



Worcester Community Housing Limited
A Company Limited By Guarantee

Directors' Report and Financial Statements

For the year ended 31 March 2016

Company Number: 4521505

Worcester Community Housing Limited
Financial Statements for the Year Ended 31 March 2016

ADVISORS, BANKERS AND REGISTRATIONS

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Worcester WR5 1DU

Registrations	Homes and Communities Agency	LH4416
	Companies House	4521505
	Charity Commission	1109786

External Auditors Beever and Struthers
Chartered Accountants
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Bankers Barclays Bank PLC
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Worcester, WR1 2QQ

Funders Barclays Bank PLC
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Birmingham, B3 2WN

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4th Floor, 107 Cannon Street
London
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Mermaid House
2 Puddle Dock
London, EC4V 3DB

Solicitors Anthony Collins Solicitors LLP
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Worcester Community Housing Limited
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BOARD AND EXECUTIVE DIRECTORS

			Appointed	Resigned
Board of Management:	Denis Thompson	Appointed as Chair 22 Sept 2015	30 Sep 2009	
	Cathy Jackson	Appointed as Vice Chair 22 Sept 2015	1 Apr 2014	
	Mark Davies		14 Sep 2009	
	Andrew Milner		1 Apr 2014	
	Andrew Strong		1 Apr 2014	
	Steve Williams		22 Sep 2008	
	Aaron John		22 Sep 2015	
	Helen Southwell		22 Sep 2015	
	Chris Huntbatch		22 Sep 2015	
	David Clark		22 Sep 2015	
	Mike Moyles		1 Apr 2014	22 Sep 2015
	Chris Almgill		5 Nov 2003	22 Sep 2015
	Fred Bentley		1 Apr 2014	22 Sep 2015
	Geoff Williams		5 Nov 2003	22 Sep 2015
Secretary:	Andrew Howarth		14 May 2008	
Executive Officers:	Guy Weston	Group Chief Executive	1 Apr 2014	
	Richard Grounds	Executive Director, Growth & Investment	1 Apr 2014	
	Clare Jackson	Executive Director, Housing, Care & Communities	1 Apr 2014	
	Andrew Howarth	Executive Director, Finance	1 Apr 2014	
	Bill Tebay	Managing Director, Fortis Property Care Limited	1 Apr 2014	

Worcester Community Housing Limited

Directors' Report for the year ended 31 March 2016

The Board presents its report and the audited financial statements for the year ended 31 March 2016.

Worcester Community Housing Limited is limited by Guarantee, a Registered Charity regulated by the Charity Commission, and a Registered Provider, regulated by the Homes and Communities Agency (HCA). The Company was set up for the purpose of accepting the transfer of housing stock from Worcester City Council. The transfer took place on 31 March 2004.

The Company established a group structure in March 2005 through the creation of a subsidiary, Worcester Community Housing Foundation (WCHF) as a Co-operative and Community Benefit Society operating under charitable rules 'for the benefit of the community' with objects that support the provision of housing, accommodation and assistance to help to house people together with the establishment of associated facilities and amenities. WCHF has previously supported financial inclusion activities and the supply of new housing but has had no transactions during the year. WCHF was deregistered with the FCA on 23 June 2016.

On 1 April 2014, Worcester Community Housing Limited (WCH) and Festival Housing Limited (Festival) formed a new organisation named Fortis Living. The new Group structure has a new Group parent, Fortis Living, with Festival Housing Limited and Worcester Community Housing Limited as subsidiaries. These three Companies, which are all Registered Providers, have a common Board which was appointed on 1 April 2014. Fortis Property Care Limited (FPC) is also a subsidiary of the new parent.

Fortis Living Group is expected to deliver a more efficient and streamlined service as well as enabling a higher level of financial leverage. Value for money should be achieved through economies of scale, creating efficiencies in similar areas of operation as well as greater powers of influence. Cost savings are likely to be substantial and will be invested in providing new homes and services.

Principal activities

The Company owns and manages over 5,000 homes throughout Worcestershire. The core business is the management, maintenance and development of high quality affordable homes for people in housing need, together with appropriate support services.

Business review

Details of the Company's performance and future plans are set out in the Strategic Report (Incorporating the Operating and Financial Review) that follows this report.

Board Members and Executive Directors

The Board and Executive Directors of the Company, during the period under review, are listed on Page 1.

Board Members are non-executive and are Directors for legal purposes. They are drawn from a wide background bringing together professional, commercial and local experience, and are remunerated for services performed for the Group. The Directors are Members (Trustees) of the Company.

The Executive Directors act as executives within the authority delegated by the Board, and the remuneration of the Executive Directors is reviewed by the Remuneration and Governance Committee, which makes recommendations to be considered and determined by the Board.

During and at the end of the 2015/16 financial year, none of the Company's directors had an interest in any material transaction in relation to the Group's business and none have a material interest in any presently proposed material transactions.

Group insurance policies indemnify Directors and officers against liability when acting for the Group.

The Executive Directors who served during the year are members of the Local Government Pension Scheme, administered by Worcestershire County Council, which is a defined benefit final salary pension scheme. They participate in the schemes on the same terms as all other eligible staff and the Group contributes to the scheme on behalf of its employees.

Directors' Report for the year ended 31 March 2016

Stakeholders

Our People

The strength of the Company lies in the quality and commitment of its employees. The Company's ability to meet its objectives and commitments to tenants in an efficient and effective manner depends on the contribution of employees throughout the year. Consultation and communication with all employees takes place through regular briefings and team meetings, and the Company is committed to equal opportunities for all its employees.

The merger brought with it unprecedented change. Work continued in this year to implement organisation wide restructures to best place us to deliver business plan targets. The restructures were consolidated with a full review of all terms and conditions to ensure parity for everyone.

The purpose of the review has been to ensure we operate efficiently, consistently and fairly across all salary levels and benefits. At the same time we had to balance individual needs and aspirations against budgets, our strategic objectives and our operational efficiency requirements.

During 2014/15 colleagues developed a framework of behaviours that define the Fortis Way of working for the future. In 2015/16 this was incorporated into a companywide culture change programme branded "The Fortis Way". The programme is all about helping all our people to be the very best they can be. It's about creating a positive, action-orientated culture that encourages staff to be individual, think independently, grow in their roles and be better at all they do. This in turn will ensure we deliver on our strategic goals. The work was rewarded at Group level with the Investors in People Gold accreditation and a place on the Times 100 'One to Watch' list.

Our Customers

The Company actively encourages customer involvement in a number of ways and has established a Group Customer and Communities Panel which is at the heart of our engagement activities. The panel comprises 7 customers and 3 local councillors who work to scrutinise the work that is done and to help formulate and deliver service improvements. They are set to be supported in their work by 11 sounding boards covering each area of the business.

During the year the Panel delivered their first business review to the Board on Voids.

The Company is registered with and regulated by the HCA and works within the regulatory framework for social housing. The regulator sets out their view as to whether the organisation is financially sound and properly governed and managed and in the Group's latest Regulatory Judgement they confirmed that, in line with previous years, they were satisfied with the financial viability and governance giving a G1/V1 rating in February 2016. The Company receives capital grant from the HCA towards the development of new homes.

The Group's mission is 'Building a Better Future'; this commitment is not purely to its customers, as tenants or leaseholders, but also to the wider community. Over the past year, the Company has continued to work with key stakeholders including the police, local authorities and other community groups to reduce anti-social behaviour and improve quality of life in the communities in which the Company operates.

Going concern

The Company has in place £85m debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the Company's day to day operations. The Company also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

Following the Government's Summer Budget on 8 July 2015, where a reduction of 1% per annum on rents for the four years 2016/2020 was announced, the Board has reviewed the medium term cash flow and is assured that the Company will continue to meet loan covenants throughout the business planning period.

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

Directors' Report for the year ended 31 March 2016

Accounting policies

The accounting policies of the Company are set out in pages 22 to 29 of this report. All policies comply with the Statement of Recommended Practice (SORP): Accounting by Registered Social Housing Providers (Updated 2014). Those policies that are critical to an understanding of the performance and financial position of the Company are discussed below.

Pension costs

The pension schemes operate at a group level and all relevant disclosures are included in the consolidated group accounts.

Housing property assets

Details of changes to the Company's fixed assets are shown in notes 12 and 13 to the financial statements. The Company appointed Savills in 2014 as external professional valuers to undertake annual valuations of housing properties. Following the implementation of FRS 102, housing properties have been stated at a "deemed cost" at the date of transition based on the 2014 valuation and further additions will be recorded at cost.

Treasury management and cash flow

The treasury management policy and strategy are reviewed annually and approved by the Board and are supported by independent professional advice. The Company maintains a risk-averse approach to its loan portfolio and seeks to ensure that sufficient liquidity is available to meet foreseeable needs whilst minimising cash balances, borrowing and interest on borrowings. Further details are included in the Operating & Financial Review.

Donations

The Company made donations of £nil to charity during the year (2014/15: £6,150) and made no political donations.

Corporate Governance

The Board

The Board is responsible for the overall strategic direction and governance of the Company, including the determination of key policies and the monitoring of compliance with both policies and performance targets.

Executive Directors are not members of the Board and, except for the purposes of salary disclosure, are not regarded as Directors for legal purposes and do not hold an interest in the Company. The day to day matters of the Company are delegated to the Group Chief Executive and Executive Directors, acting within the authority delegated by the Board.

Committee structure

The Board is supported by a number of Committees appointed by the Board from its membership. All Board members are entitled to attend all Committee meetings. The Board has appointed the Chairs and established the terms of reference of each Committee and receives the minutes of all Committee meetings. All Committee terms of reference were reviewed in 2013/14.

Audit and Risk Committee

The Committee met four times during the period under review and will continue to meet at least three times per year in the future. Its role is to monitor the risk management framework; review the effectiveness of internal control systems; and to appoint, and consider reports from, the external and internal auditors. The Committee also reviews the external audit management letter and meets the external auditor before the financial statements are presented to the Board for approval.

Remuneration & Governance Committee

The Remuneration & Governance Committee is responsible for monitoring and reviewing governance issues and to advise the Board on succession planning and the appointment of new Board Members. The Committee

Directors' Report for the year ended 31 March 2016

also meets as required for the purpose of determining the terms and conditions and remuneration of the Chief Executive and Executive Directors.

Regulatory Compliance

The HCA's Regulatory Framework (2015) included an expectation that all RPs would be compliant with the Governance and Financial Viability Standard by 31 March 2016 and that RPs are required to assess their compliance with the Standard at least once a year and to certify compliance in their Financial Statements.

A detailed self assessment against the Standard was considered by the Fortis Living Board in May 2016 and the Board approved Fortis Living's compliance with all areas of the Standard.

In relation to the Assets & Liabilities Register, HQN carried out an external validation of Fortis Living's Assets & Liabilities Register and confirmed to the Fortis Living Board in February 2016 that the Register met the requirements of the Governance and Financial Viability Standard.

Fortis Living considers it has taken reasonable measures to assure itself that it meets the Standard.

Following an Annual Stability Review by the HCA in February 2016 Fortis Living, including WCH, received confirmation that it had maintained its Regulatory Judgements, as follows:-

1. Governance G1 – The provider meets the requirements on governance as set out in the Governance and Viability Standard.
2. Viability V1 - The provider meets the requirements on viability set out in the Governance and Financial Viability Standard and has the capacity to mitigate its exposures effectively.

Code of Governance

The Regulatory Framework makes it clear that responsibility for meeting the regulatory standards lies with the Board and that the Board is under an obligation to adopt and comply with a recognised Governance Code.

The Board has adopted, and complies with the principal recommendations of both the NHF Code of Governance (2015) and Code of Conduct in all material respects.

Significant contractual arrangements

The Company operates under the terms of a transfer agreement with Worcester City Council. The agreement sets out contractual undertakings (warranties) given by the Council which address risks faced by the Company, primarily relating to the disclosure of information with regards to the assets transferred and associated environmental risk. These warranties apply until 2022.

Equality and diversity

The Company continually seeks to promote equality of opportunity as an employer and in the delivery of its services through the implementation of its Single Equality Scheme.

Environmental matters

The Company aims to ensure all its work and activities are sustainable and minimise their impact on the environment. Wherever possible, strategies, policies and actions will underpin these aims. Improving the energy efficiency ratings of our homes, enhancing the efficiency of the boilers replaced and purchasing kitchens from a supplier with strong recycling levels have all contributed to our achievements in the year.

Our new homes are designed to meet the Code for Sustainable Homes 'Level 3' and Building for Life standards set by the Homes and Communities Agency. During the year, a project to clad three high rise blocks was completed, considerably improving their thermal efficiency.

Legal proceedings

The Company is not aware that there are any pending legal proceedings that would have a material adverse effect on the financial position or operations of the Company.

Directors' Report for the year ended 31 March 2016

Health and safety

The Board is aware of its responsibilities on all matters relating to health and safety, and detailed policies have been prepared. These are reviewed annually and staff training and education on health and safety matters is regularly provided. The Company seeks to ensure, as far as is reasonably possible, the health, safety and welfare of all employees. There is a joint management and staff Health and Safety Committee with agreed terms of reference.

Statement on Internal Controls

The Board has overall responsibility for establishing and maintaining the whole system of internal control and reviewing its effectiveness.

The Board recognises that no system of internal control can provide absolute assurance against material misstatement or loss or eliminate all risk of failure to achieve business objectives. The system of internal control is designed to manage key risks and to provide reasonable, but not absolute, assurance that planned business objectives and expected outcomes are achieved. It also exists to give reasonable assurance about the preparation and reliability of financial information and the safeguarding of the Company's assets and interests.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls, which are embedded within the normal management and governance processes. This approach includes the regular evaluation of the nature and extent of risks to which the Company is exposed and is consistent with good practice.

The Audit & Risk Committee is responsible for monitoring the risk management process, reviewing internal control and reports to the Group Board on the efficacy of the process.

The process adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework includes:

Identification and evaluation of key risks

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of the Company's activities. An internal Risk Management Review Group regularly considers and delivers reports on significant risks facing the Company and the Board receives regular reports on changes affecting key risks.

Environment and Control procedures

The Board retains responsibility for a defined range of issues covering strategic, financial and compliance issues including treasury management and new investment projects. There are governance arrangements in place, including policies and procedures, which cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection, and fraud prevention and detection.

Information and financial reporting systems

Financial reporting procedures include long and short term forecasts, detailed budgets and detailed management accounts. These are reviewed in detail by the Executive Leadership Team and considered and approved by the Board each quarter. The Board also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

Monitoring and corrective action

A process of self-assessment and regular management reporting on control issues provides hierarchical assurance to successive levels of management and to the Board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those with a material impact on the financial statements and delivery of services.

The internal control framework and risk management process is subject to regular review and is supported by internal and external auditors who are responsible for providing independent assurance to the Executive Leadership Team and Audit & Risk Committee. There is a formal process for the reporting and correction of significant control weaknesses. The Audit & Risk Committee considers internal control and risk at each of its meetings during the year.

The Audit & Risk Committee conducts an annual review and produces an annual report for the Board of the effectiveness of the system of internal control and considers any changes needed to maintain the effectiveness of the risk management and control process.

Directors' Report for the year ended 31 March 2016

The Board has received this report and confirms that there is a robust and on-going process for identifying, evaluating and managing significant risks faced by the Company. This process has been in place throughout the year under review, up to the date of the annual report, and is regularly reviewed by the Board.

Statement of the Board's responsibilities in respect of the Board report and the financial statements

The Board is required to prepare financial statements in accordance with applicable law and United Kingdom generally accepted accounting practice, for each financial year, which give a true and fair view of the state of affairs of the Company and of the surplus for that period. In preparing these financial statements, the Board is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments 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 and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable it to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. It has general responsibility for taking reasonable steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities, by establishing and maintaining a satisfactory system of control over the Company's accounting records, cash holdings, receipts and remittances.

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

The Board is responsible for ensuring that the Report of the Board is prepared in accordance with the Statement of Recommended Practice: "Accounting by registered social housing providers" (update 2014).

Disclosure of information to auditors

The Board Members who held office at the date of approval of this board report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware and each board member has taken all the steps that they ought to have taken as a board member to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

External Auditors

A resolution to reappoint Beever and Struthers, Chartered Accountants will be proposed at the forthcoming annual general meeting.

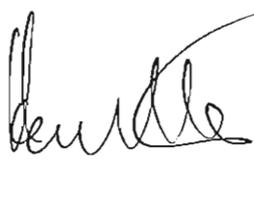
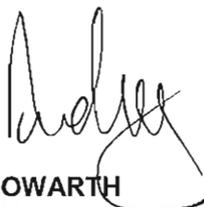
Annual General Meeting

The Annual General Meeting will be held on Tuesday 20 September 2016.

Statement of Compliance

The board confirms that this Strategic Report has been prepared in accordance with the principles set out in Para 4.7 of the 2014 SORP for Registered Social Housing Providers.

The Directors' Report was approved by the Board on 2 August 2016 and signed on its behalf by:



ANDREW HOWARTH
SECRETARY

Strategic Report 2016 (incorporating the Operating and Financial Review)

The Board presents its strategic report for the Company for the year ended 31 March 2016.

Strategy and objectives

Building on the aspirations of the merger business case, Fortis Living has launched its first 5 year strategic plan, **Building a Better Future 2014-2019**.

The core values are to be Commercial, Responsible, Innovative, Professional and Inspirational.

The Plan includes the following objectives:

Investing in...	Objectives
Customers and Services	<ul style="list-style-type: none"> • Providing excellent services that meet the individual needs of our customers • Committed to engaging and involving customers in all aspects of the business • A strong brand and reputation for all our services
Communities	<ul style="list-style-type: none"> • Creating jobs and apprenticeships • A key partner for other housing, care and community providers • Committed to positive social and environmental outcomes
Growth and Opportunities	<ul style="list-style-type: none"> • Growing to at least 20,000 homes by 2020 • Providing a wide range of housing for people unable to access open market housing • A growing and high performing property care business
The Business	<ul style="list-style-type: none"> • A great culture and place to work that attracts the best people • Using information technologies to enable business improvements • Doing business in a commercial way to increase financial strength

Achievements during 2015/16

The task of integrating and restructuring staff teams throughout the business was completed during 2015/16 and 2016/17 will focus on process review and improvement.

INVESTING IN ... CUSTOMERS AND SERVICES

2015-2016 saw the first full year of operations for our new multi-channel contact centre, Fortis Connect. The focus has been very much on the call handling element of the business with the team increasingly taking a greater proportion of incoming calls, 92.7% of which were answered 'right first time'. 2016/17 will see social media, email and web contacts channelled through the contact centre software system. This will allow us to manage all customer contact through one queue system. Fortis Connect will also carry out customer satisfaction surveys in 2016/17 achieved by reinvesting savings from bringing the activity in house.

Digital skills are a vital route to improve financial literacy, education, employability and well-being. Our digital inclusion team delivered a full range of digital inclusion services including home visits and group sessions.

Our Customer and Communities Panel sit at the heart of our engagement and scrutiny structure. In 2015/16 they delivered their first service review to the Fortis Living Board on our voids service. Planning is currently underway to formulate a service-improving action plan. Young people aged 18-23 added their voice to our work this year with the launch of our first Youth Board. They are working to identify the issues they feel affect them and how we can work to overcome them. They are also looking to establish links with the NHS Youth Board.

Strategic Report 2016 (incorporating the Operating and Financial Review)

INVESTING IN ...COMMUNITIES

Investing in our assets has a crucial role to play in the development of resilient and successful local communities. In the last year we have been working to improve energy efficiency of our homes. This includes upgraded heating systems, better insulation and more energy efficient heating. The result is an increase on the average Standard Assessment Procedure (SAP) rating of our homes from 70.5 to 71.4 across the Group.

A key strategic objective is to improve the health & wellbeing of our residents and staff. During 2015/16 we launched our 'Road to Rio' health and wellbeing programme aimed at capitalising on sporting interest in the run up to the 2016 Olympics. Targeting both tenants and staff it aimed to help them to take their first steps to fitness and make key lifestyle changes.

A group of tenants, staff and health professionals have come together to develop our first Health and Wellbeing Strategy. This has been considered and approved by our Employee Forum and our Customer and Communities Panel and an action plan to deliver it is currently being developed.

Our community engagement work helps establish stronger relationships with tenants, supports social cohesion, champions partnership working and raises the profile of Fortis Living. Activities include family fun days, residents meetings, community activities, Fortis 55+ clubs and estate based events.

Staff from across the Group came together for our second Communities Week which delivered 5 high impact projects including garden makeovers, fence painting, donations of produce for local foodbanks and a pop up shop that raised money for a local disabled children's charity.

The growth and success of the financial inclusion services in 2014/15 enabled the formation of a distinct team of debt advisers in 2015/16. The team provide a holistic approach to some of our most vulnerable tenants, allowing them to cross-refer across a range of services including energy advice, benefits advice, employment support, welfare reform and debt advice.

INVESTING IN ... GROWTH AND OPPORTUNITIES

We have delivered 42 new homes for rent and shared ownership, and started to expand our shared ownership programme in response to the 2016-21 HCA Prospectus, which has a firm focus on Home Ownership.

Care and support for our most vulnerable tenants remains a priority for us in what is an increasingly complex operating environment. The recent Government review of the LHA cap and its application to supported housing services leaves a level of uncertainty around future funding which is fundamental to informing our strategy going forward. Despite this challenge, we remain committed to delivering the much-needed services and to ensuring costs of delivery are met and overheads contributed to.

Our innovative FPC cost-sharing repairs contract with Rooftop and was named as the 'Most Innovative In-House Repairs Contractor' at the 2016 national Housing Innovation Awards. It was also shortlisted in the Best Finance Model at the 2016 Housing Excellence Awards.

Key alliances and partnerships are a crucial part of a successful way forward across the housing sector. This year the board began work on a new strategy to set out how we will work to maximise the benefits it can bring. We will be devoting more time in 2016/17 to agree a final strategy and implementation plan.

INVESTING IN ... THE BUSINESS

Increasing financial strength and minimising risk have been a major focus for our work in 2015/16.

Strong governance is a crucial part of building a strong business. A comprehensive review of our governance arrangements took place resulting in full compliance against the NHF Code of Conduct. Two key pieces of work this year were the preparation of the Assets and Liabilities Register and stress testing of the Business Plan. Their completion ensured full compliance against the HCA Governance and Viability Standard.

The risk management framework has been established and documented in the updated Risk Management Policy this year. External validation of the risk management arrangements for 2015/16 has been undertaken by Hargreaves Risk and Strategy.

Strategic Report 2016 (incorporating the Operating and Financial Review)

All of this work was ratified with a G1/V1 rating for the Group from the Homes and Communities Agency (HCA).

Market confidence in the Company's strong financial foundations and controls were reinforced with the extension of £30m of revolving credit facilities with Barclays and approval to join the last round of funding from Affordable Housing Finance.

Protecting our rental income and supporting our tenants through challenging welfare reforms is a priority for Fortis Living. In 2015/16 we refocussed our work to ensure we maintain and improve current rent collection levels and embed value-added services such as debt prevention, energy and benefits advice.

Ensuring staff have the knowledge and skills they need to deliver on our ambitions was a priority too and we delivered over 5 training days per employee.

Throughout our transformation we have maintained strong support for our drive to recruit and develop apprentices, particularly from our local communities. Our commitment was recognised this year when we were named as an exemplar employer and a Worcestershire Apprenticeship Ambassador. We now have 23 apprentice colleagues across the business each bringing drive, enthusiasm and fresh ideas to our work.

Financial Review

The Company's Statement of Comprehensive Income and Statement of Financial Position are included on pages 19 and 20 and the Company's results over the last five years are as follows:

	**2016	**2015	2014	*2013	2012
	£m	£m	£m	£m	£m
Turnover	28.72	26.59	24.42	23.06	19.84
Operating Surplus	12.47	9.39	7.52	6.42	4.21
Net Surplus	10.94	8.55	6.20	4.88	3.30
Operating Margin	43.4%	35.3%	30.8%	27.8%	21.2%
Net margin	38.1%	32.2%	25.4%	21.1%	16.6%
Housing & other net assets	226.14	236.78	184.37	120.19	59.28
Creditors after more than one year	(64.20)	(85.78)	(43.00)	(33.20)	(31.70)
Pension Liability	-	-	(2.96)	(4.66)	(3.24)
Provisions	-	-	-	-	-
Net Assets	161.94	151.00	138.40	82.33	24.33
Revaluation reserve	87.97	88.33	101.83	54.37	-
Revenue reserve	73.97	62.67	36.57	27.97	24.33
Total members funds	161.94	151.00	138.40	82.33	24.33

Note: * results from 2013 show assets at valuation
 ** results from 2015 comply with SORP 2014 and FRS 102

The underlying core performance continues to be strong with increases in both operating and net surpluses, despite the reduction in surplus on sales. This is an excellent result for the Company and demonstrates that the core financial performance is not dependent on property sales.

The Board recognise that our financial strength equips us to deal with the many challenges that will be faced over the next few years. This strength has been developed over time but has been improved by our recent merger and the implementation of a challenging merger savings plan. In response to the direction to reduce rents, further savings have been introduced into the Business Plan and a challenging budget set for the coming year.

Strategic Report 2016 (incorporating the Operating and Financial Review)

The following ratios have been benchmarked against the 2015 Global Accounts for the sector using a sample of large-scale voluntary transfer (LSVT) and traditional Housing Associations (HA's) with stock in the range 5,000 to 20,000 units. The total sample size for comparison is 146 organisations. Both LSVTs and HA's have been included because although Fortis Living is made up of LSVT's, these were completed a number of years ago and the organisation is now more akin to a traditional housing association. The unit range was chosen to show organisations with similar numbers of units. The sample for benchmarking will continue to be refined going forwards.

Key Financial Ratios:	Peer Group*	2015/16	2014/15	2013/14	2012/13
Operating Margin %	28.7%	43.4%	35.4%	30.8%	27.8%
EBITDA Interest Cover	3.3	9.1	12.0	6.4	5.1
EBITDA (MRI) Interest Cover	1.8	7.5	8.9	1.8	3.3
Cost of funds %	4.4%	2.2%	2.0%	5.1%	5.9%
Debt per unit £K	22.6	11.2	15.8	9.0	7.10
Gearing Ratio %	60.1%	24.8%	33.9%	23.3%	27.6%
Return on Net Assets %	3.6%	4.8%	3.6%	3.4%	4.1%
Void loss / Turnover	1.6%	1.3%	1.0%	0.5%	0.8%
Bad debts / Turnover	0.7%	1.5%	0.8%	1.1%	0.8%

Most measures considerably outperform the benchmarks, but with poorer performance on bad debt write-offs.

Return on Net Assets is calculated as net surplus divided by total assets less current liabilities. The ratio performs well against the benchmark sample.

The Group's VFM self-assessment includes further information on stock condition and performance, together with details of the social and environmental returns generated from investment in our stock.

Capital structure and treasury policy

The treasury management policy and strategy are reviewed annually and approved by the Board. Treasury activities are also supported by independent professional advice from Centrus. The Group maintains a risk-averse approach to its loan portfolio and seeks to ensure that sufficient liquidity is available to meet foreseeable needs whilst minimising cash balances, borrowing and interest on borrowings.

During the year the Company finalised security against facilities raised with Affordable Housing Finance. As at March 2016, the Company had total loan facilities of £85m of which £20m relates to AHF funding.

Prior to merger Barclays facilities and debt was restructured to allow a cancellation of the £65m WCH facility in April 2016. However, £30m of this facility has now been extended to April 2021 and further security can now be released from this facility.

Discussions have also taken place with AHF regarding further facilities to fund new development, and the business plan assumes that further facilities will be arranged during 2016/17 and 2017/18. (The AHF fund is available for the next two years.)

The Company also utilises funds made available from elsewhere in the group and has an inter-company debt facility of £25.5m with Festival Housing Limited of which £21m is drawn and charged at a rate to recover the actual rate incurred within Festival.

Strategic Report 2016 (incorporating the Operating and Financial Review)

Summary Loan Facilities	Facility 31/3/16 £M	Drawn 31/3/16 £M	Rate* %	Facility 2/8/16 £M
Barclays	65	15	1.56%	30
AHF Worcester	20	20	3.50%	20
InterCo Facility	25	21	-	25
	110	56		75
Funding mix				

*Rate includes rate, margin and costs. Recent facilities have been arranged on a long term fixed rate basis, reducing the level of exposure to changes in variable rates of interest.

The Company also incurs commitment costs against arranged, but undrawn, facilities. At the date of this report all security is in place and funds available to draw.

Housing properties

Savills were appointed in 2014 as external professional valuers to undertake an annual valuation of housing properties which, on an existing use for social housing basis (EUV-SH), amounted to £171m. Following the implementation of FRS 102, housing properties have been stated at a “deemed cost” at the date of transition based on the 2014 valuation and further additions since 2014 will be recorded at cost.

Loan Covenants

The covenants monitored are Interest cover, Asset cover and Debt per unit, and all covenants continue to have significant headroom within them. The business plan is fairly resilient to these since assets more than cover existing facilities, and there is capacity to add to existing security if values fall. In the Barclays facility, there is over-security which can be released.

The Covenant position as at the year end is shown below:

Year end covenant performance	Covenant	Actual	Met
1. Interest Cover: To demonstrate by how much net interest costs are covered by operational surplus, in any financial year	1.1	6.44	Yes
2. Asset Cover: To show by how much the value of loans is covered by the value of secured property.	1	5.64	Yes
3. Debt per Unit: To show the value of loans expressed per charged property	£16,000	£11,585	Yes

Note: The WCH Debt per Unit covenant was increased to £25,000 on 1 April 2016.

Cash Flows and Liquidity

Net cash flow from the management of housing stock, new loans and capital grants helped to fund spending on the development of properties.

Cash, bank balances and investments at 31 March 2016 were £11m (2015: £26m).

Strategic Report 2016 (incorporating the Operating and Financial Review)

Value for Money (VFM)

The Board recognises its responsibility for meeting the requirements of the HCA's Value for Money standard, and, in particular, to take a strategic approach in managing the performance of the Company's assets and the utilisation of the Company's resources.

Both Festival & WCH had Board approved VFM strategies that embodied the principles of creating value and this approach was a key feature in developing the merger business case, which required the merger to increase the strength of the combined business and improve VFM for customers.

Merger Business Case

The merger business case, which required the merger to increase the strength of the combined business and improve VFM for customers, has provided the strategic and operational context for the Group's VFM activities since merger.

The merger Steering Group agreed a set of measures against which the Business Case should be assessed based on the underlying assumption that the new Group should be able to improve service delivery and customer satisfaction whilst reducing the economic risks to the business.

These VFM Priorities were stated as:

- Deliver efficiency and demonstrate value for money;
- Increase the delivery of new homes;
- Deliver improved benefits for customers and enhance community development activities;
- Improve the quality and efficiency of the internal operating environment;
- Improve the potential to manage risk; and
- Make a greater impact on the areas and key stakeholders.

The merger business case also stipulated that 80% of the savings would be invested in building new homes with the balancing 20% invested in improving customer services.

Two years on from the creation of Fortis Living and work continues to deliver the savings in both pay and non-pay budgets included in the merger business case:

Merger	2014/15	2015/16	2016/17	2017/18	2018/19
Business Case	£'000	£'000	£'000	£'000	£'000
Merger Savings	1,020	2,171	3,127	3,269	3,421
Merger Costs	1,086	1,016	1,160	57	-
Net Savings	(66)	1,155	1,967	3,212	3,421
Running Total	(66)	1,089	3,056	6,268	9,689

Achieved / Planned					
Total Savings	1,097	1,873	2,317	2,722	2,905
Actual Cost	885	322	-	-	-
Net Savings	212	1,551	2,317	2,722	2,905
Running Total	212	1,763	4,080	6,802	9,707

The Merger business case expected to achieve savings of £9.7m over five years and the forecast total for net merger savings for which there is a degree of certainty over the five years are also expected to be £9.7m. Any further savings delivered will improve this number.

Merger costs have been contained to those costs relating to staff restructure and, since most restructuring is now complete, these costs have diminished during the year. It is expected that any additional merger cost will now be absorbed into underlying budgets, so no continued merger costs are included in the forecast.

Strategic Report 2016 (incorporating the Operating and Financial Review)

HCA Cost Per Unit

Following recent communication from the HCA regarding Costs per Unit (CPU), The Board has reviewed the current values for CPU, the HCA benchmarks, and future values shown by the updated business plan. The Festival and WCH values have been combined to show CPU at a group level and the Board noted the favourable position against the benchmark sample, also noting that the sample is all c.330 RPs with over 1,000 units. Further benchmarking activity will focus on refining the benchmark organisations to a more comparative sample. Our initial analysis of these costs is shown below.

Sector	Sector			FH	WCH	Fortis		
	2014/15	2014/15	2014/15	2014/15	2014/15	2014/15	2015/16	2016/17
	Lower		Upper	Actual	Actual	Actual	Actual	Plan
	Quartile	Median	Quartile	£	£	£	£	£
Total social	3,190	3,550	4,300	2,769	3,132	2,922	3,049	2,920
Management	700	950	1,270	689	919	793	771	679
Service charge	230	360	610	378	284	345	321	323
Maintenance	810	980	1,180	656	561	623	723	554
Major repairs	530	800	1,130	897	1,065	956	730	897
Other social	80	200	410	150	302	205	503	467
Units				9,343	5,068	14,411	14,884	15,376

The Board notes that the business plan shows the consolidated Group position which includes the cost of providing management and maintenance services to other Registered Providers most of which occur in the maintenance subsidiary, Fortis Property Care Limited, which “skews” the result shown for Other Costs. Despite this, the Social Housing CPU for 2014/15, 2015/16 and 2016/17 budget are all within the HCA Lower Quartile.

The Festival and WCH values have been combined to show CPU at a Group level and the Board noted the favourable position against the benchmark sample, also noting that the sample is all c.330 RPs with over 1,000 units. Further benchmarking activity will focus on refining the benchmark organisations to a more comparative sample, although the Board also noted the HCA’s concern that there is little correlation in the global results between cost and other known factors, so benchmark organisations will be carefully selected.

The HCA now include disclosure of capitalised major repairs in the Major repairs CPU, which is a fairer presentation of total cost. When comparing to the median results it can be seen that the Fortis Group companies have slightly higher major repairs costs, but much better routine maintenance costs.

Key Growth & Investment Performance Indicators and Benchmarks

The following table highlights the level of investment in existing and new stock and also shows our compliance with the Decent Homes Standard.

KPI:	BENCHMARK	2015/16	2014/15	2013/14	2012/13
Major Works Revenue £M	2.51	1.46	2.42	2.13	2.26
Major Works Capitalised £M	7.23	2.52	2.98	6.43	2.00
Total Investment £M	9.74	3.98	5.40	8.56	4.26
New Homes completed	173	42	312	96	107
New Homes Investment £M	na	8.85	23.93	48.53	29.06
Decent Homes	100%	100%	100%	100%	100%

Strategic Report 2016 (incorporating the Operating and Financial Review)

Social Value

We recognise that by improving the life chances of our existing customers we are able to protect and grow our business income and reach more people in housing need. The growth and success of the financial inclusion services in 2014/15 enabled the formation of a distinct team of debt advisers in 2015/16. The team provide a holistic approach to some of our most vulnerable tenants, allowing them to cross-refer across a range of services including energy advice, benefits advice, employment support, welfare reform and debt advice.

Future Priorities

Following the Government's Summer Budget on 8 July 2015, where a reduction of 1% per annum on rents for the four years 2016/20 was announced, the Board has reviewed the medium term cash flow and is assured that the Group will continue to meet loan covenants throughout the business planning period.

However, the changes in our operating environment due to this Budget will require the Group to review both the Strategic Plan and the financial business plan and this review is likely to result in an update of our future VFM objectives.

The merger Business Case set out a three year plan to achieve the optimum level of savings, and work will continue to deliver the plan. All areas of the business have been merged and restructured, and a programme of process review and improvement will be undertaken during 2016/17.

VFM improvement initiatives over the next 12 months include:

- Continue to deliver of the merger business case savings.
- Develop 500 new homes across the group.
- Update the VFM Strategy to reflect the updated strategic plan.
- Complete the combined re-procurement of Group-wide insurance services.
- Procure and implement a new mobile working solution for Fortis Property Care Limited.
- Develop and implement a business-wide approach to continuous improvement.
- Further strengthen our performance management and use of benchmarking to enhance ownership and levels of understanding across the business.
- Evaluate the NHF Social Value methodology to see if it can improve clarity and capacity around social impact measurement.
- Review and improve our voids management processes.
- Re-invest savings by bringing customer satisfaction surveys in house.

Overall VFM assessment

The information provided here and in the full Value for Money Self-assessment approved by the Board, which will be published on the Group website at <http://www.fortisliving.com> after the Annual General Meeting on 20 September 2016, demonstrate that Fortis Living complies with the HCA's VFM standard.

We have:

- VFM embedded in our strategic plan
- Robust decision making on the use of resources
- SMART performance management and scrutiny functions
- Understanding of the costs and outcomes of delivering our services

The savings that we achieve are used to improve services and support the delivery of more sustainable homes for our communities.

Strategic Report 2016 (incorporating the Operating and Financial Review)

Risk Management

Risks that prevent the Company achieving its objectives are considered and reviewed regularly by the Management Team and the Board as part of the corporate planning process. The risks are assessed in terms of their impact and probability.

The top 4 major risks going forward are considered below:-

Business Area	Risk	Mitigation Strategies
Income Management	Less predictable income, Welfare Reform and Housing Benefit caps lead to reduced income.	Review of all rent collection processes and teams. Business Plan includes sensitivities to anticipate potential increase in arrears and bad debts.
Financial Strength	Insufficient facilities in place or breach of financial covenants due to impaired surplus or rising interest costs.	Arrange new facilities, and ensure covenant compliance. Potential scenarios are modelled in the business plan showing impact on surpluses, loan balances and covenants. Work closely with Treasury consultants.
Value For Money	Failure to meet the challenge of the Value for Money agenda, the VFM standard and Governance & Financial Viability Standard.	VFM Strategy and Action Plan approved by the Board and reviewed regularly. Business Plan reviewed with regard to key cost variables. Self-Assessment against the VFM Standard completed regularly as part of Financial Statements.
Development and New Initiatives	Development ambitions not realised due to reduced funding or lack of available opportunities.	Work closely with developers in relation to potential S106 opportunities. Monitor impact of Community Infrastructure Levy and HCA policy developments.

A Risk Management Review Group consisting of Directors and Senior Managers chaired by the Director of Information, Risk and Business Support is responsible for considering risk management at a strategic and operational level in Fortis Living.

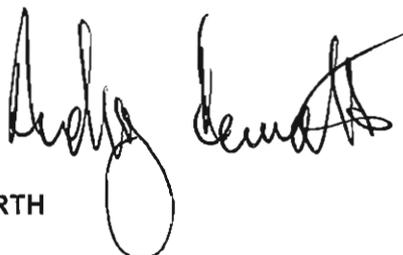
Through the Risk Management Review Group, responsibility for individual risk management is firmly embedded through the roles and responsibilities of the relevant Managers who each take responsibility for the control environment within their functions.

Further assurance of the adequacy of the Fortis Living risk maps has been provided by Hargreaves Risk & Strategy who have provided independent validation of the risk assessments, and which has identified some potential gaps and some recommendations regarding the weighting of individual risks.

STATEMENT OF COMPLIANCE

The Board confirms that the Operating and Financial Review has been prepared in accordance with the principles set out in the Standard of Recommended Practice for Registered Providers (update 2014).

The Strategic Report (incorporating the Operating and Financial Review) was approved by the Board on 2 August 2016 and signed on its behalf by:



ANDREW HOWARTH
SECRETARY

Worcester Community Housing Limited

Report of the Independent Auditors 2016

We have audited the financial statements of Worcester Community Housing Limited for the year ended 31 March 2016 on pages 19 to 42. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) "UK GAAP".

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 137 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the board and auditor

As explained more fully in the Statement of the Board's Responsibilities set out on page 7, the board members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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 company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic and Board reports 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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with UK GAAP; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Opinion on other matter prescribed by the Companies Act 2006

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

Worcester Community Housing Limited
Report of the Independent Auditors 2016

Matters on which we are required to report by exception

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

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

Beever and Struthers

MARIA HALLOWS (Senior Statutory Auditor)

For and on behalf of
BEEVER AND STRUTHERS
Chartered Accountants and Statutory Auditors

St George's House
215 – 219 Chester Road
Manchester
M15 4JE

Date: *2 August 2016*

Statement of Comprehensive Income for the year ended 31 March 2016

	Notes	2016 £'000	Restated 2015 £'000
Turnover	3&4	28,723	26,591
Cost of sales	3	(2,418)	(1,048)
Operating expenditure	3&4	(13,834)	(16,150)
Operating surplus	3	<u>12,471</u>	<u>9,393</u>
Gain on disposal of property, plant and equipment	6	29	54
Interest receivable		25	98
Interest and financing costs	7	(1,647)	(990)
Increase in valuation of investment properties	14	66	-
Surplus before tax	8	<u>10,944</u>	<u>8,555</u>
Taxation	9	-	-
Total comprehensive income for the year		<u><u>10,944</u></u>	<u><u>8,555</u></u>

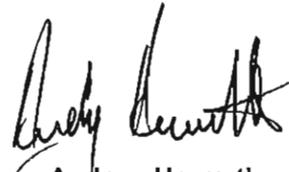
The turnover and operating surplus all relate to continuing operations.

The notes on pages 22 to 42 form part of these financial statements.

The financial statements on pages 19 to 42 were approved and authorised for issue by the Board of Directors on the 2 August 2016 and were signed on its behalf by:


Denis Thompson
 Chair


Mark Davies
 Board Member and
 Chair of Audit & Risk
 Committee


Andrew Howarth
 Secretary

Company Number: 4521505

Statement of Financial Position at 31 March 2016

	Notes	2016 £'000	Restated 2015 £'000
Fixed assets			
Housing properties	12	212,496	204,759
Other tangible fixed assets	13	4,614	4,654
Investment properties	14	2,477	2,370
Fixed asset investments	15	879	5,682
		<u>220,466</u>	<u>217,465</u>
Current assets			
Stocks: Housing properties for sale	16	737	2,103
Debtors	17	1,117	2,843
Cash and cash equivalents		10,546	20,019
		<u>12,400</u>	<u>24,965</u>
Less: Creditors: amounts falling due within one year	18	(6,727)	(5,650)
Net current assets		<u>5,673</u>	<u>19,315</u>
Creditors: amounts falling due after more than one year	19	(64,201)	(85,784)
Total net assets		<u>161,938</u>	<u>150,996</u>
Reserves			
Income and expenditure reserve		73,968	62,671
Revaluation reserves		87,970	88,325
Total reserves		<u>161,938</u>	<u>150,996</u>

The notes on pages 22 to 42 form part of these financial statements.

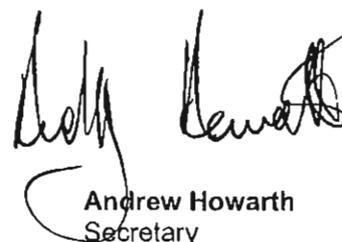
The financial statements on pages 19 to 42 were approved and authorised for issue by the Board of Directors on the 2 August 2016 and were signed on its behalf by:



Denis Thompson
Chair



Mark Davies
Board Member and
Chair of Audit & Risk
Committee



Andrew Howarth
Secretary

Company Number: 4521505

Statement of Changes in Reserves

	Income and Expenditure Reserve £'000	Revaluation Reserve £'000	Investment Reserve £'000	Total £'000
1 April 2014	36,570	101,833	-	138,403
Prior period adjustment	17,120	(13,059)	-	4,061
1 April 2014 restated	53,690	88,774	-	142,464
Surplus from Statement of Comprehensive Income	8,555	-	-	8,555
Valuation in the year	-	-	2	2
Intercompany transfer	-	(25)	-	(25)
Transfer from revaluation reserve to income and expenditure reserve	426	(426)	-	-
31 March 2015	62,671	88,323	2	150,996
Surplus from Statement of Comprehensive Income	10,944	-	-	10,944
Valuation in the year	-	-	(2)	(2)
Transfer from revaluation reserve to income and expenditure reserve	353	(353)	-	-
31 March 2016	73,968	87,970	-	161,938

The notes on pages 22 to 42 form an integral part of these accounts

Worcester Community Housing Limited
Notes to the Financial Statements 2016

1 LEGAL STATUS

Worcester Community Housing Limited (WCH) was incorporated in England as a private limited Company on 29 August 2003 and commenced trading on 27 March 2004. It is a Company limited by guarantee and the liability of each member is limited to the sum of £1. It is a Registered Provider and a registered charity.

2 ACCOUNTING POLICIES

Basis of Accounting

The company's financial statements have been prepared in accordance with applicable United Kingdom Accounting Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2014.

The financial statements comply with the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2015 and the Companies Act 2006. The accounts are prepared on the historical cost basis and are presented in sterling and are rounded to the nearest £1,000.

The company's financial statements have been prepared in compliance with FRS 102 as it applies for the first time to the financial statements of the company for the year ended 31 March 2016. Worcester Community Housing Limited is a public benefit entity under the requirement of FRS 102.

The company transitioned from previous 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 performance, as well as the exemptions taken on transition, is given in note 28.

Going concern

The company's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. Government's announcements in July 2015 impacting on the future income of the company have led to a reassessment of the company's business plan as well as an assessment of imminent or likely future breach in borrowing covenants. No significant concerns have been noted and we consider it appropriate to continue to prepare the financial statements on a going concern basis.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Financial Position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

- **Development expenditure.** The company capitalises development expenditure in accordance with the accounting policy described on pages 26 and 27. Initial capitalisation of costs is based on management's judgement that a development scheme is confirmed. In determining whether a project is likely to cease, management monitors the development and considers if changes have occurred that result in impairment.
- **Categorisation of housing properties.** The company has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the company has considered if the asset is held for social benefit or to earn commercial rentals. The company has determined that market rented property and student accommodation are investment properties. Following the implementation of FRS 102, housing properties have been stated at a "deemed cost" at the date of transition based on the 2014 valuation and further additions will be recorded at cost.

Worcester Community Housing Limited
Notes to the Financial Statements 2016

- **Pension costs.** The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific sector. Future salary increases and pension increases are based on expected future inflation rates for the respective sector.

Details of the pension schemes are disclosed in the Group accounts.

- **Financial Instruments**
The company has adopted the recognition and measurement requirements of IAS 39 plus the disclosure requirements of FRS 102 sections 11 and 12 for all of its financial instruments.

Other key sources of estimation and assumptions:

- **Tangible fixed assets.** Other than investment properties, tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- **Revaluation of investment properties.** The company carries its investment property at fair value, with changes in fair value being recognised in Statement of Comprehensive Income. The company engaged independent valuation specialists to determine fair value at the transition date, 31 March 2015 and 31 March 2016. The valuer used a valuation technique based on a discounted cash flow model. The determined fair value of the investment property is most sensitive to the estimated yield as well as the long term vacancy rate.
- **Impairment of non-financial assets.** A review for impairment indicators of housing properties is carried out annually and any impairment loss is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value or its value in use.
- **Impairment of Financial Assets.** Financial assets are assessed at each reporting date to determine whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income immediately. The impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Worcester Community Housing Limited
Notes to the Financial Statements 2016

- **Provision for Bad Debts.** A provision is made for rent, service charges and other income based on the age and type of the debt.

Current Tenants	Provision
<i>Average age of arrears</i>	
Less than 4 weeks	0%
5 to 8 weeks	25%
9 to 13 weeks	50%
14 to 17 weeks	75%
18 to 21 weeks	85%
Greater than 21 weeks	100%
Former Tenants	100%
Leaseholders	10%
Other Income over 180 days	100%

Turnover

Turnover represents rental income receivable, amortised capital grant, revenue grants from local authorities and the Homes and Communities Agency, income from shared ownership first tranche sales and other properties developed for outright sale and other income and are recognised in relation to the period when the goods or services have been supplied.

Rental income is recognised when the property is available for let, net of voids. Income from property sales is recognised on legal completion.

Service charges

Service charge income and costs are recognised on an accruals basis. The company operates both fixed and variable service charges on a scheme by scheme basis. Where variable service charges are used the income will include the surplus or deficit from prior years. Until these are returned or recovered they are held as creditors or debtors in the Statement of Financial Position.

Where periodic expenditure is required a sinking fund or reserve fund may be built up over the years; until these costs are incurred this liability is held in the Statement of Financial Position within long term creditors.

Apportionment of Overheads to Group Members

Central overheads are recharged from the parent company Fortis Living to Worcester Community Housing Limited using property numbers as the basis for apportionment.

Staffing costs

Fortis Living employs all the staff and the subsidiaries are recharged with the applicable costs.

Retirement benefits

Full disclosure including recharge methodology is given in the Group accounts.

The cost of providing retirement pensions and related benefits is charged to management expenses over the periods benefiting from the employees' services.

The disclosures in the accounts follow the requirements of Section 28 of FRS 102 in relation to multi-employer funded schemes in which the Group has a participating interest.

Worcester Community Housing Limited

Notes to the Financial Statements 2016

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the Statement of Financial Position date and carried forward to future periods, where material. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the year end in the parent accounts and recharged.

Leased Assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), they are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as obligations to the lessor in creditors. They are depreciated over the shorter of the lease term and their economic useful lives.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the Statement of Comprehensive Income over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

Other leases are treated as operating leases and payments are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

Property Sales

Under shared ownership arrangements, the company disposes of a long lease of shared ownership housing units to persons who occupy them, at a lease premium equal to between 25% and 75% of open market value. The occupier has the right to purchase further proportions at the then current valuation up to 100%. Subsequent tranches sold ("staircasing sales") are reflected in the Statement of Comprehensive Income as a surplus or deficit on sale of fixed assets.

Under right to buy arrangements the company disposes of properties outright to qualifying tenants and the resulting surplus is reflected in the Statement of Comprehensive Income. There is a clawback agreement with Worcester City Council, whereby the surplus or deficit is calculated by comparing the net proceeds received by the company with the book value of the property sold.

Financing Costs

Finance interest, transaction costs and associated premium or discount are charged to the Statement of Comprehensive Income using either the effective interest rate (EIR) method or on a straight line basis where not materially different. The EIR method spreads all associated costs over the life of the instrument by comparing the borrowing amount at initial recognition and amount at maturity.

Financial Assets

Financial assets are defined as cash or any asset that is a contractual right to receive cash or another financial asset from another entity, or a contractual right to exchange financial instruments with another entity under conditions that are potentially favourable, or an equity instrument of another entity. There are four categories of financial assets of which the following two are held by the company:

- Loans and receivables; and
- Available for sale financial assets.

Loans and receivables are assets with fixed or determinable payments that are not quoted on an active market. These are initially recognised at fair value plus transaction costs and subsequently at amortised cost. Examples of loans and receivables include tenant arrears, unlisted investments, sundry debtors and cash at bank and in hand.

Available for sale financial assets are initially recognised at fair value plus transaction costs, which is effectively historical cost. At each year end they are re-measured at fair value and movements are recorded in equity reserves and in the Statement of Comprehensive income when the reserves are fully utilised. Listed investments are considered to be available for sale assets.

Worcester Community Housing Limited

Notes to the Financial Statements 2016

Financial liabilities

Financial liabilities are defined as any liability that is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial instruments with another entity under conditions that are potentially unfavourable. The company categorises its financial liabilities as:

- Other financial liabilities.

Other financial liabilities are all financial liabilities that have value to the supplying party, for instance debt finance, trade creditors, other creditors and accruals. They are valued at fair value at inception and then amortised cost subsequently.

Categorisation of debt

The company's debt has been treated as "basic" in accordance with paragraphs 11.8 and 11.9 of FRS 102. The company has some fixed rate loans which have a two-way break clause (i.e. in addition to compensation being payable by a borrower to a lender if a loan is prepaid where the prevailing fixed rate is lower than the existing loan's fixed rate, compensation could be payable by the lender to the borrower in the event that a loan is prepaid and the prevailing fixed rate is higher than the existing loan's fixed rate). The Financial Reporting Council (FRC) issued a statement on 2 June 2016 in respect of such loans with no prescriptive direction as to whether they should be classified as "basic" or "non basic". On the grounds that the company believes the recognition of each debt liability at cost provides a more transparent and understandable position of the company's financial position and that each loan still satisfies the requirements of paragraphs 11.8 and 11.9 of FRS 102, the company has retained its "basic" treatment of its debt following the FRC announcement

Taxation

Value Added Tax ("VAT")

The Group is registered for VAT and charges VAT on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year end is included as a current liability or asset.

Deferred Taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Housing Properties

Tangible fixed assets are stated at cost, less accumulated depreciation. Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion of construction.

Freehold land is not depreciated.

Where a housing property comprises two or more major components with substantially different useful economic lives (UELs), each component is accounted for separately and depreciated over its individual UEL. Expenditure relating to subsequent replacement or renewal of components is capitalised as incurred. Expenditure incurred on responsive and cyclical repairs to the housing stock is expensed to the Statement of Comprehensive Income in the year in which it is incurred.

The company depreciates freehold housing properties by component on a straight-line basis over the estimated UELs of the component categories.

Worcester Community Housing Limited
Notes to the Financial Statements 2016

UEs for identified components are as follows:

Component	Useful Life	Economic
Housing structure	100 years	
Housing structure (non-traditional)	20 years	
Cladding	40 years	
Bathrooms	30 years	
Heating systems	30 years	
Kitchens	20 years	
Lifts	25 years	
Roofs	70 years	
Windows and doors	30 years	
Gutters and fascias	25 years	
Door entry systems	15 years	
Electrical	30 years	
Boilers, air source heat pumps, solar panels, and similar equipment	15 years	
Photo-voltaic panels	20 years	

The company depreciates housing properties held on long leases in the same manner as freehold properties, except where the unexpired lease term is shorter than the longest component life envisaged, in which case the unexpired term of the lease is adopted as the useful economic life of the relevant component category.

Shared Ownership properties

All completed properties are split proportionally between fixed and current assets in line with the expectation relating to the first tranche sale percentage. The expected first tranche proportion is classified as a current asset until the point of the first tranche sale. The current asset is then transferred to cost of sale and matched against sales proceeds to generate the surplus on disposal within the Statement of Comprehensive Income. The remaining element of the asset is classified as a fixed asset and included within housing properties.

Capitalisation of interest and administration costs

Interest on loans financing development is capitalised up to the date of the completion of the scheme and only when development activity is in progress.

Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the property into their intended use.

Property managed by agents

Where the company carries the majority of the financial risk on property managed by agents, all income and expenditure arising from the property is included in the Statement of Comprehensive Income.

Where the agency carries the majority of the financial risk, the Statement of Comprehensive Income includes only that income and expenditure that relates solely to the company.

In both cases, the assets and associated liabilities are included in the company's Statement of Financial Position.

Worcester Community Housing Limited
Notes to the Financial Statements 2016

Other Tangible Fixed Assets

Depreciation is charged on a straight line basis over the asset's useful economic life as shown below:

Other Fixed Asset	Useful Economic Life
Office premises	100 years
Office premises components	See Housing Properties above
Furniture, fixtures and fittings	5 years
Electrical and mechanical equipment	5 years
Computer equipment	4 years
Computer software	5 years
Mobile office	7 years
Other motor vehicles	3 years
Plant and machinery	3 years
Elemental Assets	15 years

Investment property

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

Fixed Asset Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value. Investments held as current assets are stated at the lower of cost and net realisable value. Any investments listed on a recognised stock exchange are stated at market value.

Stock and properties held for sale

Stocks are stated at the lower of cost and net realisable value being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads. Properties developed for outright sale are included in current assets as they are intended to be sold, at the lower of cost or estimated selling price less costs to complete and sell.

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

Current asset investments

Current asset investments include cash and cash equivalents invested for periods of more than 24 hours. They are recognised initially at cost and subsequently at fair value at the reporting date. Any change in valuation between reporting dates is recognised in the Statement of Comprehensive Income.

Short-term debtors and creditors

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

Worcester Community Housing Limited

Notes to the Financial Statements 2016

Non-government grants

Grants received from non-government sources are recognised under the performance model. If there are no specific performance requirements the grants are recognised when received or receivable. Where grant is received with specific performance requirements it is recognised as a liability until the conditions are met and then it is recognised as Turnover.

Social Housing and other government grants

Where developments have been financed wholly or partly by social housing and other grants, the amount of the grant received has been included as deferred income and recognised in Turnover over the estimated useful life of the associated asset structure (not land), under the accruals model. Social Housing Grant (SHG) received for items of cost written off in the Statement of Comprehensive Income Account is included as part of Turnover. Grants received prior to FRS 102 transition date have been recognised in the Income and Expenditure Reserve.

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

SHG must be recycled by the company under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by the Homes and Communities Agency. However, SHG may have to be repaid if certain conditions are not met. If grant is not required to be recycled or repaid, any unamortised grant is recognised as Turnover.

Grants for revenue expenditure are credited to the Statement of Comprehensive Income as they become receivable.

Recycling of Capital Grant

Where SHG is recycled, as described above, it is credited to a fund which appears as a creditor until used to fund the acquisition of new properties, where recycled grant is known to be repayable it is shown as a creditor within one year.

Disposal Proceeds Fund (DPF)

Receipts from the sale of SHG funded properties less the net book value of the property and the costs of disposal are credited to the DPF, this creditor is carried forward until it is used to fund the acquisition of new social housing.

Provisions

The company will make a provision for contractual liabilities, and where there is a reasonable probability for a potential loss.

Revaluation Reserve

The revaluation reserve represents the difference on transition between the fair value of social housing properties and other assets and the historical cost carrying value, where deemed cost transitional relief was taken.

Cash Flow Statement

Following the opportunity provided by the Statement of Recommended Practice: "Accounting by registered social housing providers" (update 2014), cash flow information is disclosed in Fortis Living's Group consolidated cash flow statement that can be obtained from www.fortisliving.com.

Worcester Community Housing Limited
Notes to the Financial Statements 2016

3 Turnover, cost of sales, operating expenditure and operating surplus

Year ended 31 March 2016	Turnover	Cost of Sales	Operating Expenditure	Operating Surplus/ (Deficit)
	£'000	£'000	£'000	£'000
Social housing lettings (Note 4)	24,785	-	13,306	11,479
Other social housing activities				
Charges for Supported Services	287	-	236	51
First tranche shared ownership sales	3,045	2,418	-	627
Housing services	36	-	16	20
Property managed by others	40	-	10	30
Other	81	-	89	(8)
	3,489	2,418	351	720
Activities other than social housing				
Market rent	121	-	20	101
Leaseholders	83	-	31	52
Shops	170	-	65	105
Garages	23	-	26	(3)
Falls response	52	-	35	17
	449	-	177	272
	28,723	2,418	13,834	12,471

Total development administration costs capitalised £353,976 (2015: £670,793)

Year ended 31 March 2015 (restated)	Turnover	Cost of Sales	Operating Expenditure	Operating Surplus/ (Deficit)
	£'000	£'000	£'000	£'000
Social housing lettings (Note 4)	22,899	-	14,304	8,595
Other social housing activities				
Supported housing	378	-	347	31
Charges for Supported Services	25	-	127	(102)
First tranche shared ownership sales	1,581	1,048	-	533
Housing services	1,022	-	1,013	9
Property managed by others	35	-	45	(10)
Other	71	-	-	71
	3,112	1,048	1,532	532
Activities other than social housing				
Market rent	122	-	1	121
Leaseholders	92	-	73	19
Shops	189	-	134	55
Garages	53	-	28	25
Falls response	80	-	61	19
Other	44	-	17	27
	580	-	314	266
	26,591	1,048	16,150	9,393

Worcester Community Housing Limited
Notes to the Financial Statements 2016

4 Turnover and operating expenditure for social housing lettings

				2016	2015
	General needs	Supported housing	Shared ownership	Total	Restated Total
	£'000	£'000	£'000	£'000	£'000
Income					
Rents receivable net of identifiable service charges	18,800	2,951	390	22,141	20,663
Service charge income	1,069	1,394	85	2,548	2,215
	19,869	4,345	475	24,689	22,878
Amortised government grants	23	-	-	23	21
Other income from social housing lettings	8	65	-	73	-
Turnover From Social Housing Lettings	19,900	4,410	475	24,785	22,899
Operating Expenditure					
Management	3,087	706	72	3,865	4,660
Service charge costs	618	776	54	1,448	1,441
Routine maintenance	2,509	100	-	2,609	2,256
Planned maintenance	968	227	-	1,195	587
Major repairs expenditure	1,197	259	-	1,456	2,420
Bad debts	269	50	9	328	240
Depreciation of housing properties	2,000	344	61	2,405	2,700
Operating Expenditure on social housing lettings	10,648	2,462	196	13,306	14,304
Operating surplus on social housing lettings	9,252	1,948	279	11,479	8,595
Void losses	(235)	(130)	-	(365)	(190)

Worcester Community Housing Limited
Notes to the Financial Statements 2016

5 Units

Under management at end of year:	2016	2015
	Number	Number
Social Housing Properties		
General needs	3,706	3,711
Affordable rent	470	430
Supported units	30	41
Housing for older people	721	727
Shared ownership	137	133
Total units owned	<u>5,064</u>	<u>5,042</u>
Managed for others	17	26
	<u><u>5,081</u></u>	<u><u>5,068</u></u>

The equity proportion of a shared property is counted as one unit.

	2016	2015
	Number	Number
Accommodation managed by others*	1	1
<i>*these units contain 50 bedspaces as at 31 March 2016 (2015: 50)</i>		

	2016	2015
	Number	Number
Non Social Housing Properties		
Market rent	14	14
	<u>14</u>	<u>14</u>

6 Gain on Disposal of Property, Plant and Equipment

	2016	2015
	£'000	£'000
Right to buy sales		
Proceeds of sale	1,491	1,510
Less:		
Cost of sale	(1,216)	(1,121)
RTB clawback on disposals	(246)	(335)
Net surplus on disposal	<u>29</u>	<u>54</u>

Payments to Worcester City Council for Right to Buy sales since transfer total £7,687,526, (£7,441,112 including interest).

Worcester Community Housing Limited
Notes to the Financial Statements 2016

7 Interest and Financing Costs

	2016 £'000	2015 £'000
Loans repayable in more than five years	1,564	1,149
Costs of rearranging finance	325	72
	<u>1,889</u>	<u>1,221</u>
Interest capitalised on housing properties	(242)	(231)
	<u>1,647</u>	<u>990</u>

Interest has been capitalised at 2.0% (2015: 1.55%).

8 Surplus on ordinary activities

The operating surplus for the year is stated after charging:

	2016 £'000	2015 £'000
Depreciation of housing properties	2,442	2,386
Depreciation of other tangible fixed assets	246	369
Land and buildings – operating leases	12	12
Hire of motor vehicles – operating leases	4	108
Hire of other assets – operating leases	16	16

From 1 April 2014, Auditors remuneration is paid by the ultimate Parent undertaking, Fortis Living.

9 Taxation

Current tax reconciliation

	2016 £'000	2015 £'000
Surplus on ordinary activities before tax	10,944	8,555
Current tax at 20% (2015: 21%)	2,189	1,797
Effects of:		
Charitable (income)/expense not subject to tax	(2,189)	(1,797)
Total current tax charge	<u>-</u>	<u>-</u>

The Company amended its Memorandum and Articles of Association on 1 April 2005 to adopt charitable objectives. Charitable status was confirmed by the Charities Commission on 1 June 2005.

The charitable activities are exempt from taxation under Section 505 of the Income and Corporation Taxes Act 1988.

10 Directors' emoluments

Fortis Living employs all the staff and subsidiaries are recharged with applicable costs. Full disclosure is given in the Group accounts.

11 Staff costs

Fortis Living employs all the staff and subsidiaries are recharged with applicable costs. Full disclosure is given in the Group accounts.

Worcester Community Housing Limited
Notes to the Financial Statements 2016

12 Tangible fixed assets – Housing properties

	Social housing properties for lettings £'000	Housing properties under construction £'000	Shared ownership properties £'000	Shared ownership properties under construction £'000	Total £'000
Cost					
At 1 April 2015	189,991	8,925	7,765	494	207,175
Prior period adjustment (note 28)	(670)	-	675	-	5
Restated 1 April 2015	189,321	8,925	8,440	494	207,180
Additions	-	5,746	-	3,108	8,854
Works to existing properties	2,524	-	-	-	2,524
Schemes completed	11,575	(11,575)	3,080	(3,080)	-
Disposals	(804)	-	(467)	-	(1,271)
At 31 March 2016	<u>202,616</u>	<u>3,096</u>	<u>11,053</u>	<u>522</u>	<u>217,287</u>
Depreciation					
At 1 April 2015	-	-	-	-	-
Prior period adjustment (note 28)	(2,390)	-	(31)	-	(2,421)
Restated 1 April 2015	(2,390)	-	(31)	-	(2,421)
Charge for year	(2,380)	-	(62)	-	(2,442)
Released on disposals	70	-	2	-	72
At 31 March 2016	<u>(4,700)</u>	<u>-</u>	<u>(91)</u>	<u>-</u>	<u>(4,791)</u>
Social Housing Grants					
At 1 April 2015	-	(1,612)	-	(192)	(1,804)
Prior period adjustment (note 28)	-	1,612	-	192	1,804
Restated 1 April 2015	-	-	-	-	-
Additions	-	-	-	-	-
Schemes completed	-	-	-	-	-
At 31 March 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net book value					
At 31 March 2016	<u>197,916</u>	<u>3,096</u>	<u>10,962</u>	<u>522</u>	<u>212,496</u>
At 31 March 2015 restated	<u>186,931</u>	<u>8,925</u>	<u>8,409</u>	<u>494</u>	<u>204,759</u>

Works to existing properties that were capitalised in the year was £2,524,000 (2015: £2,979,000). Works charged to income and expenditure were £1,468,000 (2015: £2,280,000).

Additions to housing properties include development administrative costs of £353,976 (2015 - £670,793) which have been capitalised. A rate of 2.00% has been used to capitalise interest.

Worcester Community Housing Limited
Notes to the Financial Statements 2016

13 Other tangible fixed assets

	Land	Buildings	Leasehold Improve'ts	Plant & Equipment	Fixtures & Fittings	Motor Vehicles	Computer Equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost								
At 1 April 2015	1,190	3,145	77	1,068	577	175	1,337	7,569
Additions	-	122	-	(3)	-	-	129	248
Disposals	-	-	-	-	-	-	-	-
Transfers to FPC	-	-	-	(73)	-	(148)	-	(221)
At 31 March 2016	1,190	3,267	77	992	577	27	1,466	7,596
Depreciation								
At 1 April 2015	-	(527)	(54)	(585)	(460)	(155)	(1,134)	(2,915)
Charge for the year	-	(52)	(2)	(29)	(53)	(3)	(107)	(246)
Disposals	-	-	-	-	-	-	-	-
Transfers to FPC	-	-	-	47	-	132	-	179
At 31 March 2016	-	(579)	(56)	(567)	(513)	(26)	(1,241)	(2,982)
Net book value								
At 31 March 2016	1,190	2,688	21	425	64	1	225	4,614
At 1 April 2015	1,190	2,618	23	483	117	20	203	4,654

Worcester Community Housing Limited
Notes to the Financial Statements 2016

14 Investment Properties

	2016 £'000	2015 £'000
At 1 April	2,370	2,370
Additions	41	-
Disposals	-	-
Gain from adjustment in value	66	-
At 31 March	<u>2,477</u>	<u>2,370</u>

Investment properties are stated at a value based on vacant possession which is annually determined by external valuers derived from the current market conditions.

15 Fixed Asset Investments

	2016 £'000	2015 £'000
Cost	803	5,680
Additions	77	-
Revaluation	(1)	2
	<u>879</u>	<u>5,682</u>

The investments at market value are as follows:

Term bank deposits	122	762
UK Treasury Gilts	757	4,920
	<u>879</u>	<u>5,682</u>

AHF Gilts are held at a rate of 4.5%

16 Stocks

	2016 £'000	2015 £'000
Housing Properties for sale		
Shared ownership properties under construction	500	494
Completed shared ownership properties	237	1,609
	<u>737</u>	<u>2,103</u>

17 Debtors

	2016 £'000	2015 £'000
Amounts falling due within one year		
Rental debtors		
Rent and Service Charge receivable	1,566	1,654
Less: provision for bad debts	(772)	(725)
	<u>794</u>	<u>929</u>
Housing grants receivable	-	1,297
Prepayments and accrued income	187	319
Other debtors	136	298
	<u>323</u>	<u>1,914</u>
	<u>1,117</u>	<u>2,843</u>

Worcester Community Housing Limited
Notes to the Financial Statements 2016

18 Creditors (amounts falling due within one year)

	2016	2015
	£'000	£'000
Trade creditors	612	500
Accruals and deferred income	2,089	3,329
Amounts due to group undertakings	3,148	796
WCC right to buy receipts	246	267
Other taxation and social security costs	-	235
Rent and service charges received in advance	277	157
AHF Funding	65	65
Deferred Capital Grant (note 21)	23	23
Disposals Proceeds Fund (note 22)	71	60
Other creditors	196	218
Total	6,727	5,650

19 Creditors (amounts falling due after more than one year)

	2016	2015
	£'000	£'000
Housing finance repayable after more than one year		
Bank Loans	15,000	32,600
Refinancing costs	(118)	-
Intercompany loan	21,000	25,500
	35,882	58,100
AHF Bond funding	20,000	20,000
Premium on issue of Bond	1,641	1,706
Financing Costs	(128)	(124)
	21,513	21,582
Total housing finance repayable (note 20)	57,395	79,682
Deferred Capital Grant (note 21)	6,791	6,102
Reserve Funds	15	-
Total	64,201	85,784

The bank loans are variable, and are secured by specific charges on the freehold housing properties. Interest is payable at the LIBOR rate of 1.5%.

The undrawn loan facility is £50.0m (2015: £37.4m) and is available to finance the future development requirements of the company.

The AHF Bond is secured by specific charges on the freehold housing properties. Interest is payable at the rate of 3.8%.

The intercompany loan is from Festival Housing Limited.

Worcester Community Housing Limited
Notes to the Financial Statements 2016

20 Debt Analysis

	2016	2015
	£'000	£'000
Loans repayable by instalments:		
Within one year	-	32,600
In one year or more but less than two years	-	-
In two years or more and less than 5 years	36,000	25,500
In five years or more	-	-
	36,000	58,100
Loans not repayable by instalments:		
In five years or more	20,000	20,000
Less: Loan issue costs	(246)	(124)
Adjustment for premium on issue	1,641	1,706
	57,395	79,682

21 Deferred Capital Grant

	2016	Restated
	£'000	2015
		£'000
At 1 April	6,125	3,229
Grant received in the year	712	2,917
Released to income in the year	(23)	(21)
At 31` March	6,814	6,125
Amount due to be released < 1 year	23	23
Amount due to be released > 1 year	6,791	6,102
	6,814	6,125

22 Disposals Proceeds Fund

		2016	2015
		£'000	£'000
At 1 April	Funds recycled	60	-
	Net PRTB receipts	11	60
	Interest accrued	-	-
	Transfer from other PPRPs	-	-
Use/allocation of funds	New build	-	-
	Major repairs and works to existing properties	-	-
	Transfer to other PRPs	-	-
	Other	-	-
Repayment of funds to the HCA/GLS		-	-
At 31 March		71	60
Amount three years or older where repayment may be required		-	-

Worcester Community Housing Limited
Notes to the Financial Statements 2016

23 Pension

Full disclosure is given in the Group accounts.

24 Capital commitments

At 31 March 2016 the Company had the following capital commitments for development projects:

	2016	2015
	£'000	£'000
Capital expenditure contracted for but not provided for in the financial statements	15,619	7,987
Capital expenditure authorised but not yet contracted for in the financial statements	9,509	3,184

The Company expects to finance the expenditure above by Social Housing Grant, loans or its own resources as shown below.

	Contractual Commitments	Funded By		
		Grant	Loans	Own Resources
	£'000	£'000	£'000	£'000
In less than one year	10,413	642	732	9,039
Between one and two years	5,178	-	-	5,178
Between two and three years	28	-	-	28
Between three and four years	-	-	-	-
Between four and five years	-	-	-	-
	15,619	642	732	14,245

	Authorised but Not contracted	Funded By		
		Grant	Loans	Own Resources
	£'000	£'000	£'000	£'000
In less than one year	1,482	-	196	1,286
Between one and two years	1,383	-	-	1,383
Between two and three years	2,627	-	-	2,627
Between three and four years	2,283	-	-	2,283
Between four and five years	1,734	-	-	1,734
	9,509	-	196	9,313

Worcester Community Housing Limited
Notes to the Financial Statements 2016

25 Operating leases

At 31 March 2016 the Company was committed to making the following payments under non-cancellable operating leases.

	2016	2016	2015	2015
	Land & Buildings	Other	restated Land & Buildings	restated Other
	£'000	£'000	£'000	£'000
Operating leases which expire:				
Within 1 year	12	21	12	115
Within 2 to 5 years	17	9	30	133
Over 5 years	-	-	-	-
	<u>29</u>	<u>30</u>	<u>42</u>	<u>248</u>

26 Grants

	2016	2015
	£'000	£'000
Total accumulated government grant receivable at 31 March:		
Held as deferred capital grant	6,814	6,125
Recognised as income in Statement of Comprehensive Income	<u>13,379</u>	<u>13,356</u>
	<u>20,193</u>	<u>19,481</u>

27 Events after year end

Disclosure of all events after year end has been made in the Board Report.

Worcester Community Housing Limited
Notes to the Financial Statements 2016

28 First time adoption of FRS 102

On adoption of FRS 102 the Company has restated the comparatives; the impact on reserves is shown below.

		Reserves as at 1 April 2014	Surplus/ (deficit) year ended 31 March 2015	Other Reserves movements year ended 31 March 2015	Reserves as at 31 March 2015
	Note	£'000	£'000	£'000	£'000
As previously stated under former UK GAAP		138,403	5,756	5,477	149,636
Prior period adjustment	a1	2,964	2,818	-	5,782
Prior period adjustment	a2	(15)	15	-	-
As restated under former UK GAAP		141,352	8,589	5,477	155,418
Transitional adjustments:					
Revaluation to deemed cost of housing properties	b	-	(68)	(5,500)	(5,568)
Increase of amortisation of grants relating to housing properties	c	-	22	-	22
Revaluation fair value for investment properties	d	1,150	31	-	1,181
Inclusion of holiday pay accrual	e	(38)	(19)	-	(57)
As stated in accordance with FRS 102		142,464	8,555	(23)	150,996

28 First time adoption of FRS 102 (continued)

Explanation of changes to previously reported surplus and equity:

- a. Prior period accounts have been adjusted to reflect the amalgamation of the LGPS pension schemes and employment of all staff by Fortis Living (1) and another miscellaneous correction (2).
- b. On transition to FRS 102 the board has elected to measure housing properties in the Group at deemed cost at the date of transition. The effect is to reverse the valuation adjustment that was applied in 2014/15 of £5,500,000. Under FRS 102 depreciation is based on net book value of assets excluding grants; this results in a depreciation charge increase of £68,000.
- c. FRS 102 requires that capital grants previously deducted from the historic cost of fixed assets and therefore increasing the revaluation adjustment, is treated as a deferred capital grant creditor and is released to the Statement of Comprehensive Income over the useful life of the associated assets. The effect is an increase in income recognised at transition of £22,000 for the year ended March 2015.
- d. FRS 102 requires that investment properties are carried at fair value and that any changes to this value are recognised in the Statement of Comprehensive Income for the period. The effect at transition is to increase the income recognised on transition by £1,150,000. Surplus for the year ended March 2015 is increased by £31,000 due to investment properties not depreciating.
- e. FRS 102 requires that the cost of unused entitlement and short term employee benefits are measured and recognised in the reporting period. The effect is that unused holiday entitlement has now been recognised as an accrual at the reporting date in Fortis Living and is recharged. This has resulted in a decrease of the income and expenditure reserve at transition of £38,000 and a decrease in the surplus for the year ended 31 March 2015 of £19,000.
- f. FRS 102 requires that changes in the fair value of financial instruments are recognised in profit and loss for the period. Under previous UK GAAP these changes were recognised outside of profit and loss and presented separately in the revaluation reserve. This change has no material effect on the surplus for the year ended 31 March 2015.