board membership did not exceed 12 at any time.

The governance of the Group and its subsidiaries is summarised in the following paragraphs.

The Group Board

The Group Board is the ultimate governing body of the Hyde Group (the Group). It comprises 10 non-executive directors and two executive directors and meets regularly throughout the year. Four of these meetings are formal business meetings, the remainder are set aside for the Board to consider wider strategic issues. Members receive remuneration to compensate them for the time and effort they put in and to attract the skills that the Group requires. Members are drawn from a range of professional and business backgrounds so that there is an optimum mix of skills and expertise to fulfil the function of the Group Board.

Delegation

The Group Board delegates some of its responsibilities to functional committees. Each of these committees has clear terms of reference and delegated authority. They report back to the Group Board after each meeting, where their recommendations are fully considered and approved where appropriate. Each of these committees is chaired by a non-executive member of the Group Board. The functional committees have a Group-wide remit.

Functional Committees

There are four main functional committees within the Group: the Group Audit Committee, the Group Housing Services Board, the Group Investment Committee and the Group Remuneration and Appointments Committee.

The Group Audit Committee

The role of this committee is to oversee the work of both the internal and external audit function and to oversee the risk management framework and internal control framework for the Group. The Committee reviews the audited financial statements for all parts of the Group and recommends them to the relevant Boards for approval. It is also responsible for recommending to the Group and subsidiary Boards the appointment of internal and external auditors and investigating any activity it thinks fit, or as may be referred to it. It submits an annual report on internal controls to the Group Board. Through the reports it receives, the Audit Committee gains comfort that the Group has appropriate systems of internal control and is able to comply with the Homes and Communities Agency's expectations in this area.

The Group Housing Services Board

The Group Housing Services Board's role is to scrutinise executive performance in respect of the Group's core business operations. It provides the Group Board with the reassurance that operational performance is subject to effective non executive oversight.

In particular, the Board scrutinises delivery of the Group's service promise, scrutinises progress against ongoing operational work programmes, oversees the development of appropriate benchmarking criteria for internal and external validation of service performance, oversees the identification and mitigation of statutory and regulatory risk (including health and safety) and oversees the people issues as they affect operational delivery.

The Group Housing Services Board is also the "hub" for the Group's "common board" model of governance for the registered provider subsidiaries in the Group. Its members are also the members of the Martlet Homes Limited, the Hyde Southbank Homes Limited and the Hillside Housing Trust Limited (being Group subsidiaries) Boards. This enables the Group Housing Services Board to oversee the operations of these subsidiaries and to meet simultaneously as the relevant Boards where a particular board approval is required.

The Group Investment Committee

The Group Investment Committee oversees and approves the Group's investment in major development projects. In particular it scrutinises and approves the Group's participation in substantial urban regeneration and renewal projects.

The Group Remuneration and Appointments Committee (the Remuneration Committee)

The Remuneration Committee is responsible for setting the remuneration of board members and of the Executive Management Team. In addition, the Remuneration Committee oversees the process for board member appraisal and reviews the process for board member appointment.

Statements of compliance

The Board confirms that the Strategic Report has been prepared in accordance with the principles set out in paragraphs 4.6 and 4.7 of the 2014 SORP for registered social landlords. The Board confirms that the Group has assessed its compliance with the Governance and Financial Viability Standard at least once during the year and they certify that their annual financial statements are in compliance with the Governance and Financial Viability Standard.

Statement of the Group Board's Responsibilities

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

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the registered provider of social housing (RPSH) and of the surplus or deficit for that period. In preparing these financial statements, the board is required to:

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

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the transactions and which disclose with reasonable accuracy at any time the financial position of the RPSH and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing in England from April 2015. It has general responsibility for taking reasonable steps to safeguard the assets of the RPSH and to prevent and detect fraud and other irregularities.

The Board is responsible for ensuring that the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and its subsidiaries included in the consolidation, together with the disclosure of the principal risks and uncertainties they face.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Internal Controls Assurance

The Group Board's responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness is set out in the Internal Controls Assurance statement below.

The Group Board (Board) is ultimately responsible for ensuring the Group establishes and maintains a system of internal control appropriate to the various business environments in which it operates. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The key elements in exercising control include:

- Group Board approved terms of reference and delegated authorities for audit, operation and investment committees
- Clearly defined management responsibilities for the identification, evaluation and control of significant risks
- Robust strategies and business planning process, with detailed financial budgets and forecasts
- Formal recruitment, retention, training and development policies for all staff
- Established authorisation and appraisal procedures for significant new initiatives and commitments
- A sophisticated approach to treasury management which is subject to external review each year
- Regular reporting to the appropriate committee on key business objectives, targets and outcomes
- Group Board approved whistle-blowing and anti-theft and corruption policies
- Group Board approved fraud policies, covering prevention, detection and reporting together with recoverability of assets
- Regular monitoring of loan covenants and requirements for new loan facilities
- Annual review of Homes and Communities Agency 'Economic and Consumer Standards'.

The Board confirms that it has a strategy and policy on fraud and the Anti Fraud and Corruption Policy was reviewed during the year.

The system of internal controls is ongoing, and has been in place for the year to 31 March 2016 and up to the date of approval of the annual report and financial statements.

The Board recognises its responsibility for the system of internal control and for reviewing its effectiveness. The Group produces an annual review of internal controls. This provides assurances in external audit, internal control, internal audit, whistle blowing, risk management and performance monitoring.

The Board reviews annually the effectiveness of the system of internal controls in existence in the Group. This review includes a review of the fraud register. The Board confirms that all necessary actions are taken to remedy any significant failings or weaknesses which may have been identified during the review.

The Board cannot delegate ultimate responsibility for the system of internal control but has delegated authority to the Group Audit Committee to regularly review the effectiveness of the system of internal control. The Board receives Group Audit Committee quarterly reports and meeting minutes. The Group Audit Committee has received the Chief Executive's 'Annual Review of the Effectiveness of the System of Internal Control' for the Group, and the annual report of the internal auditor, and has reported its findings to the Board.

The Board confirms no weaknesses were found in the internal controls for the year ended 31 March 2016 which might otherwise have resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements.

Pensions

The current status of the Group's pension funds is disclosed in note 35.

Group Board members and organisation executive directors

The present Group Board members and the members of the Executive Management Team are set out on page 5. The Group Board members are drawn from a wide background, bringing together professional, commercial and housing/social experience. In recognition of the challenges facing the Board, and the time and effort they put into performing their duties, the Association remunerates Group Board members. No member of the Executive Management Team holds any interest in the Association's shares and they act as executives within the authority delegated by the Group Board.

Figure 1.8 Group Board attendance

	Board meetings		Committee meetings	
	No. meetings	**No. attended**	**No. meetings**	**No. attended**
Mark Sebba	9	9	4	4
Nicholas Badman	5	5	4	4
Alan Collett	9	8	6	6
Paul Cook	9	5	4	2
Kishwer Falkner	5	3	1	1
Paula Hay-Plumb	9	8	7	6
Alastair Imrie	9	7	9	8
Duncan Ingram	9	9	8	8
Prodaman Sarwal	5	4	3	3
Piers White	9	8	12	12
Lynn Gilbert	4	3	3	3
Elaine Bailey	9	9	3	3
Simon Peacock	7	7	–	–

Health and Safety

The Group Board is aware of its responsibilities on all matters relating to Health and Safety (H&S). The Group has prepared a detailed H&S policy and provides staff training and education on H&S matters. The Group has a permanent H&S Director whose role is to maintain and enhance Hyde's H&S strategy, policy and culture and to ensure Hyde's continued compliance with regulation and industry practice.

Housing property assets

Details of changes to the Group's housing property fixed assets are shown in note 16 of the financial statements.

Reserves

Details of changes to reserves are shown in the financial statements.

Dividends

No dividends are payable.

Political and charitable contributions

During the year the Group made no political contributions. The Group donated £336,000 to charitable projects (2015: £375,000).

Post statement of financial position events

On 23 June 2016, the results of the European Union Referendum voted for the United Kingdom to leave the European Union. This result creates uncertainty for the United Kingdom economy which may impact the the value of the Group's pension fund deficits, housing market and dependency on property sales, impact on investment properties, impact on investment assets, access to funding, impact on derivatives and impact on tenants of further welfare cuts. It is likely there will be a protracted period of negotiation that may take at least two years. Due to the uncertainty and timing of negotiations, it is not possible to estimate the financial impact of this event. As a result of this, the Group's rating was downgraded to AA negative.

Going concern

The Group Board has a reasonable expectation that the Association and the Group has adequate resources to continue in operational existence for the foreseeable future. These financial statements are prepared on a going concern basis.

Executive members' liability insurance

The Group is covered by the National Housing Federation's Directors' and Officers' Liability policy. The Group also has additional independent top-up cover to indemnify directors and officers against legal liability arising from claims made against them as a result of any wrongful act in their capacity as a director or officer of the Group.

Independent Auditors

A resolution to re-appoint PricewaterhouseCoopers LLP (PwC) as external auditors to the Hyde Group will be proposed at the forthcoming Annual General Meeting (AGM).

Mark Sebba
Chair
21 July 2016

Independent Auditors' Report on the Financial Statements

Our opinion

In our opinion, the financial statements of Hyde Housing Association Limited (the "Association") and the consolidated financial statements of the Association and its subsidiaries (the "Group"), together, the "financial statements":

- Give a true and fair view of the state of the Group's and of the registered provider's affairs as at 31 March 2016 and of the Group's and the registered provider's result and cash flows for the year then ended; and
- Have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Providers of Registered Social Housing 2015.

What we have audited

The financial statements comprise:

- The group and registered provider statements of financial position as at 31 March 2016
- The group and registered provider statements of comprehensive income for the year then ended
- The group and registered provider statements of changes in reserves for the year then ended
- The group statement of cash flows for the year then ended
- The notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Board has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, it has made assumptions and considered future events.

Other matters on which we are required to report by exception

Adequacy of accounting records, system of internal control and information and explanations received

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- A satisfactory system of control over transactions has not been maintained or
- We have not received all the information and explanations we require for our audit or
- Proper accounting records have not been kept by the registered provider or
- The registered provider financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the board

As explained more fully in the Statement of Board's Responsibilities set out on page 24, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report, including the opinions, has been prepared for and only for the registered provider's members as a body in accordance with Section 87 (2) and Section 98(7) of the Co-operative and Community Benefit Societies Act 2014 and the Housing and Regeneration Act 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- Whether the accounting policies are appropriate to the group's and the registered provider's circumstances and have been consistently applied and adequately disclosed
- The reasonableness of significant accounting estimates made by the Board
- The overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Board's judgements against available evidence, forming our own judgements and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Consolidated Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit.

If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Pauline Campbell
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
25 July 2016

(a) The maintenance and integrity of the Hyde Housing Association Limited website is the responsibility of the Board; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Group Statement of Comprehensive Income
For the year ended 31 March 2016

	NOTE	Pre-derivative 2016 £'000	Impact of derivative 2016 £'000	Post-derivative 2016 £'000	Pre-derivative 2015 £'000	Impact of derivative 2015 £'000	Post-derivative 2015 £'000
Turnover	3, 4	**350,516**	**–**	**350,516**	338,294	–	338,294
Operating expenditure	3, 4	**(237,227)**	**–**	**(237,227)**	(233,459)	–	(233,459)
Operating surplus	6	**113,289**	**–**	**113,289**	104,835	–	104,835
Surplus on disposal of property, plant and equipment	7	**45,344**	**–**	**45,344**	33,561	–	33,561
Deficit on sale of other assets	8	**(310)**	**–**	**(310)**	(16)	–	(16)
Share of operating surplus in joint venture	9	**–**	**–**	**–**	3,508	–	3,508
Interest receivable	10	**2,555**	**5,055**	**7,610**	7,144	7,941	15,085
Interest and financing costs	11	**(68,525)**	**(78,371)**	**(146,896)**	(68,191)	(117,565)	(185,756)
Pension interest costs	35	**(624)**	**–**	**(624)**	(285)	–	(285)
Movement in fair value of investment property	19	**5,356**	**–**	**5,356**	125	–	125
Movement in fair value of investments	19, 25	**(1,392)**	**–**	**(1,392)**	69	–	69
Surplus/(deficit) before tax		**95,693**	**(73,316)**	**22,377**	80,750	(109,624)	(28,874)
Taxation	12	**(324)**	**–**	**(324)**	(165)	–	(165)
Distribution of reserves	13	**–**	**–**	**–**	–	–	–
Surplus/(deficit) for the year		**95,369**	**(73,316)**	**22,053**	80,585	(109,624)	(29,039)
Other comprehensive income							
Actuarial gain/(loss) in respect of pension schemes	35	**7,580**	**–**	**7,580**	(8,899)	–	(8,899)
Change in fair value of hedged financial instruments	36	**176**		**176**	(4,126)	–	(4,126)
Minority interests		**(1,843)**	**–**	**(1,843)**	–	–	–
Other revenue reserve movements		**(396)**	**–**	**(396)**	750	–	750
Total other comprehensive income		**5,517**	**–**	**5,517**	(12,275)	–	(12,275)
Total comprehensive income for the year		**100,886**	**(73,316)**	**27,570**	68,310	(109,624)	(41,314)
Revenue reserve brought forward				**303,248**			344,562
Revenue reserve carried forward				**330,818**			303,248
Total comprehensive income attributable to:							
- owners of the parent		**100,886**	**(73,316)**	**27,570**	68,310	(109,624)	(41,314)
- non-controlling interests		**1,843**	**–**	**1,843**	–	–	–

The turnover, surpluses and deficits for the current year and previous year relate to continuing activities. Items are not included within operating turnover and expenditure when they are considered to be outside of the Group's core activities.

The Group reports the results before and after reflecting the impact of fair value changes in derivative financial instruments.

Association Statement of Comprehensive Income

For the year ended 31 March 2016

	NOTE	Pre-derivative 2016 £'000	Impact of derivative 2016 £'000	Post-derivative 2016 £'000	Pre-derivative 2015 £'000	Impact of derivative 2015 £'000	Post-derivative 2015 £'000
Turnover	3, 4	**217,358**	**–**	**217,358**	211,311	–	211,311
Operating expenditure	3, 4	**(148,000)**	**–**	**(148,000)**	(152,763)	–	(152,763)
Operating surplus	6	**69,358**	**–**	**69,358**	58,548	–	58,548
Surplus on disposal of property, plant and equipment	7	**46,340**	**–**	**46,340**	36,092	–	36,092
Deficit on sale of other assets	8	**(496)**	**–**	**(496)**	(42)	–	(42)
Share of operating surplus in joint venture	9	**–**	**–**	**–**	–	–	–
Interest receivable	10	**7,003**	**1,133**	**8,136**	5,627	3,516	9,143
Interest and financing costs	11	**(52,063)**	**(72,465)**	**(124,528)**	(52,209)	(95,486)	(147,695)
Pension interest costs	35	**(438)**	**–**	**(438)**	(127)	–	(127)
Movement in fair value of investment property	19	**1,705**	**–**	**1,705**	122	–	122
Movement in fair value of investments	19, 25	**(1,046)**	**–**	**(1,046)**	13	–	13
Surplus/(deficit) before tax		**70,363**	**(71,332)**	**(969)**	48,024	(91,970)	(43,946)
Taxation	12	**–**	**–**	**–**	–	–	–
Distribution of reserves	13	**15,828**	**–**	**15,828**	26,783	–	26,783
Surplus/(deficit) for the year		**86,191**	**(71,332)**	**14,859**	74,807	(91,970)	(17,163)
Other comprehensive income							
Actuarial gain/(loss) in respect of pension schemes	35	**3,483**	**–**	**3,483**	(6,593)	–	(6,593)
Change in fair value of hedged financial instruments	36	**13**	**–**	**13**	4,622	–	4,622
Minority interests		**–**	**–**	**–**	–	–	–
Other revenue reserve movements		**(1,652)**	**–**	**(1,652)**	(3,805)	–	(3,805)
Total other comprehensive income		**1,844**	**–**	**1,844**	(5,776)	–	(5,776)
Total comprehensive income for the year		**88,035**	**(71,332)**	**16,703**	69,031	(91,970)	(22,939)
Revenue reserve brought forward				131,357			154,296
Revenue reserve carried forward				**148,060**			131,357
Total comprehensive income attributable to:							
- owners of the parent		**88,035**	**(71,332)**	**16,703**	69,031	(91,970)	(22,939)
- non-controlling interests		**–**	**–**	**–**	–	–	–

The turnover, surpluses and deficits for the current year and previous year relate to continuing activities. Items are not included within operating turnover and expenditure when they are considered to be outside of the Group's core activities.

The Group reports the results before and after reflecting the impact of fair value changes in derivative financial instruments.

Statement of Financial Position
As at 31 March 2016

	NOTE	GROUP 2016 £'000	GROUP 2015 £'000	ASSOCIATION 2016 £'000	ASSOCIATION 2015 £'000
Fixed assets					
Housing properties at cost	16	**3,026,107**	2,972,689	**2,524,061**	2,492,249
Accumulated depreciation and impairment	16	**(261,763)**	(246,180)	**(224,219)**	(214,039)
Net book value of housing properties	16	**2,764,344**	2,726,509	**2,299,842**	2,278,210
Other fixed assets	17	**18,863**	17,161	**13,851**	12,213
Derivative financial instruments: assets	18	**25,883**	30,430	**25,581**	30,430
Investments	19	**44,208**	30,218	**44,031**	21,059
Debtors: amounts falling due after more than one year	20	**42,203**	33,819	**120,207**	100,935
		2,895,501	2,838,137	**2,503,512**	2,442,847
Current assets					
Stock	21	**133,713**	102,749	**35,009**	43,487
Debtors: amounts falling due within one year	22	**30,210**	25,812	**43,535**	48,512
Cash and cash equivalents	23	**87,360**	146,688	**62,394**	79,166
Less: creditors: amounts falling due within one year	24	**(103,473)**	(65,252)	**(63,062)**	(58,057)
Net current assets		**147,810**	209,997	**77,876**	113,108
Total assets less current liabilities		**3,043,311**	3,048,134	**2,581,388**	2,555,955
Creditors: amounts falling due after more than one year	25	**(2,408,238)**	(2,501,638)	**(2,169,206)**	(2,222,891)
Derivative financial instruments: liabilities	26	**(293,769)**	(231,964)	**(257,542)**	(197,859)
Recycled capital grant fund	27	**(23,215)**	(19,177)	**(22,248)**	(18,352)
Disposal proceeds fund	28	**(1,616)**	(1,857)	**(1,418)**	(1,660)
Provisions for liabilities – other provisions	29	**(1,740)**	(2,013)	**(1,732)**	(2,004)
– pension provisions	35	**(10,824)**	(16,220)	**(9,164)**	(10,188)
		(2,739,402)	(2,772,869)	**(2,461,310)**	(2,452,954)
Total net assets		**303,909**	275,265	**120,078**	103,001
Reserves					
Called up share capital		**–**	–	**–**	–
Revenue reserve		**330,818**	303,248	**148,060**	131,357
Cash flow hedge reserve		**(30,583)**	(31,273)	**(27,982)**	(28,356)
Restricted reserve		**1,831**	3,290	**–**	–
Total before minority interests		**302,066**	275,265	**120,078**	103,001
Minority interests		**1,843**	–	**–**	–
Total reserves		**303,909**	275,265	**120,078**	103,001

These financial statements on pages 28 to 72 were authorised to issue by the Board on 21 July 2016 and were signed on its behalf.

The notes on pages 33 to 72 form part of the financial statements.

Mark Sebba
Chair

Elaine Bailey
Group Chief Executive

John Edwards
Company Secretary

Statement of Changes in Reserves
For the year ended 31 March 2016

	Revenue reserve £'000	Pension reserve £'000	Total revenue reserves £'000	Cash flow hedge reserve £'000	Restricted reserve £'000	Sub total £'000	Minority interests £'000	Total reserves £'000	Called up share capital No.
Group									
Restated balance as at 1 April 2015	319,468	(16,220)	303,248	(31,273)	3,290	275,265	–	275,265	14
Surplus from statement of comprehensive income	24,237	(2,184)	22,053	–	–	22,053	–	22,053	–
Minority Interest	(1,843)	–	(1,843)	–	–	(1,843)	1,843	–	–
Actuarial gain	–	7,580	7,580	–	–	7,580	–	7,580	–
Change in value of hedging instruments	(713)	–	(713)	–	–	(713)	–	(713)	–
Reclassifications to income statement	353	–	353	–	–	353	–	353	–
Amortisation	536	–	536	–	–	536	–	536	–
Gilt lock interest hedge adjustment	–	–	–	513	–	513	–	513	–
Fair value adjustment	–	–	–	177	–	177	–	177	–
Other	(1,855)	–	(1,855)	–	–	(1,855)	–	(1,855)	–
Transfer of restricted expenditure from unrestricted reserve	1,459	–	1,459	–	(1,459)	–		–	–
Balance at 31 March 2016	**341,642**	**(10,824)**	**330,818**	**(30,583)**	**1,831**	**302,066**	**1,843**	**303,909**	**14**
Association									
Restated balance as at 1 April 2015	141,545	(10,188)	131,357	(28,356)	–	103,001	–	103,001	14
Surplus from statement of comprehensive income	17,318	(2,459)	14,859	–	–	14,859	–	14,859	–
Actuarial gain	–	3,483	3,483	–	–	3,483	–	3,483	–
Change in value of hedging instruments	(713)	–	(713)	–	–	(713)	–	(713)	–
Reclassifications to income statement	353	–	353	–	–	353	–	353	–
Amortisation	373	–	373	–	–	373	–	373	–
Gilt lock interest hedge adjustment	–	–	–	361	–	361	–	361	–
Fair value adjustment	–	–	–	13	–	13	–	13	–
Other	(1,652)	–	(1,652)	–	–	(1,652)	–	(1,652)	–
Balance at 31 March 2016	**157,224**	**(9,164)**	**148,060**	**(27,982)**	**-**	**120,078**	**-**	**120,078**	**14**

The gilt lock costs result from the movement on gilt rates from the strike price at the time of entering the gilt lock to the time that the related transaction took place. They are amortised over the life of the bond/loans. Amortisation is taken to the statement of comprehensive income within interest payable.

Transfers relate to the release of restricted reserves into revenue reserves. Cash flow hedge transition amortisation relates to the amortisation of the value of hedged derivatives at the inception of recognising financial instruments.

Minority interests reflect the 13% of One Preston Park LLP which is not owned by the Group. The shares carry no dividend rights and are cancelled on cessation of membership of the Association. Each member has the right to vote at member's meetings. All shares are fully paid up and are worth £1 each.

Statement of Cash Flows
For the year ended 31 March 2016

		GROUP	
	NOTE	2016 £'000	2015 £'000
Net cash generated from operating activities		**65,093**	101,677
Cash flow from investing activities			
Acquisition and construction of housing properties		(141,710)	(103,518)
Grants received		12,917	15,657
Sale of housing properties		83,197	57,922
Purchase of other fixed assets		(6,799)	(4,279)
Proceeds of sale from other fixed assets		336	944
Interest received		2,646	7,430
Tax paid		-	(80)
Cash flow from financing activities			
Interest paid		(72,152)	(74,013)
New secured loans		59,000	–
Investments		(2,713)	5,573
Repayments of borrowings		(59,143)	(7,683)
Net change in cash and cash equivalents		**(59,328)**	(370)
Cash and cash equivalents at beginning of the year		**146,688**	147,058
Cash and cash equivalents at end of the year	23	**87,360**	146,688
Cash flow from operating activities			
Surplus for the year		**113,289**	104,835
Adjustments for non-cash items:			
Net depreciation and amortisation		**12,084**	19,367
Impairment		**1,175**	529
Exception Items		**–**	3,508
Increase in stock		**(43,528)**	(21,542)
Increase in trade and other debtors		**(19,249)**	(5)
Increase in trade and other creditors		**(869)**	484
Other fair value movements		**4,816**	(5,317)
Post employment benefits less payments		**(2,353)**	(1,362)
(Decrease)/increase in provisions		**(272)**	1,180
Net cash generated from operating activities		**65,093**	101,677

	1 April 2015 £'000	Cash Flow £'000	31 March 2016 £'000
Group reconciliation of net debt			
Cash balances	146,688	(59,328)	**87,360**
Debt falling due within one year	(8,420)	(44,506)	**(52,926)**
Debt falling due after one year	(1,301,107)	33,919	**(1,267,188)**
Net debt	(1,162,839)	(69,915)	**(1,232,754)**

Notes to the Financial Statements

1. Group Accounting Policies

General information

The Group is a public benefit entity and registered provider for social housing incorporated in the United Kingdom. The registered office is 30 Park Street, London, SE1 9EQ.

Statement of compliance

The Group and individual financial statements of Hyde Housing Group Limited have been prepared on a going concern basis, in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102), the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers (the SORP 2014), with the Accounting Direction for Private Registered provider of Social Housing 2015 (the Direction 2015) and the Co-operative and Community Benefit Societies Act 2014.

Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and derivative financial instruments. The following accounting policies have been applied consistently in dealing with items which are considered to be material in relation to the financial statements of Hyde Housing Association Limited (The Group) and all constituent subsidiaries. The Group transitioned from previously extant UK GAAP to FRS 102 as at 1 April 2014. An explanation of how the transition to FRS 102 has affected the reported financial position and financial performance is given in note 37. Hyde Housing Association Limited has taken advantage of the exemption contained in FRS 102 and has not disclosed transactions or balances with entities which form part of the Group who are wholly owned subsidiaries.

Basis of consolidation

The Group is required by the Co-operative and Community Benefit Societies Act 2014 to prepare consolidated group financial statements. The financial statements have been prepared using the acquisition method for subsidiaries and the equity accounting method for joint ventures entities as appropriate. Group entities are included within note 33 to the financial statements. The Group has chosen to take the exemption as a first-time adopter of FRS 102 and has not retrospectively applied requirements of Section 19 Business Combinations and Goodwill of FRS 102.

Segmental reporting

Due to the Group having listed debt, it must apply International Reporting Standard 8 – Operating Segments (IFRS 8). Segmental reporting is reporting in the Group's and Association's financial statements in respect of the Group's business segments, which are the primary basis of segmental reporting. The business segmental reporting reflects the Group's management and internal reporting structure. Segmental results include items directly attributable to the segment as well as those that can be allocated on a reasonable basis. Segmental reporting is presented in note 2 to the Financial Statements.

Segmental results include items directly attributable to the segment as well as those that can be allocated on a reasonable basis. As the Group has no activities outside of the UK, segment reporting is not required by geographical region.

The chief operating decision makers (CODM) have been identified as the Executive Management Team (EMT) and the Board. The CODM review the Group's internal reporting to assess performance and allocate resources. Management has determined the operating segments as housing services, business development and central overheads. Housing services represents housing for social purposes and non-social housing lettings. Business development includes outright sale property sales, construction income and other income. Central overheads includes all other central costs incurred, for example ICT, finance and corporate services. Joint venture income is included below operating surplus. Assets and liabilities are not reported by operating segment or tenure other than housing properties which are shown in note 16 classified between general housing and shared ownership.

Joint ventures

A joint venture is a contractual arrangement whereby the Group undertakes an economic activity that is subject to joint control with third parties and there parties have rights to the net assets of the arrangement. The Group's interest in joint ventures is accounted for using the equity method of accounting. Under this method the Group's share of profits, less losses after taxation, is included in the Consolidated Statement of Income and its interest in their net assets is included in investment in the Statement of Financial Position.

Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered net of recoverable value added taxes (VAT). The Group/Association recognises income when the significant risks and rewards have been transferred to the buyer; the Group/Association retains no continuing involvement of or control over the goods; the amount of income can be measured reliably; it is probable that future economic benefits will flow to the entity and when the specific criteria relating to the income have been met; as described below:

(a) Rent: rental income is recognised on a receivable basis and includes rent from social housing and non-social housing activities
(b) Service charges: service charge income is recognised when the expenditure is incurred as this is considered to be the point at which the service has been performed and the revenue recognition criteria met
(c) Management fees: management fees are recognised on a receivable basis as management services are provided;
(d) First tranche shared ownership sales: first tranche shared ownership sales are recognised on completion based on the proportion of equity sold of the property
(e) Revenue grants: other grants are receivable from local authorities and other organisations. Grants in respect of revenue expenditure are credited to the income statement using the performance model in the same period as the expenditure to which they relate

(f) Grant amortisation: grant associated with housing properties is amortised to turnover over the useful economic life of the structure and components of the properties
(g) Interest: interest is recognised on a receivable basis in the period the interest relates
(h) Distribution of reserves: distribution of reserves is recognised on a receivable basis in the period the distribution relates and was declared
(i) Construction contracts: within the Association, where one entity is building properties for another, income in relation to these properties is recognised once the total development is completed only if the decision making is with the entity building the properties
(j) PFI contracts: income is recognised through unitary charges from local authorities based on performance against the agreed contractual framework.

Intra-group income and expenditure is included in turnover and operating costs on an arm's length basis in the financial statements of the Association but is eliminated in producing the Group consolidated financial statements.

Housing properties

Housing properties are measured using the cost model and comprise their purchase price, together with directly attributable costs in bringing them into working condition for their intended use. The directly attributable costs are the labour costs of Hyde employees arising directly from the construction or acquisition of the property and the incremental costs that would have been avoided only if individual properties had not been constructed or acquired. Interest is capitalised on a fair proportion of the borrowings of the Group/Association as a whole, calculated on the net costs incurred during the period of development. Improvements are capitalised only when they result in an increase in the net rental income, such as a direct increase in rental income, a reduction in future maintenance costs, or in a significant extension of the useful economic life of the property. All other improvement expenditure is charged to the Statement of Comprehensive Income account when incurred.

The Group/Association operates a component accounting policy in relation to the capitalisation and depreciation of its completed housing property stock. Housing properties where the Group/Association has the responsibility for maintaining and replacing a component are split between their land and structure costs and seven major components which each having their own periodic replacement. Where the Group/Association does not have responsibility for maintaining and replacing components, properties are split between land and build only. Depreciation of freehold housing properties is charged so as to write down their cost to their residual value on a straight line basis over their expected useful economic lives on the following basis. Depreciation on shared ownership housing properties is charged on a straight line basis over their expected useful economic lives of the staircased element only.

Where opportunities for the swapping of housing stock with other associations arise, the outgoing items are treated as a disposal with the recognition of a surplus/deficit. The cost of incoming items are measured at fair value.

Component	Useful Economic Life (years)
Land	Not depreciated
Structure	100
Roof	60
Heating (excl boiler)	30
Boiler	15
Windows and Doors	30
Electrical Wiring	40
Bathroom	30
Kitchen	20

Stock transfers

Stock transfers represent the net costs of developing properties owned by local authorities but currently managed by the Group/Association. The net cost of developing the properties is shown a long term debtor. The long term debtor is amortised over the life of the contract.

Social Housing Grant (SHG) and other government grants or financial assistance

Social Housing Grant and other grants are held in creditors using the accruals model under FRS 102. Grants are recognised over the useful economic life of the build and amortised to the income statement over 100 years. The amount due to be amortised to the Statement of Comprehensive Income in the next year is held within creditors due within one year. The remaining balance is held within creditors due greater than one year. Certain developments are funded by other capital grants. These grants are dealt with in a similar manner to SHG. Where grants are receivable for the development programme in arrears, the amounts are held within debtors. Where grants are repayable and the associated asset is sold, the entire grant including the portion of the grant previously amortised to income, is held within the recycled capital grant fund or the disposal proceeds fund within creditors until it is recycled or repaid to the issuer where applicable. Where grants are not repayable and the associated asset is sold, the un-amortised portion of the grant is recognised in income.

Operating leases

The Group/Association treats operating leases as follows:
(a) As a lessee; operating lease expenditure is charged on a straight line basis over the lease term to the Statement of Comprehensive Income
(b) As a lessor: operating lease income is recognised in turnover on a receivable basis over the lease term. This includes rental income from the Group/Association's portfolio of social and non-social housing properties and income from the sublet of office properties, including investment properties (note 19)

(c) Lease and management schemes: lease and management schemes are short term units which are leased by the Group from private landlords or local councils and let out to social tenants. Expenditure on these units is charged on a straight line basis over the lease term to the Statement of Comprehensive Income. The Group has not entered into any finance leases.

Shared ownership

First tranche sales are included within turnover and the related proportion of the cost of the asset recognised as operating costs. The costs relating to expected future first tranche sales in respect of shared ownership properties are transferred from housing properties under construction in fixed assets to stock as current assets. The remaining element of shared ownership schemes are included in housing properties. Lessees have the right to acquire further tranches and any surplus or deficit on such subsequent tranches is recognised in the statement of comprehensive income as a part disposal of a fixed asset.

Leasehold and management schemes

Capital expenditure is incurred on other leasehold and management scheme properties. The proportion of expenditure which is not financed by SHG is amortised over the anticipated term of the tenancy and recognised as other fixed assets. Certain schemes receive additional grants to fund projected rent shortfalls against expenditure. Such grant is treated as deferred income which is held in creditors and released over the life of the lease. See section c of operating leases above.

Depreciation of other fixed assets

Other fixed assets are depreciated on the following basis:

Freehold premises	100 years on a straight line basis
Leasehold premises	Over the life of the lease on a straight line basis
Furniture and equipment:	
Solar panel components	25 years on a straight line basis
Solar panel power inverters	12 years on a straight line basis
Furniture	6 years on a straight line basis
Computer hardware	3 years on a straight line basis
Motor vehicles	4 years on a straight line basis

Fixed assets are depreciated each month from the purchase date.

Investment properties

Certain properties of the Groups/Association are held for long-term investment. Investment properties are initially recognised at cost which includes purchase cost and any attributable expenditure. Investment properties are valued and subsequently measured at fair value with any surplus/(deficit) is recognised in the Statement of Comprehensive Income. Investment properties are those which are not held for social benefit and where a reliable fair value is available. This includes properties held for commercial rental income, such as offices and shops that are not community facilities, and market rent income. Investment properties are valued by an independent valuer with relevant qualifications.

Easybuy investments

Easybuy loans are included within investments as these are held for capital appreciation. Easybuy loans are loans the Group/Association has given to residents of a property that are repayable at market value. Easybuy loans are valued by calculating the future likely amount to be received based the discounted cash flow of predicted redemption value. Any disposals are recognised below operating surplus.

Stock

Stock includes properties developed for resale and first tranche shared ownership properties. Stock is stated at the lower of cost and estimated selling price less costs to sell. Stock is recognised as an expense in the period in which the related revenue is recognised. For repairs materials, cost is determined on a first in, first out basis. Cost includes the purchase price plus expenditure directly attributable to bring the item to its present condition.

At the end of reporting period, if there is an indication of impairment, an assessment of the recoverable amount is made. If an item of stock is impaired, the item is reduced and an impairment charge is recognised in the Statement of Comprehensive Income. Where a reversal of the impairment is required the impairment charge is reversed up to the original impairment loss and is recognised as a credit to the statement of comprehensive income. Impairment of housing properties is assessed at scheme level.

First tranche element of the shared ownership property is calculated based on the average first tranche proportion sold when the property is under construction. Once the shared ownership property is available for sale, the proportion in stock is based on market expectations for that property.

Concessionary arrangements

The Group has a number of arrangements in place whereby it has performed works to properties or manages properties on behalf of others bodies and receives fees for doing so. These arrangements include:

- Islington PFI: the Association provides management services for the London Borough of Islington and receives a management fee for this
- Hillside PFI: Hillside, a Group subsidiary, provides management services for the London Borough of Brent and receives a management fee for this
- Brent PFI: Brent Co-efficient, a Group subsidiary, has built units for the use of the London Borough of Brent over 30 years. The Association manages these properties and ownership will transfer to the Association at the end of the agreement.

Taxation
The Group/Association has charitable status and therefore is not subject to Corporation Tax on the surplus arising from charitable activities. Provision is made for the tax liabilities which may arise when property is developed for commercial outright sale or private rent. Tax is chargeable on the activities of Brent Co-Efficient Limited, Hyde Vale Limited and Hyde PRS Company Limited and a provision is made for any tax payable. Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes (which have arisen but not reversed by the statement of financial position date) except as otherwise required by FRS 102. An exception is fair value movements on derivative financial instruments where a deferred tax asset or liability is not recognised by applying the disregard regulations.

VAT
The Group's VAT affairs are dealt with under a group registration in the name of Hyde Housing Association Limited, except Hyde New Build Limited which is registered separately for VAT. The Group recovers only a small proportion of input VAT. Expenditure is therefore shown inclusive of VAT, to the extent that it is not recoverable, with non-attributable input tax recovered being credited against management expenses. Hyde New Build Limited recovers all input VAT.

Service charges
The Group operates both fixed and variable service charges on a scheme-by-scheme basis in full consultation with residents. The service charges on all schemes are set on the basis of budgets. Where variable service charges are used, the budget will include an allowance for the surplus or deficit from prior years, with a surplus being returned to residents in the form of a reduced charge for the year and a deficit being recovered via a higher service charge or by alternative methods, if the contract allows. Until these surpluses are returned they are held on the statement of financial position as a creditor and a deficit is held as a debtor.

Restricted reserves
The restricted reserve relates to restricted funds held in relation to Hillside Housing Association and Hyde Charitable Trust, subsidiary entities. This fund can only be spent on charitable activities within this scheme or further build of social properties within the London Borough of Brent.

Cash flow hedge reserve
The cash flow hedge reserve includes the value of hedged financial instruments on transition and any subsequent movement in hedged derivatives.

Related party transactions
The Group/Association has taken advantage of the exemptions in FRS 102 and has decided not to disclose transactions between regulated entities or between non-regulated entities. Disclosure requirements for transactions between regulated entities and non-regulated entities are provided in note 33.

Cash flow statement
The Association has taken advantage of the exemptions under FRS 102 and has not prepared a cash flow statement.

Cash
Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term liquid investments. Bank overdrafts, where applicable, are shown within borrowings in current liabilities.

Pension schemes
The Group/Association operates/participates in five retirement schemes; the Hyde Housing Association Limited Defined Benefits Scheme, the Hyde Housing Association Limited Defined Contribution Scheme, the Pension Trust Social Housing Pension Scheme (SHPS), the London Borough of Lambeth Pension Fund Scheme and the West Sussex Pension Scheme.

The Hyde Housing Association Limited Defined Benefits Scheme, the Pension Trust Social Housing Pension Scheme (SHPS), the London Borough of Lambeth Pension Fund Scheme and the West Sussex Pension Scheme are Defined Benefit Schemes and are not open to new entrants.

Hyde Housing Association Limited Defined Benefit Scheme, the London Borough of Lambeth Pension Fund Scheme, Kent County Council Pension Fund and the West Sussex Pension Scheme

- In accordance with the requirements of FRS 102, the costs are accounted for when committed, regardless of when the benefits are deliverable. The financial statements reflect, at fair value, the assets and liabilities arising from the Group's/Association's retirement obligations.
- The operating costs of providing retirement benefits to employees are recognised in the accounting period(s) in which the benefits are earned by the employees. The related finance costs and any other charges in value of the assets and liabilities are recognised in the accounting periods in which they arise.
- The financial statements disclose the cost of providing retirement benefits and related gains, losses, assets and liabilities. The attributable assets of the schemes are measured, at their fair value, at the statement of financial position date, and are shown net of attributable scheme liabilities.

Actuarial gains and losses arising from any new valuation, and from updating the latest actuarial valuation to reflect conditions at the statement of financial position date, are recognised in the Statement of Total Other Comprehensive Income for the year.

Losses arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which the Group/Association becomes demonstrably committed to the transaction and are recognised in the operating costs at that date. Gains arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which all parties whose consent is required are irrevocably committed to the transaction and are recognised in the operating costs at that date.

Pension Trust Social Housing Pensions Scheme (SHPS)
The SHPS scheme is a multi employer defined benefit pension scheme, however, sufficient information is not available to use defined benefit accounting. The Group/Association has entered into an agreement with the multi-employer plan that determines how the entity will fund a deficit and has recognised a liability based on discounted future cash flows using an actuarial valuation tool.

Hyde Housing Association Limited Defined Contribution Scheme

Employees have the option to join the Hyde defined contribution scheme, to which the Association makes a contribution of up to 10%. The contributions are recognised as they fall due.

For all pension schemes current service costs are included within the Statement of Comprehensive Income within operating costs.

Financial instruments

The Group/Association has made an accounting policy choice to continue to measure and recognise financial instruments in accordance with IAS 39 - Financial Instruments: Recognition and Measurement, as is permitted by FRS 102, and to follow the disclosure requirements of FRS 102.

Financial assets and financial liabilities are recognised on the Group's/Association's statement of financial position when the Group/Association becomes a party to the contractual provisions of the instrument.

Treasury management/derivatives

To manage interest rate risk, the Group/Association manages its proportion of fixed to variable rate borrowings within approved limits and, where appropriate, uses interest rate swap agreements. Amounts payable or receivable in respect of these agreements are recognised as adjustments to interest expense over the period of the agreement.

Financial assets

The Group/Association measures financial assets on initial recognition at fair value, and determines the classification of such assets at initial recognition and on any subsequent reclassification event. Financial assets are classified into one of four primary categories:

Financial assets at fair value through the statement of comprehensive income: these are all derivative assets other than those that are designated as hedging instruments and assets acquired principally for the purpose of selling in the near term. They are initially measured at fair value, excluding transaction costs. At each statement of financial position date, they are re-measured at fair value. Any change in value is recognised in the Statement of Comprehensive Income within interest payable or receivable unless hedge accounting is effective, in which case movements are treated as described in the hedge accounting section below. If the hedge relationship is deemed to not be effective or if there is partial ineffectiveness, changes in fair value ineffectiveness would be recognised in the Statement of Comprehensive Income. Investments owned by Hyde Charitable Trust, one of the Group subsidiaries, are stated at fair value.

Loans and receivables: this includes non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have not been designated as either fair value through the statement of comprehensive income or available for sale. Such assets are measured at amortised cost using the effective interest method. They are measured on this basis whether they are intended to be held-to-maturity or not. Gains and losses are recognised in the statement of comprehensive income when loans and receivables are derecognised or impaired as well as through amortisation.

Held to maturity investments: non-derivative financial assets with fixed or determinable payments and fixed maturity are classified here when the Group/Association has the positive intention and ability to hold to maturity. These are measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when held to maturity investments are derecognised or impaired as well as through amortisation.

Available for sale financial assets: available for sale financial assets are non-derivative financial assets that are designated as such, or that are not classified in any of the other categories.

These are held at fair value with gains or losses being recognised as a separate component of equity until the asset is derecognised or is determined to be impaired, at which time the previously reported cumulative gain or loss is included in the statement of comprehensive income. If there is no active market for a financial asset, and it is not appropriate to determine fair value using valuation techniques, financial assets are carried at amortised cost.

Financial liabilities

The Group/Association determines the classification of financial liabilities at initial recognition and on any subsequent reclassification event. Financial liabilities are classified into one of two primary categories:

Financial liabilities at fair value through statement of comprehensive income: these are derivative liabilities other than those that are designated within cash flow hedge relationships. These are initially measured at fair value, not including transaction costs. At each statement of financial position date, they are re-measured at fair value. Any change in value is recognised in the statement of comprehensive income within interest payable or receivable. Where hedge relationships are effective, movements are treated as described in the hedge accounting section below. If the hedge relationship is deemed to not be effective, or if there is partial ineffectiveness, changes in fair value/ineffectiveness would be recognised in the statement of comprehensive income.

Discounted bonds are shown at their redemption value plus or minus the issue premium or discount, which is written off through the statement of comprehensive income on an annuity basis over the life of the bond.

Other financial liabilities are held at amortised cost using the effective interest rate. This includes loans, short term borrowings, overdrafts and trade payables. Borrowings will include accrued un-amortised issue costs.

Impairment of financial assets

All financial assets are reviewed for indicators of impairment at each reporting date. Such indicators include default in contractual payments, significant financial difficulties of the issuer or debtor, probability of bankruptcy or prolonged or significant decline in quoted market price. An impairment loss is recognised in the income statement when there is objective evidence that an asset is impaired.

The impairment loss on loans and receivables, which are measured at amortised cost, is the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. Impairment provisions for bad and doubtful debts are calculated based on average collection rate by amount overdue.

When an impairment loss is identified on an available-for-sale financial asset, the cumulative losses previously recognised directly in equity are recorded in the income statement. The loss recognised in the income statement is the difference between the acquisition cost (net of principal repayment and amortisation) and the fair value at the time of impairment, less any impairment loss previously recognised in the income statement.

The impairment loss on investments in companies that are not quoted in an active market and are measured at cost is the difference between the carrying amount of the investment and the present value of its estimated future cash flows, discounted at the current market interest rate for similar financial assets.

Impairment losses in respect of loans are recognised under financial expenses in the income statement.

Impairment losses in respect of trade receivables are recognised under selling and general expenses in the income statement.

Impairment losses on investments in companies that are not quoted in an active market and are measured at cost, and on equity instruments classified as available-for-sale financial assets, cannot be reversed through the income statement.

Embedded derivatives

Embedded derivatives are identified at inception of a new loan by reference to the host contract. Derivatives embedded in host contracts are held at amortised cost provided their economic characteristics and risks are closely related to those of the host contract and the host contract itself is not carried at fair value through the Statement of Comprehensive Income. Derivatives embedded in host contracts are treated as separate derivatives when their economic characteristics are not closely related to those of the host contract and the host contract is not carried at fair value through the Statement of Comprehensive Income. These embedded derivatives are measured at fair value with changes in fair value recognised in the Statement of Comprehensive Income.

Hedge accounting

In instances where the Group/Association has established an effective hedge relationship between a derivative and an underlying asset/liability, the derivative is accounted for consistent with that underlying asset/liability. Any ineffectiveness present within the hedge relationship is recognised in the statement of comprehensive income in interest payable or receivable.

Derivatives are initially accounted and measured at fair value on the date a derivative contract is entered into and subsequently measured at fair value. The gain or loss on re-measurement is taken to the income statement, except where the derivative is designated as a hedge and the hedge meets the criteria for hedge accounting. The group designates certain derivatives as:

- A hedge of the fair value of an asset or liability ('fair value hedge').
- A hedge of the income/cost of a highly probable forecasted transaction or commitment ('cash flow hedge').

To qualify for hedge accounting, the Group/Association is required to document in advance the relationship between the item being hedged and the hedging instrument. The Group/Association is also required to document and demonstrate an assessment of the relationship between the hedged item and the hedging instrument, which shows that the hedge is expected to be highly effective on an on-going basis. This effectiveness testing is re-performed at each period end to ensure that the hedge remains highly effective. Gains or losses on fair value hedges that are regarded as highly effective are recorded in the income statement with the gain or loss on the hedged item attributable to the hedged risk. Gains or losses on cash flow hedges that are regarded as highly effective are recognised in equity. Where the forecast transaction results in a financial asset, financial liability, income or expenditure, amounts accumulated in equity are reclassified to the Statement of Comprehensive Income in the period where the hedged item affects the Statement of Comprehensive Income. Where the forecasted transaction or commitment result in a non-financial asset or a non-financial liability, then any gains or losses previously deferred in equity are included in the cost of the related asset or liability.

When a hedging instrument expires or is sold, any cumulative gains or loss existing in reserves at that time remain in reserve and are recognised in the Statement of Comprehensive Income when the forecast transaction is ultimately recognised in the Statement of Comprehensive Income. When a hedge no longer meets the criteria for hedge accounting and the risk is not still in existence, any cumulative gain or loss existing in reserves at that time will be recognised in the Statement of Comprehensive Income immediately. When a hedge no longer meets the criteria for hedge accounting and the risk is not still in existence, any cumulative gain or loss existing in reserves at that time will be recognised in the Statement of Comprehensive Income. While the criteria remain unmet, any future change in fair value gains or losses will be recognised in the Statement of Comprehensive Income within interest receivable or payable.

Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. They include:

- Housing property impairment: Housing properties are reviewed for impairment if there is an indication that impairment may have occurred. Where there is evidence of impairment, fixed assets are written down to their recoverable amount. Any such write down is charged to operating profit. Impairment is assessed by comparing carrying value to the higher of value in use and fair value less costs to sell. If the carrying value is greater than the higher of value in use and fair value less costs to sell, an impairment provision is made. Value in use requires management estimates of timing of cash flows, discount rate and life of the asset. Management use estimates to determine fair value less costs to sell based on information available regarding sales of similar properties and depreciated replacement cost (see note 16).
- Depreciation of housing properties: components of housing properties are depreciated over their useful economic lives which are determined by the length of time the individual component will be used before it is replaced. Components are determined by selecting the largest elements of the properties by cost (see note 17).
- Housing property allocation: where schemes under construction are mixed tenure, costs are split using a suitable method such as area or rental yield. The allocation of the cost of shared ownership schemes under construction between stock and housing properties is determined by looking at the predicted amount to be sold as a first tranche sale based on the scheme and the likely demand (see note 17).
- Other fixed assets: other fixed assets are depreciated over their useful economic lives, which are determined by the length of time the asset is expected to be in use (see note 17).
- Investment properties: investment properties are valued annually by third party valuers. Management rely on estimates to determine the value such as discount factors, timing of cash flows, predicted future rents and life of the asset (see note 19).
- Provision for bad and doubtful debts: provisions for bad and doubtful debts are calculated based on average collection rate by amount overdue. Groupings of amounts overdue require managements judgement (see note 22).
- Provisions: provisions are made for lease dilapidations, onerous leases and legal claims where an obligation is likely. These provisions require managements best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of cash flows and discount rates used to establish net present value of the obligations require management's judgement (see note 29).
- The Group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. The SHPS pension scheme cannot be done on a reasonable and consistent basis and therefore discounted future cash flows of future payments is recognised within creditors. Judgements are made around the discount rate used which is based on current interest rates (see note 35).

2. Group Segmental Reporting

	Housing services 2016 £'000	Business development 2016 £'000	Other costs 2016 £'000	Total 2016 £'000	Housing services 2015 £'000	Business development 2015 £'000	Other costs 2015 £'000	Total 2015 £'000
Rents	**195,651**	**4,035**	**(85)**	**199,601**	196,173	1,090	6,104	203,367
Service charges	**21,864**	**129**	**–**	**21,993**	16,071	122	–	16,193
Other charges receivable	**4,774**	**92,066**	**(91,856)**	**4,984**	4,405	83,974	(83,817)	4,562
Total voids	**(3,092)**	**(36)**	**–**	**(3,128)**	(2,578)	(46)	–	(2,624)
Management fees	**9,686**	**2,892**	**(1,039)**	**11,539**	16,826	3,980	(5,778)	15,028
Revenue grants	**586**	**–**	**–**	**586**	1,661	(363)	–	1,298
Amortised SHG	**11,931**	**45**	**(115)**	**11,861**	9,084	–	–	9,084
Sales income	**–**	**92,153**	**–**	**92,153**	–	94,271	–	94,271
Turnover	**241,400**	**191,284**	**(93,095)**	**339,589**	241,642	183,028	(83,491)	341,179
Service charge costs	**(25,703)**	**(497)**	**(2)**	**(26,202)**	(21,981)	25	–	(21,956)
Bad debts	**1,372**	**(49)**	**–**	**1,323**	(1,766)	(10)	–	(1,776)
Management costs	**(9,514)**	**(89,986)**	**87,780**	**(11,720)**	(16,035)	(85,455)	83,207	(18,283)
Reactive maintenance	**(18,455)**	**(158)**	**–**	**(18,613)**	(27,500)	(10)	5,111	(22,399)
Planned maintenance	**(15,383)**	**(59)**	**–**	**(15,442)**	(12,959)	(14)	–	(12,973)
Major repairs – planned	**(20,452)**	**(1)**	**–**	**(20,453)**	(22,168)	(1)	–	(22,169)
Major repairs – unplanned	**(7,126)**	**(5)**	**–**	**(7,131)**	(5,743)	–	–	(5,743)
Major repairs – void	**(132)**	**–**	**–**	**(132)**	–	–	–	–
Major repairs (capitalised)	**25,362**	**4**	**–**	**25,366**	24,703	1	–	24,704
Property depreciation	**(30,682)**	**(54)**	**(597)**	**(31,333)**	(29,265)	(41)	(917)	(30,223)
Impairment of housing properties	**(1,175)**	**–**	**–**	**(1,175)**	(360)	–	–	(360)
Component write offs	**(2,933)**	**–**	**–**	**(2,933)**	(1,960)	–	–	(1,960)
Cost of outright sale	**(1)**	**(66,947)**	**(383)**	**(67,331)**	(3)	(63,396)	421	(62,978)
Staff costs	**(27,354)**	**(1,838)**	**(1,875)**	**(31,067)**	(28,370)	(2,071)	1,118	(29,323)
Accommodation	**(4,474)**	**(254)**	**86**	**(4,642)**	(4,254)	(479)	105	(4,628)
Core operations recharges	**18**	**(18)**	**–**	**–**	19	–	–	19
Central external goods and services	**(35)**	**(131)**	**–**	**(166)**	34	(15)	–	19
Operating costs	**(136,667)**	**(159,993)**	**85,009**	**(211,651)**	(147,608)	(151,466)	89,045	(210,029)
Gross operating surplus	**104,733**	**31,291**	**(8,086)**	**127,938**	94,034	31,562	5,554	131,150
Central overheads	**–**	**–**	**(25,427)**	**(25,427)**	–	–	(22,809)	(22,809)
Net operating surplus	**104,733**	**31,291**	**(33,513)**	**102,511**	94,034	31,562	(17,255)	108,341
Shared ownership staircasing	**–**	**–**	**11,220**	**11,220**	–	–	8,153	8,153
Planned disposals		**–**	**34,167**	**34,167**	–	–	25,409	25,409
Disposals Investment properties	**–**	**–**	**(310)**	**(310)**	–	–	(16)	(16)
Investment revaluations	**–**	**–**	**(1,305)**	**(1,305)**	–	–	–	–
Pension adjustments	**–**	**–**	**96**	**96**	–	–	(285)	(285)
Fair Value Adjustments	**–**	**–**	**–**	**–**	–	–	194	194
Interest payable	**–**	**–**	**(74,903)**	**(74,903)**	–	–	(74,348)	(74,348)
Interest receivable	**–**	**–**	**10,279**	**10,279**	–	–	7,145	7,145
Capitalise interest recharge	**–**	**–**	**6,416**	**6,416**	–	–	6,157	6,157
Total surplus	**104,733**	**31,291**	**(47,853)**	**88,171**	94,034	31,562	(44,846)	80,750

2. Group Segmental Reporting (continued)

	Housing Services 2016 £'000	Business Development 2016 £'000	Central Overheads 2016 £'000	Total 2016 £'000
Total surplus as at 31 March 2016	**104,733**	**31,291**	**(47,853)**	**88,171**
Adjustments since CODM Review and other audit adjustments:				
BCE Pfi adjustments	–	3,022	(1,080)	1,942
Consolidation	–	3,120	(17)	3,103
Development accruals	–	(322)	–	(322)
Investment property revaluations	–	2,236	–	2,236
Central Costs	–	–	283	283
Easybuy property valuations	–	–	(88)	(88)
Interest	–	–	(206)	(206)
Pensions	(1,449)	–	287	(1,162)
Service charges	–	1,284	–	1,284
Bad debts	249	–	–	249
Property maintenance charges	203	–	–	203
Total surplus as at Period 13 March 2016	**103,736**	**40,631**	**(48,674)**	**95,693**

3. Group particulars of turnover, operating costs and operating surplus

	Turnover 2016 £'000	Operating costs 2016 £'000	Operating surplus 2016 £'000	Turnover 2015 £'000	Operating costs 2015 £'000	Operating surplus 2015 £'000
Social housing lettings (note 4):	**221,616**	**(116,271)**	**105,345**	220,043	(126,593)	93,450
Other social housing activities:						
Shared ownership first tranche sales	**32,659**	**(22,042)**	**10,617**	34,486	(25,190)	9,296
Agency	**3,808**	**(2,586)**	**1,222**	3,599	(2,172)	1,427
Management contracts	**11,753**	**(4,516)**	**7,237**	8,671	(4,246)	4,425
Housing plus	**1,085**	**(4,106)**	**(3,021)**	1,253	(3,808)	(2,555)
Other management costs	**16,515**	**(13,126)**	**3,389**	11,611	(6,039)	5,572
Charges for support services	**1,581**	**(27,615)**	**(26,034)**	5,828	(31,044)	(25,216)
Non-social housing activities:						
Outright property sales	**59,822**	**(46,539)**	**13,283**	51,906	(34,171)	17,735
Other	**1,677**	**(426)**	**1,251**	897	(196)	701
	350,516	**(237,227)**	**113,289**	338,294	(233,459)	104,835

3. Association particulars of turnover, operating costs and operating surplus

	Turnover 2016 £'000	**Operating costs 2016 £'000**	**Operating surplus 2016 £'000**	**Turnover 2015 £'000**	**Operating costs 2015 £'000**	**Operating surplus 2015 £'000**
Social housing lettings (note 4):	**163,099**	**(85,690)**	**77,409**	165,136	(96,556)	68,580
Other social housing activities:						
Shared ownership first tranche sales	**30,134**	**(20,398)**	**9,736**	25,974	(17,651)	8,323
Agency	**3,713**	**(2,489)**	**1,224**	3,453	(2,111)	1,342
Management contracts	**10,103**	**(3,257)**	**6,846**	7,397	(3,212)	4,185
Housing plus	**406**	**(3,961)**	**(3,555)**	365	(3,073)	(2,708)
Other management costs	**6,357**	**(9,268)**	**(2,911)**	5,918	(7,012)	(1,094)
Charges for support services	**1,581**	**(21,359)**	**(19,778)**	1,505	(22,245)	(20,740)
Non-social housing activities:						
Leaseholder income	**1,091**	**(1,220)**	**(129)**	789	(675)	114
Other	**874**	**(358)**	**516**	774	(228)	546
	217,358	**(148,000)**	**69,358**	211,311	(152,763)	58,548

4. Group particulars of comprehensive income from social housing lettings

	General needs £'000	Affordable rent tenure £'000	Supported housing £'000	Older people schemes £'000	Shared ownership £'000	Leasing & manage'nt services £'000	Health & education accomm £'000	Inter-mediate market rent £'000	2016 £'000	2015 £'000
Rent receivable net of service charges	151,226	11,329	5,237	4,723	10,271	927	1,058	3,813	188,584	188,888
Service charges receivable	10,568	85	2,410	1,659	4,152	8	78	100	19,060	15,006
Net rental income	161,794	11,414	7,647	6,382	14,423	935	1,136	3,913	207,644	203,894
Management fee income	2,485	7	–	28	131	–	96	–	2,747	3,410
Revenue grants	9	–	31	–	–	130	–	–	170	1,102
Amortisation of grant	8,765	343	569	243	1,034	–	6	95	11,055	11,637
Turnover from social housing lettings	173,053	11,764	8,247	6,653	15,588	1,065	1,238	4,008	221,616	220,043
Service charge costs	(11,588)	(511)	(2,044)	(1,498)	(3,797)	(23)	(448)	(399)	(20,308)	(19,036)
Management	(22,713)	(940)	(1,378)	(1,005)	(2,683)	(254)	(492)	(488)	(29,953)	(32,463)
Routine maintenance	(14,325)	(854)	(2,848)	(555)	(152)	112	(109)	(210)	(18,941)	(21,362)
Planned maintenance	(11,031)	(443)	(271)	(306)	(79)	(34)	(32)	(57)	(12,253)	(12,000)
Major repairs expenditure	(437)	(48)	(69)	(165)	(451)	(9)	–	(4)	(1,183)	(2,464)
Property lease charges	15	(5)	8	(1)	(46)	(782)	(406)	–	(1,217)	(6,241)
Bad debts	1,535	(128)	(70)	(1)	208	(100)	(53)	(15)	1,376	(1,620)
Depreciation of housing properties	(26,667)	(1,355)	(1,045)	(1,272)	(1,835)	–	(12)	(588)	(32,774)	(31,047)
Impairment of housing properties	(759)	(17)	(242)	–	–	–	–	–	(1,018)	(360)
Operating costs on social housing lettings	(85,970)	(4,301)	(7,959)	(4,803)	(8,835)	(1,090)	(1,552)	(1,761)	(116,271)	(126,593)
Operating surplus/ (deficit) on social housing lettings	87,083	7,463	288	1,850	6,753	(25)	(314)	2,247	105,345	93,450
Void losses	**(1,765)**	**(371)**	**(291)**	**(248)**	**95**	**15**	**29**	**(64)**	**(2,600)**	(2,203)

4. Association particulars of comprehensive income from social housing lettings

	General needs £'000	Affordable rent tenure £'000	Supported housing £'000	Older people schemes £'000	Shared ownership £'000	Leasing & managm'nt services £'000	Health & education accomm £'000	Inter-mediate market rent £'000	2016 £'000	2015 £'000
Rent receivable net of service charges	**105,259**	**9,614**	**5,237**	**2,757**	**9,734**	**927**	**1,058**	**3,444**	**138,030**	139,285
Service charges receivable	**6,751**	**80**	**2,405**	**890**	**3,998**	**8**	**80**	**98**	**14,310**	11,549
Net rental income	**112,010**	**9,694**	**7,642**	**3,647**	**13,732**	**935**	**1,138**	**3,542**	**152,340**	150,834
Management fee income	**2**	**7**	**–**	**25**	**130**	**–**	**96**	**–**	**260**	788
Revenue grants	**2**	**–**	**32**	**–**	**–**	**129**	**–**	**–**	**163**	1,109
Amortisation of grant	**8,239**	**239**	**570**	**195**	**1,003**	**–**	**6**	**84**	**10,336**	12,405
Turnover from social housing lettings	**120,253**	**9,940**	**8,244**	**3,867**	**14,865**	**1,064**	**1,240**	**3,626**	**163,099**	165,136
Service charge costs	**(7,143)**	**(477)**	**(2,041)**	**(847)**	**(3,664)**	**(22)**	**(448)**	**(375)**	**(15,017)**	(14,091)
Management	**(15,503)**	**(826)**	**(1,337)**	**(621)**	**(2,459)**	**(254)**	**(492)**	**(480)**	**(21,972)**	(23,208)
Routine maintenance	**(8,953)**	**(822)**	**(2,848)**	**(365)**	**(137)**	**112**	**(109)**	**(184)**	**(13,306)**	(15,308)
Planned maintenance	**(5,670)**	**(311)**	**(271)**	**(133)**	**(77)**	**(34)**	**(32)**	**(43)**	**(6,571)**	(8,089)
Major repairs expenditure	**(640)**	**(44)**	**(69)**	**(96)**	**(355)**	**(9)**	**–**	**(4)**	**(1,217)**	(1,710)
Property lease charges	**34**	**(5)**	**7**	**(1)**	**(45)**	**(782)**	**(405)**	**–**	**(1,197)**	(6,241)
Bad debts	**1,272**	**(126)**	**(68)**	**14**	**204**	**(100)**	**(53)**	**(17)**	**1,126**	(1,260)
Depreciation of housing properties	**(22,028)**	**(911)**	**(1,045)**	**(404)**	**(1,726)**	**–**	**(12)**	**(521)**	**(26,647)**	(26,239)
Impairment of housing properties	**(630)**	**(17)**	**(242)**	**–**	**–**	**–**	**–**	**–**	**(889)**	(410)
Operating costs on social housing lettings	**(59,261)**	**(3,539)**	**(7,914)**	**(2,453)**	**(8,259)**	**(1,089)**	**(1,551)**	**(1,624)**	**(85,690)**	(96,556)
Operating surplus/ (deficit) on social housing lettings	**60,992**	**6,401**	**330**	**1,414**	**6,606**	**(25)**	**(311)**	**2002**	**77,409**	68,580
Void losses	**(1,041)**	**(310)**	**(291)**	**(139)**	**100**	**15**	**29**	**(52)**	**(1,689)**	(1,586)

5. Housing units

	General needs	Affordable rental tenure	Supported housing	Older people	Shared ownership	Temp social housing	Health and education accom	Intermediate market rent	Other rented	Lease holders	Contract mngmnt	Total
GROUP												
Units :												
In ownership	**26,021**	**1,679**	**1,285**	**1,019**	**3,314**	**408**	**442**	**431**	**327**	**5336**	**–**	**40,262**
In management	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,687**	**6,687**
Owned, managed by others	**37**		**1,140**	**23**	**–**	**–**	**–**	**–**	**54**	**4**	**–**	**1,258**
Total units as at 31 March 2016	**26,058**	**1,679**	**2,425**	**1,042**	**3,314**	**408**	**442**	**431**	**381**	**5,340**	**6,687**	**48,207**
In ownership	26,265	1,203	1,727	598	3,394	981	822	381	363	4,880	–	40,614
In management	734	–	–	–	45	–	–	–	–	250	6,737	7,766
Owned, managed by others	37	–	1,220	–	–	9	–	–	–	–	–	1,266
Total units as at 31 March 2015	27,036	1,203	2,947	598	3,439	990	822	381	363	5,130	6,737	49,646

	General needs	Affordable rental tenure	Supported housing	Older people	Shared ownership	Temp social housing	Health and education accom	Intermediate market rent	Other rented	Lease holders	Contract mngmnt	Total
ASSOCIATION												
Units :												
In ownership	**17,786**	**1,404**	**1,280**	**575**	**3,092**	**408**	**442**	**387**	**326**	**3,625**	**–**	**29,325**
In management	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,341**	**6,341**
Owned, managed by others	**37**	**–**	**1,128**	**23**	**–**	**–**	**–**	**–**	**54**	**4**	**–**	**1,246**
Total units as at 31 March 2016	**17,823**	**1,404**	**2,408**	**598**	**3,092**	**408**	**442**	**387**	**380**	**3,629**	**6,341**	**36,912**
In ownership	18,009	1,110	1,259	598	3,207	981	822	330	361	3,200	–	29,877
In management	734	–	–	–	45	–	–	–	–	250	6,391	7,420
Owned, managed by others	37	–	1,220	–	–	9	–	–	–	–	–	1,266
Total units as at 31 March 2015	18,780	1,110	2,479	598	3,252	990	822	330	361	3,450	6,391	38,563

6. Operating surplus

	GROUP 2016 £'000	GROUP 2015 £'000	ASSOCIATION 2016 £'000	ASSOCIATION 2015 £'000
Operating surplus (all relating to continuing activities – included within operating costs) is stated after charging/(crediting):				
Housing property depreciation	**33,609**	30,805	**26,853**	16,608
Impairment of housing properties	**1,175**	360	**1,009**	410
Other fixed assets depreciation	**3,160**	2,849	**3,194**	2,754
Impairment of financial assets	**–**	–	**–**	–
Amortisation of leasehold properties	**(130)**	(1,073)	**(130)**	(1,073)
Amortisation of grant funding	**(11,860)**	(11,638)	**(11,070)**	(10,998)
Operating lease charges	**3,221**	3,442	**3,219**	3,491
Auditors' remuneration (excluding VAT and including expenses):				
As auditors of the financial statements	**146**	127	**85**	80
FRS 102 advice and services	**70**	–	**70**	–
Other services	**170**	97	**170**	97

7. Surplus on disposal of plant, property and equipment

	GROUP 2016 £'000	GROUP 2015 £'000	ASSOCIATION 2016 £'000	ASSOCIATION 2015 £'000
Right to buy and acquire				
Proceeds	**3,346**	5,648	**818**	2,068
Cost of sales	**(1,368)**	(3,125)	**(637)**	(1,735)
Total surplus	**1,978**	2,523	**181**	333
Staircasing				
Proceeds	**24,825**	21,682	**23,616**	20,401
Cost of sales	**(13,605)**	(13,529)	**(12,752)**	(12,749)
Total surplus	**11,220**	8,153	**10,864**	7,652
Other disposals				
Proceeds	**116,050**	47,393	**130,342**	54,176
Cost of sales	**(83,904)**	(24,508)	**(95,047)**	(26,069)
Total surplus	**32,146**	22,885	**35,295**	28,107
	45,344	33,561	46,340	36,092

8. Deficit on sale of other assets

	GROUP 2016 £'000	GROUP 2015 £'000	ASSOCIATION 2016 £'000	ASSOCIATION 2015 £'000
Proceeds	**1,090**	6,894	**820**	6,868
Cost of sales	**(1,400)**	(6,910)	**(1,316)**	(6,910)
Total deficit on other asset sales	**(310)**	(16)	**(496)**	(42)

9. Share of the operating surplus/(deficit) in joint ventures

	Packington Square LLP 2016 £'000	Harrow LLP 2016 £'000	Total 2016 £'000	Total 2015 £'000
Share of the turnover	–	–	–	8,713
Share of the cost of sales	–	–	–	(5,205)
Share of the operating surplus for the year	–	–	–	3,508
Share of:				
Current assets	**2,014**	**6,585**	**8,599**	305
Liabilities due within one year	**(170)**	**(1,796)**	**(1,966)**	(292)
Liabilities due in more than one year	**(1,844)**	**(4,789)**	**(6,633)**	(13)
Net assets	–	–	–	–

Investments in joint ventures: Joint ventures are accounted for in accordance with Financial Reporting Standard 102, Chapter 15 – Investments in Joint Ventures, in the consolidated financial statements using the equity accounting method. Within the subsidiary undertaking's individual financial statements in which the joint venture investment is held, the joint venture is accounted for as a fixed asset investment and shown at cost, less any impairment or any amounts written off. The Joint ventures that traded or were trading during the year are as follows:

Joint venture entities	***Partner***	***Group interest***	***Group voting rights***
Packington Square LLP	*Rydon*	*50% through Hyde Vale Limited*	*50% through Hyde Vale Limited*
Harrow LLP	*Belway*	*50% through Hyde Vale Limited*	*50% through Hyde Vale Limited*

10. Interest receivable

	GROUP 2016 £'000	GROUP 2015 £'000	ASSOCIATION 2016 £'000	ASSOCIATION 2015 £'000
From cash deposits	**277**	597	**105**	400
From other sources	**2,278**	6,547	**1,243**	1,256
From group undertakings	–	–	5,655	3,971
Total interest receivable on financial liabilities not measured at fair value through the statement of comprehensive income	**2,555**	7,144	**7,003**	5,627
On financial liabilities/assets at fair value through the statement of comprehensive income:				
Fair value gains in respect of derivative financial instruments	**5,055**	7,941	**1,133**	3,516
Total interest receivable and similar income	**7,610**	15,085	**8,136**	9,143

11. Interest and financing costs

	GROUP 2016 £'000	GROUP 2015 £'000	ASSOCIATION 2016 £'000	ASSOCIATION 2015 £'000
On bank loans and overdrafts	**73,724**	72,799	**55,845**	54,872
Other finance costs	1,217	1,549	**529**	1,286
	74,941	74,348	**56,374**	56,158
Less interest capitalised	**(6,416)**	(6,157)	**(4,311)**	(3,949)
Total interest payable on financial assets not measured at fair value through the statement of comprehensive income	**68,525**	68,191	**52,063**	52,209
On financial liabilities/assets at fair value through the statement of comprehensive income:				
Fair value gains in respect of derivative financial instruments	**78,371**	117,565	**72,465**	95,486
Total interest payable and similar charges	**146,896**	185,756	**124,528**	147,695

Interest is capitalised at an average rate of 5.27% (2015: 5.40%) which is the weight average cost of capital.

12. Tax on surplus/(deficit on ordinary activities

	GROUP 2016 £'000	GROUP 2015 £'000	ASSOCIATION 2016 £'000	ASSOCIATION 2015 £'000
Deferred tax	**123**	(165)	**–**	–
Tax charge for the year	**201**	–	**–**	–
	324	(165)	**–**	–

	GROUP 2016 £'000	GROUP 2015 £'000	ASSOCIATION 2016 £'000	ASSOCIATION 2015 £'000
Reconciliation of total tax charge				
Result for the year before taxation	**22,377**	(28,874)	**(969)**	(43,946)
Tax at 20% thereon: (2015: 21%)	**4,475**	(5,775)	**(194)**	(9,229)
Effects of:				
Charitable income not chargeable to tax	(4,274)	5,775	194	9,229
Utilised tax loss	123	(165)	**–**	–
Total current tax charge	**324**	(165)	**–**	–

Hyde Housing Association Limited and its subsidiaries (except for Hyde Vale Limited, Hyde New Build Limited, Brent Co-Efficient Limited and Hyde PRS Company Limited), are exempt from Corporation Tax on the charitable activities they perform. Hyde Vale Limited's principal activity is the development of property for outright sale on a commercial basis in support of the mixed tenure activities of the Group and provisions for corporation tax liabilities have been made, to the extent that these liabilities are not mitigated by the distribution of profits back to Hyde Housing Association Limited to fund additional social housing units. Hyde New Build Limited's principal activity is the design and build of property on behalf of the Group and its subsidiaries and provisions for corporation tax liabilities have been made, to the extent that these liabilities are not mitigated by the distribution of profits back to Hyde Housing Association Limited to fund additional social housing units. Brent Co-Efficient Limited's principal activity is the delivery of a PFI project. Deferred tax assets are recognised at a rate of 20% (2015: 21%) and relate to trading losses and accelerated capital allowances. Deferred tax assets/liabilities are not recognised on gains/losses on derivative financial instruments.

13. Distribution of reserves

	GROUP 2016 £'000	GROUP 2015 £'000	ASSOCIATION 2016 £'000	ASSOCIATION 2015 £'000
Distribution of reserves	**–**	–	**15,828**	26,783

Following the publication of Institute of Chartered Accountants in England and Wales (ICAEW) Technical Alert 16/14 BL, gift-aid payments are treated as distributions of reserves. Distributions of reserves are shown in the Statement of Changes in Reserves on page 31.

14. Employee information and costs

The average number of persons employed (including Executive Directors but excluding non-executive Board members) expressed as Full Time Equivalent (FTEs), based on a 35 hour working week, during the year was:

	GROUP 2016 No.	GROUP 2015 No.	ASSOCIATION 2016 No.	ASSOCIATION 2015 No.
FTEs	**1,239**	1,258	**916**	973

	GROUP 2016 £'000	GROUP 2015 £'000	ASSOCIATION 2016 £'000	ASSOCIATION 2015 £'000
Staff costs:				
Wages and salaries	**44,918**	45,269	**34,895**	35,628
Social security costs	**4,322**	4,208	**3,472**	3,475
Pension costs (note 36)	**5,409**	4,312	**3,900**	3,247
	54,649	53,789	**42,267**	42,350

	GROUP 2016 FTE Nos.	GROUP 2015 FTE Nos.
The number of full time employees paid a basic salary and redundancy in excess of £60,000 during the year, including pension costs:		
£60,000 - £69,999	**35**	36
£70,000 - £79,999	**16**	15
£80,000 - £89,999	**15**	9
£90,000 - £99,999	**4**	5
£100,000 - £109,999	**9**	6
£110,000 - £119,999	**3**	1
£120,000 - £129,999	**3**	1
£130,000 - £139,999	**1**	2
£140,000 - £149,999	**2**	2
£150,000 - £159,999	**1**	1
£160,000 - £169,999	**1**	–
£170,000 - £179,999	**1**	1
£180,000 - £189,999	**–**	1
£190,000 - £199,999	**–**	1
£240,000 - £249,999	**1**	–
	92	81

15. Directors' emoluments

	GROUP	
	2016 £'000	2015 £'000
Gross salary excluding national insurance contributions for:		
Members of the Board and the Non Executive Management Team		
Mark Sebba	28	11
Julie Hollyman (resigned 1 November 2014)	-	13
Nicholas Badman (resigned 26 September 2015)	9	20
Alan Collett	16	13
Paul Cook	13	11
Kishwer Falkner (resigned 26 September 2015)	6	12
Lynn Gilbert (appointed 26 September 2015)	7	-
Paula Hay-Plumb	19	19
Alastair Imrie	19	19
Duncan Ingram	19	19
Prodaman Sarwal (resigned 26 September 2015)	7	13
Piers White	13	13
	156	163
Members of the Board and the Executive Management Team		
Elaine Bailey	242	189
Steve White (resigned 5 June 2014)	-	181
Simon Peacock (resigned 31 December 2015)	169	198
	411	568
Members of the Executive Management Team		
Tracy Allison	147	147
Stephen Aleppo (appointed 1 January 2016)	33	-
Carol Carter	170	172
Neville Hounsome	129	138
David Gannicott	172	157
	651	614
	1,218	1,345
Pension contributions:		
Steve White (resigned 5 June 2014)	-	6
Elaine Bailey	21	18
Stephen Aleppo (appointed 31 December 2015)	3	-
Simon Peacock (resigned 31 December 2015)	13	12
Tracy Allison	13	17
Carol Carter	15	14
Neville Hounsome	11	12
David Gannicott	15	14
	91	93

Compensation for loss of office payments in the year were £nil (2015: £78k). All of the compensation for loss of office in 2015/16 were contractual and paid to the previous Chief Executive. The highest paid Director, Elaine Bailey, was the Chief Executive Officer of the Association during the financial year, and acts on behalf of the entities within the Hyde Group. She was a member of the Hyde Housing Association Limited Defined Contribution scheme and the terms and conditions of his membership were consistent with all other members of this scheme. The scheme was funded by Hyde contributing within the scheme guidelines and contributions during the year were £21k.

16. Housing properties

GROUP	Housing properties held for letting £'000	Housing properties under construction £'000	Completed shared ownership properties £'000	Shared ownership under construction £'000	Total £'000
Cost					
As at 1 April 2015	2,585,023	115,265	245,398	27,003	2,972,689
Additions	89,330	66,290	1,366	26,526	183,512
Disposals	(109,122)	–	(20,972)	–	(130,094)
Completions	90,388	(90,388)	25,830	(25,830)	–
As at 31 March 2016	2,655,619	91,167	251,622	27,699	3,026,107
Accumulated depreciation and impairment					
As at 1 April 2015	(229,447)	(277)	(15,745)	(711)	(246,180)
Charge for the year	(31,605)	–	(2,004)	–	(33,609)
Impairment	(1,175)	–	–	–	(1,175)
Disposals	17,391	–	1,810	–	19,201
Completions	(277)	277	(711)	711	–
As at 31 March 2016	(245,113)	–	(16,650)	–	(261,763)
Net book value					
As at 31 March 2016	2,410,506	91,167	234,972	27,699	**2,764,344**
As at 31 March 2015	**2,355,576**	**114,988**	**229,653**	**26,292**	**2,726,509**

16. Housing properties (continued)

ASSOCIATION	Housing properties held for letting £'000	Housing properties under construction £'000	Completed shared ownership properties £'000	Shared ownership under construction £'000	Total £'000
Cost					
As at 1 April 2015	2,136,240	96,456	234,509	25,044	2,492,249
Additions	80,750	53,963	1,366	22,797	158,876
Disposals	(106,839)	–	(20,225)	–	(127,064)
Completions	63,480	(63,480)	22,695	(22,695)	–
As at 31 March 2016	2,173,631	86,939	238,345	25,146	2,524,061
Accumulated depreciation and impairment					
As at 1 April 2015	(197,846)	(119)	(15,436)	(638)	(214,039)
Charge for the year	(24,955)	–	(1,898)	–	(26,853)
Impairment	(1,009)	–	–	–	(1,009)
Disposals	15,898	–	1,784	–	17,682
Completions	(119)	119	(638)	638	–
As at 31 March 2016	(208,031)	–	(16,188)	–	(224,219)
Net book value					
As at 31 March 2016	1,965,600	86,939	222,157	25,146	**2,299,842**
As at 31 March 2015	**1,938,394**	**96,337**	**219,073**	**24,406**	**2,278,210**

Additions to Group housing properties during the year include capitalised interest of £6,416,000 (2015: £6,157,000) (note 11) and capitalised administration costs of £1,023,000 (2015: £2,705,000). Total expenditure on works to existing properties during the year amounted to £27,715,000 (2015: £27,611,000) of which £25,366,000 (2015: £24,703,000) was capitalised. No assets were held under finance leases at 31 March 2016 and 2015. There are fixed charges on 29,794 housing properties (2015: 30,009).

Additions to Association housing properties during the year include capitalised interest of £4,311,000 (2015: £3,949,000) (note 11) and capitalised administration costs of £3,345,000 (2015: £2,705,000). Total expenditure on works to existing properties during the year amounted to £18,642,000 (2015: £19,709,000) of which £16,987,000 (2015: £17,502,000) was capitalised. There are fixed charges on 20,562 housing properties (2015; 20,448).

Impairment

Housing properties are reviewed for impairment if there is an indication that impairment may have occurred. The Government's announcement for social and affordable rent tenures to be reduced by 1% per year for the next four years is an indicator of impairment for social housing properties.

Where there is evidence of impairment, fixed assets are written down to their recoverable amount. Any such write down is charged to operating profit.

Impairment is performed by cash generating unit. The Group/Association defines a cash generating unit as a scheme within housing properties. A scheme is defined as all units of the same tenure within one area or estate. Impairment is assessed scheme by scheme.

Impairment is assessed by comparing the carrying value of the scheme against the higher of value in use and fair value less costs to sell. There is not considered to be an active market for social and affordable rent tenures and therefore fair value less cost to sell is not able to be determined.

16. Housing properties (continued)

Value in Use is defined as the higher of Existing Use Value – Social Housing (EUV-SH) and Value In Use – Service Potential (VIU-SP). EUV-SH has been obtained from third party valuations used to value properties for security purposes. Where EUV-SH is not available for particular scheme, estimations are made using similar cash generating units in neighbouring schemes. VIU-SP is calculated using 60 year cash flows discounted at 5.24%. Cash flows are determined as future rental income less costs to manage and maintain the cash generating unit.

Where the carrying amount is less than the higher of EUV-SH and VIU-SP, no further work is performed on the cash generating unit.

Where the carrying amount is greater than both of these, depreciated replacement cost is assessed based on data available. Data available includes depreciated replacement cost, based on the costs to build similar schemes and insurance rebuild costs.

For the year ended 31 March 2016, an impairment charge of £1,175k (2015: £529k) was incurred for the Group including £1,009k (2015: £529k) for the Association. The impairment charge relates to 14 schemes, with a carrying value of £8,173k and 88 units for the Group and 11 schemes with a carrying value of £7,000k and 81 units for the Association.

Accumulated impairment for the Group is £3,924k (2015: £4,224k) and £3,384k (2015: £3,850k) for the Association. £1,475k of accumulated impairment from previous years was released during the year by the Association as a result of property disposals.

Stock swaps
Where opportunities for the swapping of housing stock with other associations arise, the outgoing items are treated as a disposal with the recognition of a surplus/(deficit). The incoming items are recognised at fair value, EUV-SH. Where there is a government grant associated with the housing properties, the fair value of the obligation to repay is reflected in the fair value of the housing properties and therefore no additional value is attributed to the government grant transferred.

Stock swaps are recognised by disposing the outgoing units. During 2015/16 there were two stock swaps:

		OUTGOING					INCOMING		
Scheme	**Group/Association**	**No. of units**	**Cost**	**Grant**	**Fair value**	**Surplus/ deficit**	**No. of units**	**Fair value**	**Grant**
Transfer 1	Hyde Housing Association Limited	868	80,045,000	(44,232,840)	51,226,000	15,314,000	721	49,169,000	(59,478,000)
Transfer 2	Hyde Housing Association Limited	206	14,578,000	(9,228,000)	12,617,000	7,256,000	105	5,254,000	-
		1,074	**94,623,000**	**(53,460,840)**	**63,843,000**	**22,570,000**	**826**	**54,423,000**	**(59,478,000)**

Contingent grants relate to contingent liability grant balances that were transferred to the Group as part of some stock swaps. A liability will be realised in Recycled Capital Grant Fund if units from these stock swaps are sold in the future. The balance of contingent grant at the year end was £82,178,000 (2015: £21,948,000) for the Group and £70,902,000 (2015: £10,650,000) for the Association.

Shared ownership
Housing properties include completed shared ownership properties where the first tranche has been sold or where the first tranche element is due to be sold. Where the first tranche element is due to be sold, the housing property element is calculated by looking at the average percentage not sold. Rental income is collected on the unsold element of shared ownership properties. When shared ownership properties within housing properties are sold, either in entirety or a proportion, this is called staircasing. Staircasing sales are recognised below operating surplus. During 2015/16, the Group had 225 staircasing transactions (2015: 221) with a surplus of £11,220k (2015: £8,136k) and the Association had 211 staircasing transactions (2015: 207) with a surplus of £10,864k (2015: £7,652k).Also included in housing properties, is incomplete shared ownership properties which are under construction. Housing properties recognises the amount that is not expected to be sold at first tranche.

The first tranche element of shared ownership properties is held within stock. This is calculated by looking at the expected percentage to be sold. Sales of first tranche shared ownership properties are recognised in operating surplus. During 2015/16, the Group had 262 first tranche shared ownership sales (2015: 242) with a surplus of £7,673k (2015: £11,406k) and the Association had 262 first tranche shared ownership sales (2015: 242) with a surplus of £9,737k (2015: £8,323k).

17. Other fixed assets

GROUP	Freehold office £'000	Furniture equipment and vehicles £'000	Lease and management schemes £'000	Project costs £'000	Total other fixed assets £'000
Cost					
As at 1 April 2015	9,826	26,609	7,753	818	45,006
Additions	-	4,266	254	5,690	10,210
Transfers	-	(860)	-	(2,376)	(3,236)
Disposals	(2,342)	(352)	(4,824)	-	(7,518)
As at 31 March 2016	7,484	29,663	3,183	4,132	44,462
Accumulated depreciation					
As at 1 April 2015	(2,384)	(20,538)	(4,923)	-	(27,845)
Charge for the year	(61)	(3,099)	3,109	-	(51)
Disposals	1,631	324	342	-	2,297
As at 31 March 2016	(814)	(23,313)	(1,472)	-	(25,599)
Net book value					
As at 31 March 2016	**6,670**	**6,350**	**1,711**	**4,132**	**18,863**
As at 31 March 2015	**7,442**	**6,071**	**2,830**	**818**	**17,161**

ASSOCIATION	Freehold office £'000	Furniture equipment and vehicles £'000	Lease and management schemes £'000	Project costs £'000	Total other fixed assets £'000
Cost					
As at 1 April 2015	5,659	25,305	7,628	818	39,410
Additions	-	4,089	254	5,691	10,034
Transfers	-	(860)	-	(2,376)	(3,236)
Disposals	(2,342)	(340)	(4,824)	-	(7,506)
As at 31 March 2016	**3,317**	**28,194**	**3,058**	**4,133**	**38,702**
Accumulated depreciation					
As at 1 April 2015	(2,258)	(20,016)	(4,923)	-	(27,197)
Charge for the year	(35)	(3,025)	3,109	-	49
Disposals	1,631	324	342	-	2,297
As at 31 March 2016	**(662)**	**(22,717)**	**(1,472)**	**-**	**(24,851)**
Net book value					
As at 31 March 2016	**2,655**	**5,477**	**1,586**	**4,133**	**13,851**
As at 31 March 2015	**3,401**	**5,289**	**2,705**	**818**	**12,213**

Other leasehold properties include "Lease and management schemes" and "Living over the shop" units. Lease and management schemes are short term units which are leased by the Group from private landlords or local councils and let out to social tenants. Any grant received in relation to short-term leasehold premises is included creditors. Living over the shop units are properties leased from private landlords which are let out to social tenants.

18. Derivative financial instruments: Assets due after more than one year

	GROUP		ASSOCIATION	
	2016 £'000	**2015 £'000**	**2016 £'000**	**2015 £'000**
Derivative financial instruments expiring greater than one year	**25,883**	30,430	**25,581**	30,430

19. Investments

	GROUP		ASSOCIATION	
	2016 £'000	**2015 £'000**	**2016 £'000**	**2015 £'000**
Investments:				
Investments in PFI	**1,429**	1,447	**1,429**	1,447
Subsidiary Investments	**–**	–	**21,616**	–
Investment properties – market rent	**17,381**	2,878	**3,305**	2,798
Investment properties – commercial	**16,589**	16,563	**16,589**	16,563
Easybuy financial assets	**1,092**	1,222	**1,092**	251
COIF Investment fund	**3,886**	4,068	**–**	–
JM Finn Investment	**3,831**	4,040	**–**	–
	44,208	30,218	**44,031**	21,059

Investment properties including market rent and commercial are as follows:

	GROUP		ASSOCIATION	
	2016 £'000	**2015 £'000**	**2016 £'000**	**2015 £'000**
As at 1 April	**19,441**	25,462	**19,361**	25,385
Additions	**10,455**	–	**30**	–
Revaluation	**5,356**	125	**1,705**	122
Disposals	**(1,282)**	(6,146)	**(1,202)**	(6,146)
As at 31 March	**33,970**	19,441	**19,894**	19,361

Easybuy financial assets are as follows:

	GROUP		ASSOCIATION	
	2016 £'000	**2015 £'000**	**2016 £'000**	**2015 £'000**
As at 1 April	**1,222**	1,372	**251**	238
Revaluation	**(18)**	69	**(70)**	13
Additions	**–**	–	**911**	–
Disposals	**(112)**	(219)	**–**	–
As at 31 March	**1,092**	1,222	**1,092**	251

The Easybuy financial asset receivables largely have repayment dates that vary and variable repayment amounts, provided as part of the sales transactions, and are secured by a second legal charge on the relate property. The assets are recorded at fair value, being the estimated future receivable by the Group, discounted back to present values. The fair value of the future anticipated receipts takes into account management's view of future house price movements, the expected timing of receipts and credit risk. These assumptions are reviewed at the end of each financial reporting period. The different between the anticipated future receipt and the initial fair value is credited to income with the financial asset increasing to its full expected cash settlement value on the anticipated receipt date. Credit risk is accounted for in determining fair values and appropriate discount rates are applied. Management reviews the financial assets for impairment at each balance sheet date.

19. Investments (continued)

Other investments:

	GROUP 2016 £'000	GROUP 2015 £'000	ASSOCIATION 2016 £'000	ASSOCIATION 2015 £'000
Balance at 1 April	**9,555**	14,724	**1,447**	2,840
Additions	**–**	4,113	**21,609**	–
Disposals	**–**	(9,884)	**–**	(1,339)
Realised loss during the year	**(409)**	(54)	**(11)**	(54)
Unrealised gain during the year	**–**	656	**–**	–
	9,146	9,555	23,045	1,447

At 31 March 2016, all of the investments were held with the Charities Official Investment Fund (COIF), JM Finn investment fund and the Islington Private Finance Initiative (PFI). The Islington PFI is the Group's investment in the provision of social housing in conjunction with the London Borough of Islington. Investments in COIF are measured at fair value and return rate is 0.4%. Investments in JM Finn investment fund are measured at fair value and the return rate is 4.2%. See note 9 for information about joint ventures.

20. Debtors: Amounts falling due after more than one year

	GROUP 2016 £'000	GROUP 2015 £'000	ASSOCIATION 2016 £'000	ASSOCIATION 2015 £'000
Service charge debtors	**7,882**	5,779	**7,096**	5,023
Stock transfers	**27,181**	27,480	**13,951**	13,587
Loans to subsidiaries	**–**	–	**92,327**	82,325
Deferred tax asset	**172**	29	**–**	–
Social housing grant	**–**	–	**–**	–
Other	**6,968**	531	**6,833**	–
	42,203	33,819	**120,207**	100,935

The stock transfers represent stock improvement undertaken for leaseholders under the Large Scale Voluntary Stock Transfers. This is amortised over 30 years in line with the benefits received from the stock improvements. This stock transfer represents the works performed on the properties at Stonebridge for which there are 19 years remaining.

Included within loans to subsidiaries, is the amount due from BCE for the PFI scheme. This represents the residual value of the properties constructed under the agreement with the London Borough of Brent.

Amounts due from subsidiaries are unsecured and are at rates of interest varying from LIBOR + 2.25% to 11% and are due for repayment between now and 13 years.

21. Stock

	GROUP 2016 £'000	GROUP 2015 £'000	ASSOCIATION 2016 £'000	ASSOCIATION 2015 £'000
Repairs materials	**129**	110	**–**	–
Shared ownership first tranche under construction	**19,141**	14,262	**18,233**	12,989
Shared ownership first tranche held for resale	**3,374**	7,895	**1,919**	7,851
Outright sale under construction	**104,168**	73,909	**14,857**	22,647
Outright sale held for resale	**6,901**	6,573	**–**	–
	133,713	102,749	**35,009**	43,487

Stock consists of first tranche shared ownership and outright sale assets under construction or completed which are intended for sale. The Group amount includes schemes which have been transferred from the Association into Hyde Vale Limited, a member of the Group, which is developing these assets for outright sale. The values stated in the Group financial statements do not include any profit recognised by Hyde on the transfers, which occurred during the year on an arm's length basis. This figure includes nil impairment in properties held for resale in the year (2015:£nil).

22. Debtors: Amounts falling due within one year

	GROUP		ASSOCIATION	
	2016	**2015**	**2016**	**2015**
	£'000	**£'000**	**£'000**	**£'000**
Rental debtors	**16,490**	15,708	**11,660**	11,849
Provision for doubtful debts	**(3,973)**	(6,620)	**(3,333)**	(5,381)
	12,517	9,088	**8,327**	6,468
Social housing grant receivable	**1,543**	1,729	**1,393**	647
Prepayments and accrued income	**2,587**	2,781	**2,569**	2,684
Amounts due from group undertakings	**–**	–	**21,578**	34,130
Other debtors	**13,563**	12,214	**9,668**	4,583
	30,210	25,812	**43,535**	48,512

There has been a change in estimate with regards to calculation of a provision for bad debts. The provision is now based on historic collection rates applied to amount overdue. Previously this was based on change in collection rate.

23. Cash and cash equivalents

	GROUP		ASSOCIATION	
	2016	**2015**	**2016**	**2015**
	£'000	**£'000**	**£'000**	**£'000**
Cash at bank	**87,360**	146,688	**62,394**	79,166

Of the cash held, £66.3m is restricted (2015: £47.4m). £7.3m (2015: £10.5m) relates to Brent Co-Efficient Limited and the restricted funds are ring fenced for expenditure on the Brent PFI contract. The funds are used to settle the Group/Association's liabilities. All payments and transfers from these bank accounts have to be approved by the syndicate agent, Barclays. Restricted cash of £58.5m and £0.5m (2015: £36.8m and £0.1m) is held in Hyde Housing Association Limited as leaseholder funds and Hyde Charitable Trust Limited for specific charitable purposes respectively.

24. Creditors: Amounts falling due within one year

	GROUP		ASSOCIATION	
	2016	**2015**	**2016**	**2015**
	£'000	**£'000**	**£'000**	**£'000**
Loans (note 25)	**52,926**	8,420	**14,231**	7,362
Social housing and other grants (note 25)	**1,405**	2,861	**1,136**	1,782
Rent in advance	**8,572**	7,828	**7,423**	6,826
Development retentions	**3,825**	4,229	**776**	3,254
Trade creditors	**3,657**	4,080	**2,593**	2,280
Social housing grant in advance	**126**	120	**126**	120
Amounts due to Group undertakings	**–**	–	**12,512**	11,934
Taxation and social security costs	**1,452**	1,146	**1,187**	1,146
Pension contributions due	**17**	490	**17**	490
Other creditors and accruals	**31,493**	36,078	**23,061**	22,863
	103,473	65,252	**63,062**	58,057

25. Creditors: Amounts falling due after more than one year

	GROUP		ASSOCIATION	
	2016 £'000	**2015 £'000**	**2016 £'000**	**2015 £'000**
Social housing and other grants	**1,114,006**	1,172,626	**1,055,147**	1,112,671
Bonds*	**333,192**	325,770	**333,192**	325,770
Loans**	**920,818**	975,337	**622,860**	626,652
Amounts due to Group undertakings	**–**	–	**127,841**	130,146
Other long-term creditors	**40,222**	27,905	**30,166**	27,652
	2,408,238	2,501,638	**2,169,206**	2,222,891

**Included in Bonds is a debt reserve set off against the Haven bond. This reserve is classified as an asset available for sale and held at fair value. See note below.*

*** Included in Loans are loan cost balances set off against the loans and amortised over the lives of the loans.*

Amounts due to Group undertakings are unsecured and are at rates of interest varying from 2.8% to 11%. They comprise revolving facilities to HNBL and PRS at 2.8% and subordinated term loans to BCE at 5.5% and 11% with a maturity date of March 2029.

Amounts falling due after more than one year – loans and other creditors

	GROUP		ASSOCIATION	
	2016 £'000	**2015 £'000**	**2016 £'000**	**2015 £'000**
Social housing and other grants				
At 1 April	**1,172,626**	1,190,813	**1,112,671**	1,134,390
Received	**11,435**	19,026	**15,249**	14,686
Disposals	(58,195)	(25,575)	**(61,703)**	(25,407)
Amortisation	**(11,860)**	(11,638)	**(11,070)**	(10,998)
	1,114,006	1,172,626	**1,055,147**	1,112,671

Contingent grants relate to contingent liability grant balances that were transferred to the Group as part of some stock swaps. A liability will be realised in Recycled Capital Grant Fund if units from these stock swaps are sold in the future. Contingent grant is disclosed in note 16.

25. Creditors: Amounts falling due after more than one year (continued)

	GROUP		ASSOCIATION	
	2016	**2015**	**2016**	**2015**
	£'000	**£'000**	**£'000**	**£'000**
Loans and bonds				
Between one and two years	**32,213**	46,235	**19,524**	8,540
Between two and five years	**120,256**	148,415	**81,912**	110,212
More than five years	**1,126,811**	1,119,855	**865,017**	845,232
	1,279,280	1,314,505	**966,453**	963,984
Loan costs	**(12,092)**	(13,398)	**(10,400)**	(11,562)
	1,267,188	1,301,107	**956,053**	952,422
Less than one year	**52,926**	8,420	**14,231**	7,362
	1,320,114	1,309,527	**970,284**	959,784

Group loans totalling £1,320.0m (2015: £1,309.5m) at the statement of financial position date are generally secured by fixed charges on 29,714 housing properties (2015: 30,009). In addition, the Group held 8,190 (2015: 7,899) unencumbered properties available for use as security for new loans. These properties were estimated to provide potential security for a further £685m (2015: £624.0m) of new loans.

Loans are at rates of interest varying from 0.82% to 15.98%. The average interest rate on borrowings held at year end was 5.27% (2015: 5.36%). The Group's interest rate risk management policy is designed to reduce volatility in cash flows and earnings. The size and maturity of debt is matched and hedged using a combination of various interest rate hedge instruments, primarily vanilla interest rate swaps, cancellable swaps and RPI swaps. Group policy is to maintain minimum and maximum thresholds of fixed to floating rate debt (after allowing for the impact of its interest rate swaps) of 70%-95%. Of the loans due greater than 5 years, £612.4m (2015: £624.3m) relates to instalment debts and £502.3m (2015: £495.5m) relates to non-instalment debt.

	GROUP		ASSOCIATION	
	2016	**2015**	**2016**	**2015**
	£'000	**£'000**	**£'000**	**£'000**
Debt reserve				
Balance at 1 April	**10,597**	9,780	**10,597**	9,780
Unrealised (loss)/gain during the year	**(965)**	817	**(965)**	817
	9,632	10,597	**9,632**	10,597

The debt reserve is held against the Haven bond, which is held within bonds above. There is a legally enforceable right to set off the amount against the loan.

26. Derivative financial instruments: Liabilities

	GROUP		ASSOCIATION	
	2016	**2015**	**2016**	**2015**
	£'000	**£'000**	**£'000**	**£'000**
Derivative financial instruments expiring in more than one year	**293,769**	231,964	**257,542**	197,859

27. Recycled capital grant fund

	GROUP				ASSOCIATION			
	GLA 2016 £'000	**HCA 2016 £'000**	**Total 2016 £'000**	**Total 2015 £'000**	**GLA 2016 £'000**	**HCA 2016 £'000**	**Total 2016 £'000**	**Total 2015 £'000**
At start of the year	**9,619**	**9,558**	**19,177**	11,525	**9,598**	**8,754**	**18,352**	11,321
Inputs to fund:								
Funds recycled	**4,703**	**4,199**	**8,902**	10,319	**4,679**	**3,837**	**8,516**	9,320
Recredits	**150**	**490**	**640**	301	**150**	**490**	**640**	301
Other	**10**	**–**	**10**	38	**10**	**–**	**10**	38
Interest accrued	**54**	**49**	**103**	72	**54**	**48**	**102**	72
Recycling of grant:								
New build	**(2,435)**	**(3,182)**	**(5,617)**	(2,889)	**(2,435)**	**(2,937)**	**(5,372)**	(2,511)
Other	**183**	**–**	**183**	(189)	**183**	**–**	**183**	(189)
Repayment of grant to HCA/GLA	**(183)**	**–**	**(183)**	–	**(183)**	**–**	**(183)**	–
	12,101	**11,114**	**23,215**	19,177	**12,056**	**10,192**	**22,248**	18,352

Amounts due for repayment to the Great London Authority (GLA) and Homes and Community Agency (HCA) were £182,701 (2015: nil). The Recycled Capital Grant Fund (RCGF) arises from grant recovery on all other sales of properties originally funded by Social Housing Grant. Other than this it works in the same way as the Disposal Proceeds Fund (DPF) (note 28). No amounts are due greater than three years.

28. Disposal proceeds fund

	GROUP				ASSOCIATION			
	GLA 2016 £'000	**HCA 2016 £'000**	**Total 2016 £'000**	**Total 2015 £'000**	**GLA 2016 £'000**	**HCA 2016 £'000**	**Total 2016 £'000**	**Total 2015 £'000**
At start of the year	**1,502**	**355**	**1,857**	719	**1,502**	**158**	**1,660**	647
Inputs to fund:								
Funds recycled	**–**	**46**	**46**	1,132	**–**	**46**	**46**	1,008
Interest accrued	**7**	**2**	**9**	6	**7**	**1**	**8**	5
Recycling of grant:								
New build	**(250)**	**–**	**(250)**	–	**(250)**	**–**	**(250)**	–
Other	**(30)**	**(16)**	**(46)**	–	**(30)**	**(16)**	**(46)**	––
	1,229	**387**	**1,616**	1,857	**1,229**	**189**	**1,418**	1,660

Amounts due for repayment to the GLA and HCA were £nil (2015: £nil). The Disposals Proceeds Fund arises from the net proceeds of sales funded by Voluntary Purchase Grant. In accordance with the GLA and HCA requirements such proceeds are credited to the fund and, together with accrued interest, must be used to provide replacement properties. There is a time limit of three years within which the Group/Association must use the proceeds. No amounts are due greater than three years.

29. Provisions for liabilities and charges

	GROUP		ASSOCIATION	
	2016	**2015**	**2016**	**2015**
	£'000	**£'000**	**£'000**	**£'000**
At start of the year	**2,013**	2,104	**2,004**	2,095
Additions	**529**	280	**529**	280
Release of provision	**(802)**	(371)	**(801)**	(371)
At end of the year	**1,740**	2,013	**1,732**	2,004

Provisions for liabilities and charges are split between dilapidations and legal claims as follows:

	GROUP		ASSOCIATION	
	2016	**2015**	**2016**	**2015**
	£'000	**£'000**	**£'000**	**£'000**
Dilapidations				
At start of the year	**845**	829	**836**	820
Additions	**57**	190	**58**	190
Release of provisions	**(307)**	(174)	**(307)**	(174)
At end of the year	**595**	845	**587**	836

Dilapidations provisions are included for all leased properties where the contract requires the Group to return the property to its original condition at the end of the lease, and are charged to the statement of comprehensive income within operating costs.

	GROUP		ASSOCIATION	
	2016	**2015**	**2016**	**2015**
	£'000	**£'000**	**£'000**	**£'000**
Legal claims				
At start of the year	**494**	587	**494**	587
Additions	**472**	90	**472**	90
Release of provisions	**(495)**	(183)	**(495)**	(183)
At end of the year	**471**	494	**471**	494

Legal claim provisions are included for claims brought against the Group, and are charged to the Statement of Comprehensive Income within operating costs. The legal claims are expected to be released between 2016 and 2017.

	GROUP		ASSOCIATION	
	2016	**2015**	**2016**	**2015**
	£'000	**£'000**	**£'000**	**£'000**
Onerous lease				
At start of the year	**674**	688	**674**	688
Release of provisions	**–**	(14)	**–**	(14)
At end of the year	**674**	674	**674**	674

The onerous lease relates to the subletting of an office building where the rental income is less than the value of the office building. The onerous lease will be released over the life of the lease which is from 2016 to 2028.

30. Capital commitments

	GROUP 2016 £'000	GROUP 2015 £'000	ASSOCIATION 2016 £'000	ASSOCIATION 2015 £'000
Capital expenditure contracted for but not provided for in the financial statements	**320,940**	116,870	**236,542**	72,523
Capital expenditure authorised by the Board but not contracted for	**362,196**	558,513	**175,605**	235,856
Capital expenditure contracted for by joint venture entities	**71,921**	–	**–**	–
Capital expenditure contracted for by joint venture entities committed to by Hyde	**43,943**	–	**–**	–
	799,000	675,383	**412,147**	308,379

For the Group, the commitments relate to the build of housing properties from the period 1 April 2016 to 31 March 2024. There are no performance-related conditions attached to the commitments. These commitments will be funded by property sales of £773,866k, agreed loan of £13,046k and grants of £12,086k. For the Association, the commitments relate to the build of housing properties from the period 1 April 2016 to 31 March 2024. There are no performance related conditions attached to the commitments. These commitments will be funded by property sales of £205,997k, agreed loans of £196,143k and grants of £10,007k.

31. Operating leases

	GROUP 2016 £'000	GROUP 2015 £'000	ASSOCIATION 2016 £'000	ASSOCIATION 2015 £'000
Not later than one year	**3,197**	2,953	**2,772**	2,817
Later than one year but not later than five years	**10,027**	9,816	**10,021**	9,809
Later than five years	**17,433**	19,879	**17,433**	18,879
	30,657	32,648	**30,226**	31,505

The Group's social housing properties are held under operating leases and are tenanted under cancellable operating lease conditions.

Typical tenant break clauses exist requiring a notice period of a month. Rents fluctuate in accordance with the Rent Standard and affected by the Welfare Reform and Work Act 2016. Shared ownership properties may be purchased (staircased) by its leaseholder at any time at the pro-rata market rate. Ongoing lease payments will be adjusted according to the share of ownership retained by the Group. Certain properties are available to purchase via right to buy by the existing tenant.

32. Contingent liabilities

From time to time, legal claims are raised against the Group. The Directors have considered outstanding claims and believe the provisions made in Note 29 are appropriate. There are claims which have not been included in the provisions balance as the Directors consider that the likelihood of an outflow of cash as a result of these claims is low and that no provision is required. For these claims, it is impracticable to estimate the possible outflow.

The Group receives financial assistance from the HCA and GLA. These government grants are accounted for as deferred income in the statement of financial position and are amortised annually to the Statement of Comprehensive Income based on the life of the build structure which is 100 years. The amount amortised represents a contingent liability to the entity and will be recognised as a liability when the properties funded by the relevant government grant are disposed of or when the property ceases to be used for social housing purposes. Below is the analysis of the assistance from government sources in the form of government grants:

	GROUP 2016 £'000	GROUP 2015 £'000	ASSOCIATION 2016 £'000	ASSOCIATION 2015 £'000
Government funding received	**1,247,746**	1,307,572	**1,180,771**	1,240,249
Grants amortised to date (contingent liabilities)	**(133,740)**	(134,946)	**(125,624)**	(127,578)
Net grant (note 25)	**1,114,006**	1,172,626	**1,055,147**	1,112,671

33. Subsidiaries and related undertakings

The related undertakings whose results or financial performance principally affect the figures shown in the consolidated financial statements are as follows:

Name of subsidiary undertaking	Principal Activity	Interest	Legal status
Martlet Homes Limited (RPSH)	A registered provider of social housing based in Chichester operating predominantly in Surrey, Sussex and Hampshire	Wholly owned subsidiary of the Association	Incorporated in the UK as a registered social landlord
Hyde Southbank Homes Limited (RPSH)	A registered provider of social housing via a Large Scale Voluntary Transfer (LSVT) based in Lambeth	Wholly owned subsidiary of the Group	Incorporated in the UK as a registered social landlord
Hillside Housing Trust Limited (RPSH)	A registered provider of social housing responsible for managing the Stonebridge Estate in the London Borough of Brent	Wholly owned subsidiary of the Group	Incorporated in the UK as a registered social landlord
Hyde Vale Limited	A company with non-charitable status undertaking market rent and outright sales activities in London and the South East of England	Wholly owned subsidiary of the Group	Incorporated in the UK under the companies act
Brent Co-Efficient Limited	A company limited by guarantee, acting as a special purpose vehicle to deliver a PFI project in the London Borough of Brent	Wholly owned subsidiary of the Group	Incorporated in the UK under the companies act
Hyde New Build Limited	A company with non-charitable status undertaking design and build on behalf of the Hyde Group and its subsidiaries	Wholly owned subsidiary of the Group	Incorporated in the UK under the companies act
Hyde Charitable Trust	A charity that funds regeneration activities that support disadvantaged people in London and the South East of England	Wholly owned subsidiary of the Group	Incorporated in the UK under the charities act
Hyde PRS Company Limited	A company that provides private rented accommodation	Wholly owned subsidiary of the Group	Incorporated in the UK under the companies act
New Square Management Ltd	A cpmpany set up to manage the public square that forms part of the Site J Development in Brighton.	51% owned subsidiary of Hyde Vale.	Incorporated in the UK under the companies act
Packington Square LLP	A partnership building social and outright sale housing on the Packington Estate	Joint Venture 50% interest by Hyde Vale.	Incorporated in the UK under the LLP legislative requirements
One Preston Park LLP	A partnership building social and outright sale housing in Brighton	87% owned by Hyde Vale Limited and 13% First Base Limited.	Incorporated in the UK under the LLP legislative requirements
51 College Road Harrow LLP	A partnership building social and outright sale housing in Harrow	Joint Venture 50% interest by Hyde Vale.	Incorporated in the UK under the LLP legislative requirements
PLJ Camberwell Limited	A company purchase by the Group to obtain land. This is dormant	Wholly owned subsidiary of the Hyde Vale.	Incorporated in the UK under the companies act

All the above entities are included within the consolidation. Where the entity is a joint venture, this is included in the consolidation using the equity method. Certain Board and committee members, acting in their capacity as tenant representatives, may be tenants of the Group/Association. Such tenancies are granted on the same terms and conditions and managed on the same basis as other tenants of the Group/Association.

33. Subsidiaries and related undertakings (continued)

Intra-group transactions between Hyde Housing Association Limited and its non-regulated subsidiaries are summarised as follows:

- Income from Hyde Vale Limited and Brent Co-Efficient Limited relating to interest on intercompany loans, sales agent and housing management fees and land sales. The total of these transactions was £5.6m (2015: £5.2m).
- Expenditure to Hyde Vale Limited and Hyde New Build Limited relating to land sales and construction services. The total of these transactions are £59.0m (2015: £59.3m).
- Assets include long term and short term inter-company debtors and accrued interest receivable from Brent Co-Efficient Limited and Hyde Vale Limited, totalling £90.1m (2015: £67.5m).
- Liabilities include an inter-company loan and short term intercompany creditors owed to Brent Co-Efficient Limited and Hyde New Build Limited, totalling £12.4m (2015: £141.3m).
- Assets include long term and short term inter-company debtors and accrued interest receivable from Joint Ventures, totalling £7.0m (2015: £nil).
- Hyde Housing Association paid the Hyde Housing Association Defined Benefit Pension Scheme contributions of £1,517k (2015: £842k).

Recharges from the Association to subsidiaries and related undertakings totalled £5.3k (2015: £5.2k) during the year.

Jan Durbridge and Jacqui Puddifoot are Hyde tenants and they sit on the Martlet, HSH and Hillside Boards. The rents they paid were £4,965 (2015: £4,783) and £6,016 (2015: £5,703) respectively. Their terms and conditions are no different to any other tenant. Michelle Walcott and Ronald Brookes are Hillside and Hyde tenants respectively and sit on the Hyde Charitable Trust Board. The rents they paid were £6,952 (2015: £6,811) and £5,839 (2015: £5,713) respectively. Their terms and conditions are no different to any other tenant.

34. Payments to creditors

The Group/Association has a policy of paying suppliers within agreed payment terms. Subject to resolution of any queries or discrepancies on specific invoices, the usual policy is to pay creditors within 30 days.

35. Pension schemes

The pensions of employees of the Hyde Group are administered through four schemes which provide defined benefits relating to pay and service and a fifth scheme which is a defined contribution scheme.

	GROUP		ASSOCIATION	
	2016 £'000	**2015 £'000**	**2016 £'000**	**2015 £'000**
Current service costs:				
Defined benefit schemes:				
Hyde Housing Association Limited Defined Benefit Pension Scheme	**1,517**	842	**1,517**	842
London Borough of Lambeth Pension Fund	**163**	158	**163**	158
West Sussex County Council Pension Fund	**182**	1,065	**–**	–
Kent County Council Pension Fund	**99**	95	**99**	95
The Pensions Trust Social Housing Pension Scheme	**1,256**	230	**1,256**	230
Defined contribution schemes:				
Hyde Housing Association Limited Defined Contribution Scheme	**2,291**	2,017	**964**	2,017
	5,508	4,407	**3,999**	3,342
Net interest expense:				
Defined benefit schemes:				
Hyde Housing Association Limited Defined Benefit Pension Scheme	**287**	82	**287**	82
London Borough of Lambeth Pension Fund	**41**	45	**41**	45
Kent County Council Pension Fund	**46**	–	**46**	–
West Sussex County Council Pension Fund	**186**	81	**–**	–
	6,068	4,615	**4,373**	3,469

35. Pension schemes (continued)

Defined benefit schemes

Hyde Housing Association Limited Defined Benefit Pension Scheme (HHADBPS) – Hyde Housing Association Limited operates a funded defined benefit scheme that closed to new members on 1 July 2004. All new employees after that date were given the option to join a defined contribution scheme. From 1 April 2007, the scheme introduced benefit changes for future service (for all sections apart from the Passport 2000 section). Members' benefits under the new arrangements are based on Career Average Related Earnings (CARE), rather than Final Pensionable Salary. The pension contribution rate, which includes liability for pension increases, has been determined in accordance with the advice of professionally qualified consulting actuaries based on an actuarial valuation made as at 31 March 2012 using the attained age method.

London Borough of Lambeth Pension Fund (LBLPF) – Some employees of the Group are members of the London Borough of Lambeth Pension Fund. Contributions are made to the London Borough of Lambeth Pension Fund which is administered by the London Borough of Lambeth. It is a defined benefits pension scheme providing benefits held separately from the assets of the Group. The pension contribution cost, which includes liability for pension increases, has been determined in accordance with the advice of professionally qualified consulting actuaries based on an actuarial valuation made as at 31 March 2013 using approximate valuation methods. As the scheme is closed to new members. Under the projected unit method current service costs will increase as the members of the scheme approach retirement.

Kent County Council Pension Fund (KCCPF) – Some ex-employees of the Group are members of the Kent County Council Pension Fund. It is a defined benefits pension scheme providing benefits held separately from the assets of the Group. The pension contribution cost, which includes liability for pension increases, has been determined in accordance with the advice of professionally qualified consulting actuaries based on an actuarial valuation made as at 31 March 2013 using approximate valuation methods. There are no current members in this scheme.

West Sussex County Council Pension Fund (WSCCPF) – Martlet Homes Limited, a subsidiary of the Group, is an admitted member of the Local Government Pension Scheme. Contributions are made to the West Sussex County Council Pension Fund which is administered by West Sussex County Council. It is a defined benefit pension scheme providing benefits held separately from the assets of the Group. Contributions to the scheme are charged to the Statement of Comprehensive Income of the Group. The pension contribution cost, which includes liability for pension increases, has been determined in accordance with the advice of professionally qualified consulting actuaries based on an actuarial valuation made as at 31 March 2016 using approximate valuation methods. The majority of the employees who participate in the scheme are employees of Martlet Homes Limited. However, there are some members who are employed by the other Group companies. The Association is unable to identify its share of the underlying assets and liabilities for those employees of the scheme and therefore accounts for the pension scheme for those employees, within the Association as if it were a defined contribution scheme. The scheme is accounted for fully within the Group financial statements. Contributions paid by the Association to Martlet are based on contributions due to Association employees. There is no policy for Martlet charging the costs of the defined benefit pension scheme to the Association.

The Pensions Trust Social Housing Pension Scheme (SHPS) – Hyde participates in SHPS (the Scheme). The Scheme is funded and is contracted-out of the State Pension scheme. SHPS is a multi-employer defined benefits scheme. Employer participation in the Scheme is subject to adherence with the employer responsibilities and obligations as set out in the 'SHPS House Policies and Rules Employer Guide'. The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate until 31 March 2007. Hyde has operated the final salary with a 1/60th accrual rate benefit structure for active members as at 31 March 2016. This does not reflect any benefit structure changes made from April 2011. The last formal valuation of the Scheme was performed as at [30 September 2011] by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £780.3 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £147.6 million, equivalent to a past service funding level of 84.1%. The estimated amount of withdrawal liability for Hyde Housing Association Limited is £12.2m. The SHPS deficit payments from the 2008 and 2011 Triennial Actuarial Valuations respectively are £0.1m (increasing at a rate of 4.7% pa) and (£0.1m increasing at a rate of 3% pa) for 15 years from the date of valuation. The Group/Association has entered into an agreement with the multi-employer plan that determines how the entity will fund a deficit. Therefore the Group/Association has recognised a SHPS liability based on discounted future cash flows in relation to that liability using an actuarial valuation tool. This is included within creditors.

35. Pension schemes (continued)

A summary of the movement in pension assets and liabilities for the Group's defined benefit pension funds is shown below:

	HHADBPS £'000	LBLPF £'000	KCCPF £'000	WSCCPF £'000	Total £'000
As at 31 March 2016					
Present value of defined benefit obligations	(80,918)	(4,799)	(3,207)	(36,595)	(125,519)
Fair value of fund assets	74,268	3,958	1,534	34,935	114,695
Net liability in the statement of financial position at 31 March 2016	**(6,650)**	**(841)**	**(1,673)**	**(1,660)**	**(10,824)**
Movements in present value of defined benefit obligation					
Opening defined benefit obligation as at 1 April 2015	88,559	5,188	3,462	39,576	136,785
Current service cost	2,155	43	-	802	3,000
Past service costs	-	-	(9)	14	5
Interest cost	2,823	165	87	1,270	4,345
Contributions by members	160	12	-	182	354
Actuarial (gains)/losses	(9,808)	(511)	(137)	(4,470)	(14,926)
Benefits paid	(2,971)	(98)	(196)	(779)	(4,044)
Closing defined benefit obligation as at 31 March 2016	**80,918**	**4,799**	**3,207**	**36,595**	**125,519**
Movements in fair value of fund assets					
Opening fair value of employer assets as at 1 April 2015	79,724	3,835	1,623	33,544	118,726
Expected return on assets	2,536	124	41	1,084	3,785
Contributions by members	160	12	-	1,275	1,447
Contributions by employer	1,517	163	-	182	1,862
Contributions in respect of unfunded benefits	-	-	99	2	101
Actuarial gains (actual return on assets less expected return on assets)	(6,698)	(78)	(24)	(373)	(7,173)
Benefits paid	(2,971)	(98)	(205)	(779)	(4,053)
Closing fair value of scheme assets as at 31 March 2016	**74,268**	**3,958**	**1,534**	**34,935**	**114,695**

35. Pension schemes (continued)

The fair value of assets and the present value of liabilities in the schemes at each statement of financial position date, along with the principal actuarial assumptions used were:

	HHADBPS £'000	LBLPF £'000	KCCPF £'000	WSCCPF £'000	Total £'000
As at 31 March 2016					
The fair value of the assets:					
Equities	23,023	2,375	1,023	25,994	52,415
Corporate Bonds	32,678	1,148	14	5,177	39,017
Bonds	–	–	168	608	776
Property	8,912	356	223	3,156	12,647
Insurance policy	8,912	–	–	–	8,912
Cash	743	79	39	–	861
Target return	–	–	67	–	67
Total market value of assets	**74,268**	**3,958**	**1,534**	**34,935**	**114,695**
Actuarial value of liabilities	(80,918)	(4,799)	(3,207)	(36,595)	(125,519)
Deficit	**(6,650)**	**(841)**	**(1,673)**	**(1,660)**	**(10,824)**

	HHADBPS £'000	LBLPF £'000	KCCPF £'000	WSCCPF £'000	Total £'000
As at 31 March 2015					
The fair value of the assets:					
Equities	24,541	2,224	1,107	24,822	52,694
Corporate Bonds	23,029	–	–	–	23,029
Bonds	24,235	1,112	17	5,032	30,396
Property	7,856	384	182	2,013	10,435
Cash	63	115	203	1,677	2,058
Target return	–	–	70	–	70
Total market value of assets	**79,724**	**3,835**	**1,623**	**33,544**	**118,726**
Actuarial value of liabilities	(88,559)	(5,188)	(3,462)	(39,576)	(136,785)
Deficit	**(8,835)**	**(1,353)**	**(1,839)**	**(6,032)**	**(18,059)**

Principal actuarial assumptions:	**HHADBPS**	**LBLPF**	**KCCPF**	**WSCCPF**
As at 31 March 2016				
Salary increases	2.90%	4.20%	3.60%	3.70%
Pension increases in payment	1.60%	2.20%	1.80%	2.20%
Discount rate	3.50%	3.50%	2.80%	3.50%
Inflation (CPI)	1.90%	N/A	1.80%	2.10%
Return on assets	N/A	1.20%	N/A	2.10%

Principal actuarial assumptions:	**HHADBPS**	**LBLPF**	**KCCPF**	**WSCCPF**
As at 31 March 2015				
Salary increases	3.30%	2.80%	3.80%	2.80%
Pension increases in payment	3.05%	2.80%	2.00%	2.80%
Discount rate	4.30%	N/A	2.60%	N/A
Inflation (CPI)	3.30%	2.80%	2.00%	2.80%
Return on assets	N/A	N/A	N/A	N/A

35. Pension schemes (continued)

Hyde Housing Association Limited Defined Contribution Pension Scheme (HHADCPS)
Since 1 July 2004, all new employees are able to join the HHADCPS. The employer contribution rate payable is dependent on the contribution by the employee.

Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2010 model assuming long term improvements of 1.25% p.a. with allowance for short term rates of improvement and declining mortality for the over 90s. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

Mortality assumptions:	**HHADBPS**	**LBLPF**	**KCCPF**	**WSCCPF**
As at 31 March 2016				
Current pensions – males	88 yrs	21.7 yrs at 65	22.9 yrs at 65	24.4 yrs at 65
Current pensions – females	88 yrs	24.0 yrs at 65	25.3 yrs at 65	25.8 yrs at 65
Future pensions – males	91 yrs	24.3 yrs at 65	25.2 yrs at 65	26.9 yrs at 65
Future pensioners – females	91 yrs	26.6 yrs at 65	27.2 yrs at 65	28.5 yrs at 65

Mortality assumptions:	**HHADBPS**	**LBLPF**	**KCCPF**	**WSCCPF**
As at 31 March 2015				
Current pensions – males	21.3 yrs at 65	21.7 yrs at 65	22.8 yrs at 65	24.4 yrs at 65
Current pensions – females	24.6 yrs at 65	24.0 yrs at 65	25.2 yrs at 65	25.8 yrs at 65
Future pensions – males	24.1 yrs at 65	24.3 yrs at 65	25.1 yrs at 65	26.9 yrs at 65
Future pensioners – females	27.4 yrs at 65	26.6 yrs at 65	27.6 yrs at 65	28.5 yrs at 65

36. Financial instruments and risk management

	Valuation method	GROUP 2016 £'000	GROUP 2015 £'000	ASSOCIATION 2016 £'000	ASSOCIATION 2015 £'000
Financial assets at fair value through statement of comprehensive income					
Derivative financial instruments – (a)	Fair value	35,059	30,430	34,757	30,430
Financial assets that are debt instruments measured at amortised cost					
Investments (unlisted) – (b)	Amortised cost	48,273	22,110	44,476	21,059
Service charge debtors – (b)	Amortised cost	4,152	5,779	4,303	5,023
Rental debtors – (b)	Amortised cost	12,517	9,088	8,327	6,468
Social housing grant receivable - (b)	Amortised cost	1,543	1,729	1,393	647
Other debtors – (b)	Amortised cost	20,531	12,717	128,273	121,038
Cash at bank and in hand – (b)	Amortised cost	87,360	146,688	62,396	79,166
		174,376	198,111	249,168	233,401
Financial assets that are equity instruments measured at cost less impairment					
Investments – (c)	Fair value	7,717	8,108	–	–
Sinking fund investment offset loan – (c)	Fair value	9,632	10,597	9,632	10,597
		17,349	18,705	9,632	10,597
Financial liabilities that are measured at amortised cost					
Rent in advance –(d)	Amortised cost	8,572	7,828	7,423	6,826
Amounts due to contractors – (d)	Amortised cost	3,825	4,229	776	3,254
Trade creditors – (d)	Amortised cost	3,657	4,080	2,593	2,280
Other creditors and accruals – (d)	Amortised cost	–	–	12,449	11,934
Bonds – (d)	Amortised cost	333,192	325,770	333,192	325,770
Loans – (d)	Amortised cost	982,376	994,354	646,723	644,611
Intercompany loans – (d)	Amortised cost	–	–	127,840	130,146
Other long term creditors – (d)	Amortised cost	52,631	27,905	30,167	27,562
		1,384,253	1,364,166	1,161,163	1,152,383
Financial liabilities at fair value through statement of comprehensive income					
Derivative financial instruments –(a)	Fair value	302,945	231,964	266,717	197,859
		302,945	231,964	266,717	197,859

(a) *Derivative financial instruments are measured at fair value. The fair value of the derivative financial instruments is determined using the discounted future cash flows methodology. The swap rate data used for discounting the flows is provided to the Group by external advisors. Valuations for derivative financial instruments are however based on 3rd party valuations.*

(b) *Financial assets that are debt instruments are measured at amortised cost.*

(c) *Listed investments are measured at fair value. The fair value equates to the market value of these listed investments at the Statement of Financial Position date.*

(d) *Financial liabilities are measured at amortised cost.*

36. Financial instruments and risk management (continued)

The Group/Association apply hedge accounting to a number of interest rate derivatives.

GROUP	Notional amount	Start date	Maturity date	Hedged/ Unhedged	Asset as at 1 April 2015	Liability as at 1 April 2015	Statement of income movement – hedged item	Statement of income movement – hedged instrument	Other comprehensive income movement	Asset as at 31 March 2016	Liability as at 31 March 2016
Hyde Housing Association Limited											
Abbey £20m	20,000,000	28/03/2008	31/03/2043	Unhedged	–	(14,788,395)	–	(1,213,274)	(253,391)	–	(16,255,060)
Abbey £30m	30,000,000	31/03/2011	29/03/2041	Unhedged	–	(17,509,959)	–	(1,838,693)	–	–	(19,348,652)
Abbey £5.7m	5,700,000	08/11/2016	08/11/2041	Unhedged	n/a	n/a	–	(42,671,714)	–	–	(42,671,714)
Lloyds £95m	95,000,000	19/08/2010	19/08/2048	Unhedged	–	(58,634,562)	–	(8,456,072)	–	–	(67,090,634)
Lloyds £95m (fix to float)	95,000,000	19/08/2008	19/08/2018	Unhedged	8,202,239	–	–	(1,376,863)	–	6,825,376	–
Royal bank of Scotland - £25m	25,000,000	14/10/2008	14/11/2058	Unhedged	–	(18,014,137)	–	(4,091,022)	–	–	(22,105,159)
Royal bank of Scotland - £25m	25,000,000	16/02/2009	14/02/2039	Unhedged	–	(9,063,386)	–	(1,358,818)	–	–	(10,422,203)
Royal bank of Scotland - £20m	20,000,000	02/10/2008	14/11/2039	Unhedged	–	(9,770,864)	–	(1,378,960)	–	–	(11,149,824)
Royal bank of Scotland - £25m	25,000,000	14/08/2009	14/08/2034	Cash flow hedge	–	(11,187,848)	–	(592,819)	(120,180)	–	(11,900,847)
Royal bank of Scotland - £25m	25,000,000	14/05/2019	14/05/2044	Unhedged	–	(6,081,026)	–	(1,210,397)	–	–	(7,291,423)
Lloyds - £30m	30,000,000	25/10/2008	25/10/2048	Unhedged	–	(20,815,541)	–	(1,881,943)	–	–	(22,697,484)
Lloyds - £20m	20,000,000	25/01/2009	25/01/2049	Unhedged	–	(13,768,402)	–	(1,825,493)	–	–	(15,593,895)
Lloyds- £100m (forward start)	100,000,000	16/11/2017	16/11/2022	Unhedged	n/a	n/a	–	(3,432,447)	–	–	(3,432,447)
Lloyds- £75m (fix to float)	75,000,000	05/09/2015	05/03/2026	Fair value hedge	n/a	n/a	(3,368,400)	3,366,885	–	3,366,885	–
Lloyds - £50m (fix to float)	50,000,000	23/07/2013	24/07/2023	Fair value hedge	2,995,538	-	(1,028,621)	1,029,499	–	4,025,037	–
Royal bank of Scotland -£50m (fix to float)	50,000,000	23/07/2013	23/07/2023	Fair value hedge	3,015,391	-	(1,026,623)	1,026,995	–	4,042,386	–
Royal bank of Scotland - £50m (fix to float)	50,000,000	23/07/2014	24/07/2021	Fair value hedge	2,984,353	-	(680,620)	681,076	–	3,665,428	–
Barclays -£50m (fix to float)	50,000,000	11/07/2014	23/07/2021	Fair value hedge	2,973,746	-	(682,167)	682,621	–	3,656,368	–
Barclays- £150m	150,000,000	21/03/2016	21/03/2017	Unhedged	n/a	n/a	–	(40,154)	–	–	(40,154)
Credit Suisse - £35.5m	35,500,000	14/04/2011	14/04/2021	Unhedged	–	(7,966,283)	–	776,241	(352,865)	–	(7,542,907)
Brent Co-Efficient Limited											
Barclays	642,838	28/05/2010	18/12/2028	Unhedged	–	(1,883,815)	–	397,410	–	–	(1,486,405)
Barclays	982,911	06/07/2010	18/12/2028	Unhedged	–	(108,474)	–	410,323	–	301,848	–
Barclays	37,930,296	19/12/2008	19/12/2058	Unhedged	–	(17,794,388)	–	(2,390,118)	–	–	(20,184,506)
Barclays	10,305,374	06/07/2010	18/12/2028	Unhedged	–	(2,055,598)	–	30,964	–	–	(2,024,635)
Nord	37,930,296	19/12/2008	18/12/2028	Unhedged	–	(10,115,252)	–	(300,292)	–	–	(10,415,545)
Nord	10,305,374	06/07/2010	18/12/2028	Unhedged	–	(2,146,721)	–	30,808	–	–	(2,115,914)
Other movement				Unhedged	–	–	–	163,081	(163,081)	–	–
Total Group					20,171,267	(221,704,651)	(6,786,431)	(65,463,176)	(889,517)	25,883,328	(293,769,408)

See loan explanations on page 71.

36. Financial instruments and risk management (continued)

Senior loans

The Group's financing facility with a syndicate of banks includes senior loans totalling £1,376m. These senior loans accrue interest at an average of 5.27%, with an average maturity of 15.6 years. They are secured by fixed charges over the Group's properties.

Revolver loans

The Group's financing facility also includes revolving credit facilities from two counterparties totalling £200m; none of which had a drawn balance as at 31 March 2016. Commitment fees of 0.25% and 0.5% are charged on these undrawn facilities.

37. Transition to FRS 102 and other prior year error adjustments

The Group transitioned to FRS 102 and the SORP 2014 from UK GAAP and the SORP 2010 on 1 April 2014. The impact of the transition to FRS 102 is as follows:

		GROUP		ASSOCIATION	
		2015 £'000	**2014 £'000**	**2015 £'000**	**2014 £'000**
Reconciliation of reserves as at 1 April:					
Revenue reserves		**260,639**	304,839	**93,206**	117,028
Prior year adjustment:					
Onerous lease	(a)	**(674)**	(687)	**(674)**	(687)
Valuation of Easybuy properties	(b)	**622**	664	**101**	88
		(52)	(23)	**(573)**	(599)
Comprehensive income					
Holiday pay accrual	(c)	**(1,135)**	(625)	**(928)**	(498)
Pension – recognition SHPS defined contribution funding liability	(d)	**(2,083)**	(2,125)	**(2,083)**	(2,125)
Depreciation and grant amortisation	(e)	**34,008**	33,842	**31,135**	31,155
Stock swaps	(f)	**2,317**	2,317	**2,317**	2,317
BCE PFI adjustment	(j)	**327**	-	**327**	-
Credit risk pricing of derivative financial instruments	(i)	**2,441**	(363)	**–**	-
Valuation of investment properties	(g)	**3,446**	3,322	**3,316**	3,195
Restricted Reserve adjustment	(h)	**(46)**	931	**2,629**	2,629
		39,275	37,299	**36,713**	36,673
Other comprehensive income					
Revaluation reserve	(k)	**3,386**	2,447	**2,011**	1,194
		3,386	2,447	**2,011**	1,194
Reconciled total reserves as at 31 March		**303,248**	344,562	**131,357**	154,296

Prior year adjustments:

(a) Onerous lease: the Group leases its head office building and sublets four of its floors. A valuation during the year, as a result of the FRS 102 review, gave rise to the fact that those floors are let for less than market value and therefore an onerous lease has been recognised in provisions with movements in the fair value of this lease being taken to the income statement.

(b) Valuation of Easybuy properties: the Group has issued loans on 16 properties as part of an Easybuy scheme which involved lending 8-25% of the deposit to the buyer. These loans had previously been held at the cost to build the lent percentage. This was done in error and a review has led to us recognising these at fair value within investments with any change in value being taken to the income statement and other comprehensive income. However, the Group must ascertain a value to these loans based on discounted cash flows of the expected repayment value which is based on market value.

37. Transition to FRS 102 and other prior year error adjustments (continued)

Comprehensive income:

(c) Holiday pay accrual: under previous UK GAAP the Group did not accrue for holiday that was earned but not taken at the year to date. Under FRS 102 the Group is required to accrue for all short-term compensated absences as holiday entitlement earned but not taken at the date of the statement of financial position.

(d) Deferred tax: under FRS 102, deferred tax is recognised on a timing different plus approach, whereas previous UK GAAP required a timing difference approach. Consequently deferred tax has been recognised on all fair value re-measurements.

(e) Pension – recognition of SHPS scheme: Under previous UK GAAP the return on plan assets (which was shown in finance income) was calculated using a separate rate of return to the discount rate applied to the scheme liabilities. Under FRS102 the same discount rate is used to calculate the return on plan assets and the increase in the liability. This leads to a change in the finance income recognised in the income statement and the actuarial gain or loss recognised in other comprehensive income. The closing net liability position has not changed.

(f) Depreciation and grant amortisation: Grants on both Social Housing and Other leasehold properties (LAMs) have been reclassified to long term liabilities from housing property costs as per FRS 102 and SORP 2014. An amount has been recognised for gross grant amortisation. Depreciation has been restated gross of grant.

(g) Valuation of investment properties: under previous all let units could be classified into fixed assets. Under FRS 102 the Group is required to classify all housing assets which are not let for social purpose as investment properties. These will not be depreciated and must be held at fair value.

(h) Insurance premium: under previous UK GAAP restricted reserves could be held as such if the documentation of the reserve dictated that this was permissible. Under FRS 102 restricted reserves are only permissible if there are external restrictions. The Group previously held an internal restricted reserve relating to insurance premiums to be held back and used in the future. This amount has been released into revenue reserves.

(i) Movement in financial instruments at fair value: under FRS 102 we are required to adhere to the requirements of IFRS 9 and ensure credit risk is considered when valuing derivative financial instruments.

(j) BCE PFI: BCE PFI has been assessed under FRS 102 and is not considered to be a PFI arrangement. Adjustments have been made to reflect that the Group own these units.

Other comprehensive income:

(k) Revaluation reserve: The aggregate fair value movements on the Haven bond and COIF Charities Investment Fund have been reclassified from revaluation reserves to general reserves because under FRS 102 fair value movements go through the Statement of Comprehensive Income account.

		GROUP £'000	ASSOCIATION £'000
Reconciliation of deficit as at 31 March 2015:			
Surplus for the year ended 31 March 2015 under previous UK GAAP		**(30,641)**	(16,431)
Holiday pay accrual	(c)	**(511)**	(430)
Deferred tax	(d)	**–**	–
Revaluation of investment properties	(g)	**122**	120
Movement in financial instruments at fair value	(i)	**2,758**	13
Movements in SHPS pension provision	(e)	**42**	42
Onerous lease	(a)	**14**	14
Pensions Adjustment	(e)	**(1,318)**	(797)
BCE PFI	(j)	**327**	327
Depreciation and grant amortisation	(f)	**168**	(21)
Total deficit		**(29,039)**	(17,163)

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