

Fortis Living

Financial Statements For the Year Ended 31st March 2015

Registered under
Co-operative and Community
Benefit Societies Act 2014
No: 32239R

Registered with Homes and
Communities Agency
No: 4789



FORTIS LIVING

ADVISORS, BANKERS AND REGISTRATIONS

Registered Office: Festival House
Groewood Road
Enigma Business Park
Malvern
Worcestershire
WR14 1GD

Registered Number: Charitable Registered Society 32239R
Homes and Communities Agency: 4789

External Auditors: Beever and Struthers
Chartered Accountants
St George's House
215-219 Chester Road
Manchester, M15 4JE

Bankers and Lenders: Barclays Bank PLC
PO Box 3333
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Birmingham
B3 2WN
The Housing Finance Corporation
4th Floor, 107 Cannon Street
London
EC4N 5AF

Solicitors: Anthony Collins Solicitors LLP
134 Edmund Street
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B3 2ES

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Financial Statements for the Year Ended 31 March 2015

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Board Members & Executive Officers

			Appointed
Board of Management:	Mike Moyles	Chair:	1 Apr 2014
	Denis Thompson	Vice Chair	1 Apr 2014
	Chris Almgill		1 Apr 2014
	Fred Bentley		1 Apr 2014
	Mark Davies		1 Apr 2014
	Cathy Jackson		1 Apr 2014
	Andrew Milner		1 Apr 2014
	Andrew Strong		1 Apr 2014
	Geoff Williams		1 Apr 2014
	Steve Williams		1 Apr 2014
Secretary:	Andrew Howarth		15 Apr 2014
Executive Officers:	Guy Weston	Group Chief Executive	1 Apr 2014
	Richard Grounds	Executive Director, Growth & Investment	1 Apr 2014
	Clare Huyton	Executive Director, Housing, Care & Communities	1 Apr 2014
	Andrew Howarth	Executive Director Finance	1 Apr 2014
	Bill Tebay	Managing Director, Fortis Property Care	1 Apr 2014

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Report of the Board 2015

The Board presents its report and the consolidated audited financial statements for the Group and Association for the year ended 31 March 2015.

Fortis Living is a charitable registered provider of social housing, regulated by the Homes and Communities Agency (HCA), and is the parent undertaking of the Fortis Living Group which was formed on 1 April 2014, following the merger of Festival Housing Limited (Festival) and Worcester Community Housing Limited (WCH).

The Group consists of the parent and two registered subsidiaries, Festival and WCH. These three Companies have a common Board which was appointed on 1 April 2014. There is one further subsidiary, Fortis Property Care Limited (limited company), which delivers repairs and maintenance services.

During the year, Fortis Living launched a 5 year strategic plan, Building a Better Future 2014-2019, which sets out the Group's ambitions as a forward looking, innovative and strong social housing business full of ambition, ideas and a drive to explore new markets and opportunities.

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 will 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 Group owns and manages over 14,400 housing properties. 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 Group's performance and future plans are set out in the Operating and Financial Review that follows this report.

Board Members and Executive Officers

Board Members and Executive Officers are set out 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 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 2014/15 financial year, none of the Group's directors were interested in any material transaction in relation to the Group's business and none are materially interested in any presently proposed material transactions.

Insurance policies indemnify Board Members and Officers against liability when acting for the Group.

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Report of the Board 2015

Stakeholders

The strength of the Group lies in the quality and commitment of its employees. The Group's ability to meet its objectives and commitments to residents 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 Group is committed to equal opportunities for all its employees.

The Group actively encourages customer involvement in a number of ways. During the year Fortis Living established a new 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.

The Group 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 April 2015. The Group 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 Group 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 Group operates.

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 Group 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.

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: "Excellence in Governance Code for members and good practice guidance - 2010" and "Code of Conduct" in all material respects except for Section D1 relating to the maximum terms of office for non-executive Board Members.

Currently there are four Board Members that have served for more than nine years. They have been retained to ensure the retention of key skills following the merger of Festival and WCH, as approved by the HCA as part of the process for the merger in 2014. A succession plan is in place to replace the four Board Members which will be completed in September 2015, after which Fortis Living will be fully compliant with the code.

The Group has recently updated its governance framework in line with the 2015 update of the NHF Code of Governance. A gap analysis against the new code was considered at the July meeting of the Remuneration & Governance Committee, which is responsible for monitoring and reviewing governance issues, and on which it reports to the Board.

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Report of the Board 2015

Internal Control Statement

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 Group'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 Group is exposed and is consistent with good practice.

The Audit & Risk Committee is responsible for monitoring the risk management and internal control processes and reports to the Group Boards 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 Group's activities. An internal Risk Management Review Group regularly considers and delivers reports on significant risks facing the Group 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.

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Report of the Board 2015

Internal Control Statement (continued)

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, risk and fraud 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.

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 Group. 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 Responsibilities of the Board for 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 Group 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 judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 Group and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012. It has general responsibility for taking reasonable steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities, by establishing and maintaining a satisfactory system of control over the Group's accounting records, cash holdings, receipts and remittances.

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 2010).

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 Group'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.

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Report of the Board 2015

Statement of the Responsibilities of the Board for the Financial Statements (continued)

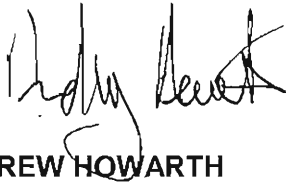
External Auditors

A resolution to reappoint Beaver 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 22 September 2015.

The report of the Board was approved by the Board on 3 September 2015 and signed on its behalf by:



ANDREW HOWARTH
SECRETARY

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Operating & Financial Review 2015

Nature of the Business

The Group's activities generally fall within Worcestershire and Herefordshire, being managed from offices in Droitwich, Malvern and Worcester. In addition, there are two mobile offices which provide services to the more rural locations.

The Group has a strong social purpose with teams that work closely with customers and stakeholders to understand and respond to local needs and to help create successful and resilient local communities. The Group provides a varied range of housing including general needs, housing for older people, supported housing schemes for young people, disabled people and homeless families, intermediate renting, affordable renting, student and market renting. During the year two further extra care schemes were completed at Clarence Park Village in Malvern (101 units), and Meadow Court in Worcester (57 units). Further information on the relative proportions of each type of property is shown in note 25.

Fortis Property Care provides a full range of maintenance services to the Group as well operating in a Cost Sharing Group with local partner Rooftop Housing. They also deliver repairs services to other local providers.

The housing stock has been significantly improved since acquisition and a rolling programme of planned maintenance continues. Investment activity also includes a significant new build development programme.

External influences

Welfare Reform and its impact on the Fortis business is top of our current Risk Register. The impact of the Bedroom tax initially affected approximately 1400 of our tenants who were on full or partial housing benefit, but any related arrears are being actively managed.

The number of tenants currently affected by the benefit cap is low and therefore of low impact, but this would change if the benefit cap is lowered.

Universal Credit rollout is expected to impact during 2016 for all new benefit claimants, whilst existing claimants should be moved over during 2016 and 2017. In anticipation of these changes, rent collection processes have been improved including a focus on increasing the number of tenants who pay rent by direct debit.

Local Authority spending cuts have continued and nearly all older persons support funding has been withdrawn. Where eligible, some housing related activity has been funded by service charges but there is a risk that enhanced housing management services will not be fully funded through housing benefit placing further care and support for older and younger people at risk.

One of the new Government's housing policies will be to extend Right to Buy to housing association tenants. The Government has stated they intend to compensate housing associations for the loss of their assets through compensation from the sale of high value Council stock and guarantee one to one replacement for any sold stock. Despite these assurances this could have a negative affect on the balance sheet and the long term capacity to develop.

Following the Government's Summer Budget on 7 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 cashflow and is assured that the Group will continue to meet loan covenants throughout the business planning period.

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Operating & Financial Review 2015

Objectives and Strategies

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 plan defines the core values of the business to be Commercial, Responsible, Innovative, Professional and Inspirational.

The Strategic 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 2014/15

As well as dealing with the merger and integrating staff teams throughout the business, the quality of services provided was maintained, and the task of delivering against the objectives set in the new strategic plan commenced.

INVESTING IN ... CUSTOMERS AND SERVICES

Work began this year on our new multi channel contact centre, Fortis Connect. This move to a single point of contact combined with an investment in people and systems was at the centre of our plans to drive up service quality and create an improvement focussed culture.

Digital skills are a vital route to improve financial literacy, education, employability and well-being. We made 266 home visits last year to help boost skills and promote access to digital services. Working as part of the 'Go-On Worcestershire' initiative we helped secure funding for two part-time Digital Connectors, as well as money for vital equipment to set up the spaces and structures needed to support digitally inclusive communities.

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Fortis Property Care (FPC) carried out 81,000 responsive repairs last year, as well as £6.2 million of planned investment works. FPC turnover for the year topped £20.7 million and is expected to increase to £22.3 million in the coming year. The five year FPC business plan sets out how the business will increase growth, efficiency and cost effectiveness. Gas servicing remains a health and safety essential with our team of engineers delivering 100% compliance.

Our income management team along with our specialist work and welfare advisors have worked closely with customers to help them navigate the ongoing challenge of welfare reform, manage debt and get the financial support to which they are entitled. Our added value services have gone from strength to strength providing help and support customers in relation to benefits, debt management and energy costs. We've helped and supported over 1,000 customers and helped them get almost £27,000 in home energy grants and £28,751 in housing benefit. We have also made 290 home visits to help tackle fuel poverty.

INVESTING IN ...COMMUNITIES

Investing in our assets has a crucial role to play in the development and sustainability of local communities. In the last year we have been working to improve the energy efficiency of our homes. This includes upgraded heating systems, better insulation and more energy efficient heating. The result is an increase on the Standard Assessment Procedure (SAP) rating of our homes to 70.5/100. (The SAP rating measures our homes' energy efficiency).

Our £5 million energy-saving improvement work at the High Rise in St. Johns, Worcester was completed this year. The insulated cladding system has transformed the city skyline and also the fuel bills of tenants.

Our positive action to deliver employment and training opportunities that help create productive, engaged, and financially independent people has helped support 46 people into work. Alongside this 23 apprentices are now part of the Fortis Team thanks to our learning academy.

2014 saw our first-ever Group wide initiative, Communities Week. It saw all parts of the Fortis business come together to deliver over 20 high-impact projects each delivering a unique difference to many communities and individuals. From communal garden clearing to activities to reduce social isolation such as bingo sessions; it offered something for everyone.

At the start of the year we set ourselves a challenging target to deliver over 100 community events. We topped that by hosting a massive 170 events. Delivered under the banner of Fortis Living on Tour, it saw us touring local communities up and down the two counties offering positive opportunities to get involved in our work, build service knowledge and to have fun! Almost 4,000 families, older people, our network of teen champions and other supported groups all took part.

The needs and aspirations of our customers are ever-changing. Work to strengthen and build our relationship with them and define how we can better work together took place at our Fortis Tenants Day and Older Tenants Day. These unique events gave tenants a genuine opportunity to shape and influence our work and contribute to the ongoing improvement of our services. We also recognised over 100 tenant involvement enthusiasts for their tireless work to help build better communities.

We are committed to supporting local social enterprises and to helping them thrive and deliver to their full potential. Five local ventures have benefitted from our fundraising and bid writing support over the past year and we have helped them secure funding to the tune of £330,350. We have also successfully secured £65,000 in funding for our own projects.

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Operating & Financial Review 2015

INVESTING IN ... GROWTH AND OPPORTUNITIES

We have delivered 638 new homes, against a target of 500. The new homes included those within the HCA's 2011-15 programme which was successfully completed.

Excellent progress has also been made in expanding our work into new areas of operation. We are now a partner registered provider in eight new local authority areas across Gloucestershire and Warwickshire. New opportunities are already on site in these areas which will bring the first new homes over the coming year.

Important landmarks along the way were the completion of our first full managed Extra Care schemes at Clarence Park Village in Malvern and Meadow Court in Worcester. Together they deliver 158 high quality homes and lifestyle facilities for older people and are supported with an innovative funding and service contract with an external care and support provider.

Another milestone is the completion of our first 'place of change' supported housing scheme. The scheme which provides 19 studio apartments for single homeless people evidences our commitment to helping vulnerable people live and thrive independently.

We are also successfully embracing the challenge of new tendering regimes that statutory agencies increasingly rely upon with successes to date for our Falls Response, Young Peoples and Young Parents Services.

Our understanding and expertise of Home Improvement Agency services was rewarded during the year with our third newly-won support contract in Worcestershire. Our flexible approach to the growing demands has seen our Care and Repair service deliver over £300,000 of private works, an increase of 85% on the previous year.

INVESTING IN ... THE BUSINESS

Behind the scenes we have been working to create a robust business that is fit for the future, best placed to cope with the changing pressures of the economy and the housing market and equipped to deliver excellent services for our customers. Good governance is a crucial part of this and we have established an effective coterminous board to govern and lead the work of the Group. This work was ratified with a G1/V1 rating from the HCA in April 2015.

Market confidence in our strong financial foundations and controls were reinforced with the securing of a record breaking funding deal. The deal was completed under the government backed Affordable Homes Guarantee Programme and delivered a £20 million, 30 year fixed rate loan at 2.204%. An additional £50 million of new funding was also secured through this programme together with a further £20m of revolving facilities with Santander.

We want Fortis Living to be a great place to work, with a great culture that attracts the best people. In a time of unprecedented change we have been working to construct the new business and create the team structures, policies and support networks needed to help colleagues flourish and succeed. Our newly formed representative platform, the Employee Forum has played a key role both in this work and in our drive to create a more engaged and effective two-way working relationship. Work to address pay anomalies and implement a consistent and fair pay structure that supports personal development is now underway.

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Operating & Financial Review 2015

Colleagues across the business have also been involved in work to develop a framework of behaviours that define the Fortis Way of working for the future. This will be a prime focus for us going forward as we continue to define our position as a top employer.

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. Ensuring our staff have the knowledge and skills they need to deliver on our ambitions was a priority too and we delivered 485 training events.

Financial Review

The Group's consolidated income and expenditure account and balance sheet are included on pages 22 and 26.

The Group's results over the last five years are as follows:

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Operating Surplus	36,172	30,174	25,702	21,241	17,128
Surplus on Sale of Fixed Assets	357	282	475	223	367
Interest + minor non-operating costs	(8,603)	(7,709)	(8,509)	(7,781)	(7,367)
Surplus for the Year	27,926	22,747	17,668	13,683	10,128
Fixed Assets	703,980	641,307	492,260	414,222	389,424
Net Current Assets	42,717	17,862	9,410	5,316	7,813
Total assets less current Liabilities	746,697	659,169	501,670	419,538	397,237
Creditors after more than one year	256,794	221,398	196,662	194,646	192,722
Pension Liability	22,644	14,618	19,665	15,286	10,282
Provision for Liabilities and Charges	200	200	200	200	200
Revaluation reserve	329,665	306,354	197,786	136,437	130,026
Revenue reserve	137,394	116,599	87,357	72,969	64,007
Total members funds	746,697	659,169	501,670	419,538	397,237

The underlying core performance continues to be strong, but was supplemented in the year with strong results on property sales. Whilst shared ownership first tranche sales are expected to continue, the business plan is not dependent on them.

Asset values have continued to increase, partly due to revaluation, but also due to the development of new homes.

Net surplus for the year continues to be strong, but all surpluses are reinvested in new and existing housing stock. New development is funded from a combination of surpluses generated and from new borrowing, as can be seen from the growth in long term creditors.

Fortis Property Care Limited produced a strong financial performance in the year and made gift aid donations of £0.8m to Festival Housing Limited.

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Operating & Financial Review 2015

Capital structure and treasury policy

The treasury management policy and strategy are reviewed annually and approved by the Board and are supported by independent professional advice. 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.

Debt is split across WCH and Festival. Recently the Group made use of the government guarantee and secured funding through Affordable Housing Finance. As at March 2015 the Group had total loan facilities of £342m; £70m of which relates to new AHF funding and £20m to a new Santander facility.

Within these facilities there are three Lender Option Borrower Option (LOBO) facilities, whereby the lender has the option to increase interest rates. The total of these facilities is £75m. There are no "margin calls" related to these facilities, but if the lender was to exercise the option, and Fortis did not accept the increase, the facility would have to be refinanced.

Prior to merger Barclays facilities and debt was restructured to allow a cancellation of the WCH facility in April 2016. However, discussions are under way to extend this facility to 2021.

Covenants are drawn at subsidiary level with compliance in all subsidiaries. The covenants monitored are interest cover, debt per unit and asset cover. All covenants continue to have significant headroom within them.

During the year security was released from both the WCH and Festival Barclays facilities to be used as security with the AHF facilities. It is expected to release further security from the WCH facility as part of the refinancing of 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 2015/16 and 2016/17. (The AHF fund is available for two more years.)

<u>Summary Loan Facilities</u>	Facility	Fixed	Variable	Callable	Rate*
	£M	£M	£M	£M	%
Haven	7	7	-	-	7.00%
Festival Barclays	180	146	34	75	4.46%
Worcester Barclays	65	-	65	-	1.50%
Festival Santander	20	-	20	-	1.50%
EIB Festival	20	20	-	-	2.38%
AHF Festival	30	30	-	-	3.50%
AHF Worcester	20	20	-	-	3.50%
	342	223	119	75	3.77%
		65%	35%	22%	

*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 Group also incurs commitment costs against arranged, but undrawn, facilities.

As at the 31st March £236m had been drawn and £15m was held by AHF pending arrangement of security. At the date of this report all security is in place and funds available to draw.

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Operating & Financial Review 2015

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 (EUVSH), amounted to £684m (2014: £616m) with the revaluation surplus being taken to the Property Revaluation Reserve.

Combined with Housing under construction, the Balance Sheet asset value achieved £696m indicating that there is sufficient capacity to continue to support future funding requirements during the next ten years, the period for which new development has been included in the business plan.

Loan Covenants

There are three covenants within each subsidiary: Interest cover, Asset cover and Debt per unit. The business plan is fairly resilient to these since assets more than cover existing facilities (see table above), and there is capacity to add to existing security if values fall. In some cases, particularly in WCH, there is over-security which can be released.

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

- 1. Interest Cover:** To demonstrate by how much net interest costs are covered by operational surplus, in any financial year

	Loan Agreement	Actual
Festival	0.95	3.51
WCH	1.10	7.56

- 2. Asset Cover:** To show by how much the value of loans is covered by the latest value of secured property.

	Loan Agreement	Actual
Festival	1.00	1.31
WCH	1.00	3.54

- 3. Debt per Unit:** To show the value of loans expressed per charged property

	Loan Agreement	Actual
Festival	£32,500	£21,699
WCH	£16,000	£11,478

Cash Flows and Liquidity

Cash Flows are set out in the cash flow statement on page 28. Net flow of cash from the management of housing stock, new loans and capital grants helped to fund spending on the development of properties.

Cash, bank and investment balances at 31 March 2015 were £43m (2014: £14m), but £15m of this total represents funds held by lenders pending the arrangement of security. Net current assets were £43m (2014: £17.9m).

Current facilities enable a healthy margin of liquidity, and with all security in place the full facility of £342m is available, providing £85m headroom over the balance sheet debt position of £257m.

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Operating & Financial Review 2015

Risk Management

Risks that prevent the Group 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 5 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.
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.
Regulation	Failure to meet the requirements and challenges of the new regulatory framework.	The Group must ensure that it has an effective response to the new requirements particularly in respect of: <ul style="list-style-type: none"> • Stress testing of business plans • Assets and liabilities registers • Preparation for In Depth Assessment • Data Quality
Governance	Board has appropriate skills to meet new Regulatory requirements during Board renewal.	Robust succession and recruitment plan; induction and training of new Board members.

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.

FORTIS LIVING

Operating & Financial Review 2015

Value for Money (VfM)

The Group Boards recognise their 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 Group's assets and the utilisation of the Group'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.

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 operating areas and key stakeholders.

The expected net annual efficiency saving to be delivered from the merger is forecast to exceed £3m by 2017/18 and a total saving of £10m is forecast to be delivered in the first five years after merger.

	2014/15	2015/16	2016/17	2017/18	2018/19	5 year
	£,000	£,000	£,000	£,000	£,000	£,000
Merger savings	1,020	2,171	3,127	3,269	3,421	13,008
Merger Costs	(1,086)	(1,016)	(1,160)	(57)	-	(3,319)
Net Saving	(66)	1,155	1,967	3,212	3,421	9,689

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.

The year 1 merger cost budget of £1.086m included allowances for legal and finance costs, staff restructuring, and integration support. Some of these costs have been either avoided or absorbed into existing budgets with the actual costs incurred of **£0.885m** relating mainly to the restructuring of staff.

Against a merger savings budget of £1.02m, **£1.097m** has been delivered. The business case expected costs and savings to be in balance in year 1, but this expectation has been outperformed. Whilst the merger costs are one-off costs in year, the savings are permanent and reduce the operating cost base in future years.

A detailed review of delivery against the merger business case is included in the separate VfM Self-assessment.

FORTIS LIVING

Operating & Financial Review 2015

VFM: Financial Performance and Benchmarks

Key Financial Results	2014/15 £M	2013/14 £M	2012/13 £M
Turnover	96.70	79.86	74.76
Operating Surplus	36.17	30.17	25.70
Interest	8.60	7.71	8.53
Net Surplus	27.93	22.75	17.67
Net Assets	746.70	659.17	501.41
Funding	256.79	221.40	196.66

The underlying core performance continues to be strong, but both turnover and surplus were supplemented in the year with strong results on property sales at the Clarence Park extra care scheme. Shared ownership first tranche sales will continue in future years, but the business plan is not dependent on them.

The net surplus for the year continues to be strong and will be reinvested in new and existing housing stock. New development is funded from a combination of surpluses generated and from new borrowing, as can be seen from the growth in long term creditors.

Asset values have continued to increase, partly due to revaluation, but also due to the development of new homes.

The following ratios have been benchmarked against the 2014 Global Accounts for the sector using a sample of LSVT HAs with stock in the range 10k to 20k units (except * this benchmark provided by HouseMark).

Key Financial Ratios:	<i>Benchmark</i>	2014/15	2013/14	2012/13
Operating Margin %	23.8%	37.4%	37.8%	34.4%
EBITDA Interest Cover	2.6	4.9	4.8	3.8
EBITDA (MRI) Interest Cover	-	3.8	3.0	3.0
Cost of funds %	*4.39%	4.02%	4.21%	4.43%
Debt per unit £K	12.7	17.9	16.0	14.5
Gearing Ratio %	56.7%	34.4%	33.6%	39.2%
Return on Net Assets %	2.4%	3.7%	3.5%	3.5%

Operating margin and interest cover considerably outperform the benchmarks, but the benchmark shows a lower debt per unit. The Gearing Ratio (Debt/Net Assets) is lower than the sample indicating that the Group has more capacity to borrow despite the larger debt per unit.

Return on Net Assets performs well against the benchmark sample. £90m of new facilities were arranged during the year at competitive rates which contributed to the reduction in the average Cost of funds, which has reduced year by year and performs well against the HouseMark benchmark.

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.

FORTIS LIVING

Operating & Financial Review 2015

The following section demonstrates the Group's progress towards greater efficiency in its operating environment.

VFM: HouseMark Efficiency Summary

Efficiency Summary for Fortis Living				
Business activity	Cost KPI	Cost KPI Quartile	Quality KPI	Quality KPI Quartile
Overheads	Overhead costs as % adjusted turnover	★	Overhead costs as % direct revenue costs	★
Major works & cyclical maintenance	Total CPP of Major Works & Cyclical Maintenance	★	Percentage of tenants satisfied with the overall quality of their home (GN & HfOP)	●
			Percentage of dwellings that are non-decent	★
Responsive repairs & void works	Total CPP of Responsive Repairs & Void Works	★	Percentage of tenants satisfied with repairs and maintenance (GN & HfOP)	★
			Average number of calendar days taken to complete repairs	☀
			Average re-let time in days (standard re-lets)	☀
Housing management	Total CPP of Housing Management	★	Percentage of tenants satisfied with the service provided (GN & HfOP)	★
			Percentage of anti-social behaviour cases resolved successfully	👑
			Current tenant rent arrears as % of rent due	☀

Quartile key							
	Upper Quartile	Middle Upper	Median	Middle Lower	Lower Quartile	N/A	No Data
Valid dataset	★	👑	○	☀	●	●	NA
Small dataset	★	👑	⚠	☀	⚠	⚠	NA

All Cost per Property measures are upper quartile and the total cost has improved on the previous two years:

	Benchmark	2014/15	2013/14	2012/13
Overheads / Turnover %	10.2%	6.6%	9.0%	9.1%
Major & Cyclical Works £	1,334	1,253	1,467	1,271
Voids £	209	181	150	166
Responsive £	433	376	455	475
Housing Management £	384	383	366	356
Total HouseMark CPP £	2,360	2,193	2,438	2,268

The Housing Management Cost is expected to improve in 2015/16 as the restructure of services is now complete.

FORTIS LIVING

Operating & Financial Review 2015

Maintenance costs are closely managed through use of Fortis Property Care.

The HouseMark quality KPIs show a good response against the benchmarks with all indicators except arrears in the top quartile.

Key Customer Performance Indicators and Benchmarks

KPI:	Benchmark	2014/15	2013/14	2012/13
Overall Satisfaction	91%	93%	91%	89%
Current Tenant Arrears as percentage of rent due	3.6%	3.7%	3.9%	3.0%
Bad Debts	1.3%	1.0%	0.9%	0.7%
Void Rent Loss	1.3%	1.1%	0.8%	0.9%
Average days to re-let our homes	32	26	20	20
Repairs completed right first time	89%	93%	-	-

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

Key Growth & Investment Performance Indicators and Benchmarks

KPI:	Benchmark	2014/15	2013/14	2012/13
Major Works Revenue £M	-	6.04	5.49	6.87
Major Works Capitalised £M	-	7.75	10.56	6.13
Total Investment £M	-	13.79	16.05	13.00
New Homes completed	-	638	339	235
New Homes Investment £M	-	45.01	48.53	29.06
Decent Homes	100%	100%	100%	100%
Gas Safety	100%	100%	100%	100%

Future Priorities

Following the Government's Summer Budget on 8th 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 cashflow 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. Most areas of the business have been merged and restructured, and this programme will complete during 2015/16.

FORTIS LIVING

Operating & Financial Review 2015

There will also be a review during the year to harmonise all employment terms and conditions across the Group.

The strategic plan has both short and medium term objectives, and these will continue to be delivered throughout the year.

Overall VFM assessment

The VFM Self Assessment demonstrates that Fortis Living complies with the HCA's VFM standard.

We have:

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

To improve over the next 12 months we will:

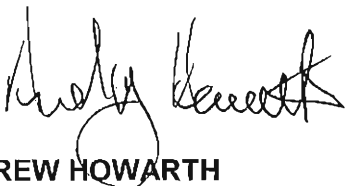
- Provide more opportunities for our Customer and Communities Panel to scrutinise our performance
- Review options and implement a method of measuring our Social Return on Investment
- Harmonise Terms and Conditions across the Group
- Continue to monitor the delivery of the merger Business Case
- Update the VFM Strategy
- Update the Procurement Strategy
- Review our approach to voids management

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

The Statutory Accounts and Value for Money Self-assessment approved by the Board will be published on the Group website at <http://www.fortisliving.com> after the Annual General Meeting on 22nd September 2015.

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 (2010 update).



ANDREW HOWARTH
SECRETARY

FORTIS LIVING

Independent Auditor's Report to the Members 2015

We have audited the financial statements which comprise the Group's and the Association's income and expenditure account, the statement of total recognised surpluses and deficits, the balance sheet, the Group cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Board and the Auditor

As explained more fully in the Statement of Board's Responsibilities set out on pages 5 & 6, the Board is responsible for the preparation of the financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC'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 Group and Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Board Report to identify material inconsistencies with the audited financial statements. 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 Group and Association's affairs as at 31 March 2015 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Requirements for Private Registered Providers of Social Housing 2012.

FORTIS LIVING

Independent Auditor's Report to the Members 2015

Matters on which we are required to report by exception

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

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

Beever and Struthers

BEEVER AND STRUTHERS
Chartered Accountants and Statutory Auditors

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

Date: 3.9.15

FORTIS LIVING

Group Income and Expenditure Account 2015

	Note	2015 £'000	2014 £'000
Turnover		96,702	79,857
Cost of sales	2	(10,367)	(2,663)
Operating costs	2	(50,163)	(47,020)
		<hr/>	<hr/>
Operating surplus		36,172	30,174
Surplus on sale of fixed assets	21	357	282
Interest receivable and similar income		339	82
Interest payable and similar charges	4	(8,942)	(7,791)
Gift Aid		-	-
		<hr/>	<hr/>
Surplus on ordinary activities before taxation		27,926	22,747
Tax on ordinary activities	6	-	-
		<hr/>	<hr/>
Surplus for the year		<u>27,926</u>	<u>22,747</u>

The Group's results all relate to continuing activities.

The notes on pages 29 to 61 form part of the financial statements.

FORTIS LIVING

Parent Income and Expenditure Account 2015

Note	2015 £'000	2014 £'000
Turnover	9	
Operating Costs	(8,699)	-
Group Internal Recharge	8,695	
Operating surplus	5	-
Surplus on sale of fixed assets	-	-
Interest receivable	-	-
Interest payable and similar charges	-	-
Gift aid	-	-
Surplus for year before taxation	5	-
Tax on ordinary activities	-	-
Surplus for the year	5	-

The results of the parent all relate to continuing activities.

The notes on pages 29 to 61 form part of the financial statements.

FORTIS LIVING

Group Statements of Recognised Surpluses and Deficits and Note of Historical Cost Surpluses and Deficits 2015

	Note	2015 £'000	2014 £'000
Statement of Total Recognised Surpluses and Deficits			
Surplus for the year	18	27,926	22,747
Actuarial (loss) / gain on pension scheme	27	(7,899)	5,645
Social Housing Grant in relation to housing properties sold in the year	18	(55)	(84)
Unrealised surplus on revaluation of housing properties and investments	18	24,134	109,502
Prior Period Adjustment		-	54,072
Total recognised surplus for the year and since last annual report		44,106	191,882

	Note	2015 £'000	2014 £'000
Statement of Historical Cost Surpluses and Deficits			
Surplus for the year	18	27,926	22,747
Realisation of property revaluation gains of previous years	18	768	905
Historical cost surplus on ordinary activities		28,694	23,652

FORTIS LIVING

Parent Statements of Recognised Surpluses and Deficits and Note of Historical Cost Surpluses and Deficits 2015

	2015 £'000	2014 £'000
Statement of Total Recognised Surpluses and Deficits		
Surplus for the year	5	-
Unrealised surplus on revaluation of housing properties and investments	9	-
Total recognised surplus for the year and since last annual report	14	-

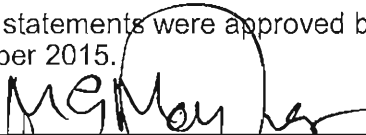
	2015 £'000	2014 £'000
Statement of Historical Cost Surpluses and Deficits		
Surplus for the year	5	-
Realisation of property revaluation gains of previous years	-	-
Historical cost surplus on ordinary activities	5	-

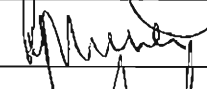
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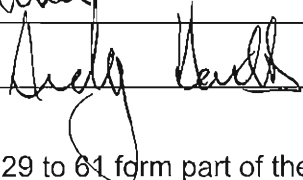
Group Balance Sheet 2015

	Note	2015 £'000	2015 £'000	2014 £'000	2014 £'000
Fixed assets					
Housing properties – cost or valuation	9		696,075		633,142
Other Tangible Fixed Assets	10		7,905		8,165
Homebuy Loans	11	10,108		10,992	
Less Homebuy Grants	11	(10,108)		(10,992)	
			<u>703,980</u>		<u>641,307</u>
Current assets					
Stocks: Housing Properties for sale	12		4,108		7,795
Stocks: Other	12		28		37
Debtors: Amounts falling due within one year	13		6,950		5,204
Debtors: Amounts falling due after one year	13		2,602		2,672
Investments	14		17,114		1,015
Cash at bank and short term deposits			26,305		13,342
			<u>57,107</u>		<u>30,065</u>
Creditors : amounts falling due within one year	15		<u>(14,390)</u>		<u>(12,203)</u>
Net current assets			<u>42,717</u>		<u>17,862</u>
Total assets less current liabilities			<u>746,697</u>		<u>659,169</u>
Creditors : amounts falling due after more than one year	16		256,794		221,398
Pensions Liability	27		22,644		14,618
Provision for Liabilities and charges	30		200		200
Capital and reserves					
Share capital			-		-
Revaluation reserves	18		329,665		306,354
Revenue reserve	18		137,394		116,599
Total members funds			<u>467,059</u>		<u>422,953</u>
			<u>746,697</u>		<u>659,169</u>

The financial statements were approved by the Board of Management and authorised for issue on 3 September 2015.







Member of the Board of Management

Member of the Board of Management

Secretary



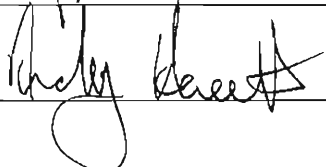
The notes on pages 29 to 61 form part of these financial statements.

FORTIS LIVING

Parent Balance Sheet 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Tangible assets			
Housing properties – cost or valuation	9	97	-
		97	-
Current assets			
Debtors: Amounts falling due within one year	13	131	-
		131	-
Creditors : amounts falling due within one year	15	(161)	-
		(30)	-
Net current assets		(30)	-
Total assets less current liabilities		67	-
Capital and reserves			
Share capital	17	-	-
Revaluation reserves	18	62	-
Revenue reserve	18	5	-
		67	-
Total members funds		67	-

The financial statements were approved by the Board of Management and authorised for issue on 3 September 2015.

 <hr style="border: 0; border-top: 1px solid black;"/>	Member of the Board of Management
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 <hr style="border: 0; border-top: 1px solid black;"/>	Secretary

The notes on pages 29 to 61 form part of these financial statements.

FORTIS LIVING

Group Cash Flow Statement 2015

	Notes	2015 £'000	2014 £'000
Net cash inflow from operating activity	22	47,296	34,894
Returns on investments and servicing of finance		(8,738)	(7,893)
Taxation			
Corporation tax	6	-	-
		<u>38,558</u>	<u>27,001</u>
 Capital expenditure and financial investment			
Acquisition and construction of housing properties		(52,286)	(54,966)
Social Housing Grants received		2,993	4,922
Sales of housing properties		2,698	2,552
Purchase of other fixed assets		(536)	(740)
Proceeds on disposal of other fixed assets		-	-
Festival Property Purchase Loans repaid		70	95
Homebuy Sales Proceeds		884	623
Investments		(16,062)	35
Cash outflow from capital expenditure		<u>(62,239)</u>	<u>(47,479)</u>
Cash outflow before financing		(23,681)	(20,478)
Financing			
Loans received (repaid)		36,644	23,699
Increase in cash		<u><u>12,963</u></u>	<u><u>3,221</u></u>

FORTIS LIVING

Notes to the Financial Statements 2015

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable financial reporting standards and comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, Accounting Direction for Private Registered Providers of Social Housing 2012, Companies Act 2006 and with the Statement of Recommended Practice, Accounting by registered social housing providers, update 2010.

The financial statements are prepared under the historical cost convention, modified by the policy of revaluing the Group's completed housing properties on an annual basis.

Basis of Consolidation

On 1 April 2014 Festival Housing Limited and Worcester Community Housing formed a new organisation. The Group parent of the new organisation is Fortis Living.

The consolidated accounts incorporate the financial statements of Festival Housing Limited, Worcester Community Housing Limited, Fortis Property Care Limited, Elgar Housing Association Limited, Spa Housing Association Limited, Spa Homes Limited, Partnership Care Services Limited and Worcester Community Housing Foundation Limited.

The Group reconstruction has been accounted for using merger accounting principles. Therefore, although the Group reconstruction did not become effective until 1 April 2014, the consolidated financial statements of Fortis Living Group are presented as if it and its subsidiaries had always been part of the same Group. Accordingly, the results of the Group for the entire year ended 31 March 2015 are shown in the consolidated income and expenditure account and the comparative figures for the year ended 31 March 2014 are also prepared on this basis. All intra-Group balances, transactions, income and expenses are eliminated in full on consolidation.

The financial statements do not include the consolidation of the results of Central Housing Investment Consortium or Worcestershire Telecare, as the Group has no direct rights to assets or surpluses of these companies and limited liability as regards debts or losses. Details of the arrangements can be found in note 35 to the Financial Statements.

Turnover

Turnover represents rental and service charge income receivable, income from shared ownership first tranche sales, other services included at the invoiced value (excluding VAT) of goods and services supplied in the year and other income from non-social housing.

Apportionment of Overheads to Group Members

Central overheads are recharged at cost to Festival Housing Limited, Worcester Community Housing Limited and FPC using the apportionment methods detailed below.

Cost Category	Apportionment Method
Corporate services	Time Allocation
Finance and IT	Time Allocation
Human Resources	Employee Numbers
Training	Historical Spend
Office Running Costs	Floor Area

FORTIS LIVING

Notes to the Financial Statements 2015

Leased Assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the profit and loss account over the period 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.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account over the term of the lease.

Staffing costs

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

Pension costs

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

The Group is a contributing member of the Local Government Pension Scheme (LGPS) and the Social Housing Pension Scheme (SHPS) both of which are multi-employer defined benefit schemes. The assets of these schemes are held separately from those of the group in independently administered funds.

The Group is also a contributing member of the SHPS defined contribution scheme.

(i) Local Government Pension Scheme

The difference between the fair value of the assets held in the Group's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method is recognised in the Group's balance sheet as a pension scheme asset or liability as appropriate.

The carrying value of any resulting pension scheme asset is restricted to the extent that the Group is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. The pension scheme balance is recognised net of any related deferred tax balance.

Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by the Group are charged to the Income and Expenditure account or the statement of total recognised surpluses and deficits in accordance with FRS17 "Retirement Benefits".

(ii) Social Housing Pension Scheme

It is not possible to identify the share of the underlying assets and liabilities belonging to individual companies for the Social Housing Pension Scheme. Accordingly, the income and expenditure charge for that scheme for the period under FRS17 represents the employer contributions payable.

FORTIS LIVING

Notes to the Financial Statements 2015

Property Sales

Under shared ownership arrangements, the group 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 income and expenditure account as a surplus or deficit on sale of fixed assets.

Under right to buy arrangements the Group disposes of properties outright to qualifying tenants and the resulting surplus is reflected in the income and expenditure account. There are clawback agreements with City of Worcester, Malvern Hills District Council and Wychavon District Council, whereby the surplus or deficit is calculated by comparing the net proceeds received by the Group with the book value of the property sold.

Interest and finance costs

Interest on borrowings of the Group as a whole, after deduction of interest on SHG or equivalent in advance, is capitalised, to the extent that it is deemed to be financing the development programme. All other interest is charged to the Income and Expenditure Account in the year in which it is incurred.

Costs directly connected with the raising of finance are deducted from loans and written off evenly over the life of the loan in the income and expenditure account. All other refinancing costs are written off as incurred.

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 balance sheet date, except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the Group and 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 Group and 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

Completed housing properties are shown on the balance sheet at valuation. The aggregate surplus or deficit on the property revaluation is transferred to a revaluation reserve. On the disposal of revalued properties, any unrealised reserves are released and transferred to realised reserves.

FORTIS LIVING

Notes to the Financial Statements 2015

Housing Properties (continued)

Housing properties in the course of construction are not depreciated and are stated at cost of works, plus related management costs and interest capitalised during the construction of the property up to the date of practical completion. Only specific and directly attributable management costs are capitalised. All interest capitalised is calculated by reference to the cost of borrowing.

Where a housing property comprises two or more components with substantially different useful economic lives, each component is accounted for separately and depreciated over its individual useful economic life.

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 income and expenditure account in the year in which it is incurred.

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

Component	Useful Economic Life	
	Festival	WCH
Housing structure	100 years	100 years
Housing structure (non-traditional)	20 years	20 years
Cladding	100 years	50 years
Bathrooms	25 years	30years
Heating systems	30 years	30 years
Kitchens	25 years	20 years
Lifts	30 years	30 years
Roofs	50 years	60 years
Windows and doors	30 years	30 years
Electrical	30 years	30 years
Boilers, air source heat pumps, PVs, solar panels and similar equipment	15 years	15 years

Impairment

Housing properties are reviewed for impairment if there is an indication that impairment may have occurred.

Where there is evidence of impairment, fixed assets are written down to the recoverable amount, being the higher of the net realisable value or the value in use to the Group. Any such write down is charged to operating surplus.

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 Income and Expenditure Account. The remaining element of the asset is classified as a fixed asset and included within housing properties.

Property managed on behalf of others

Where the Group carries the majority of the financial risk on property managed by agents, all income and expenditure arising from the property is included in the Income and Expenditure Account. Where the agency carries the majority of the financial risk, the Income and Expenditure Account includes only that income and expenditure that relates solely to the Group.

FORTIS LIVING

Notes to the Financial Statements 2015

Social Housing Grant

Grants for capital expenditure are deducted from the cost of the fixed assets to which they relate as they become receivable. SHG is recyclable or repayable under certain circumstances, primarily following sale of a property, but the amount recyclable or repayable will normally be restricted to net proceeds of sale. If SHG becomes recyclable, it is no longer shown as a deduction from fixed assets, but is included as a creditor due either within one year or due after more than one year as appropriate to the circumstances.

Grants received in advance of the relevant expenditure are included in short-term creditors and represent amounts to be utilised in the next accounting period.

Grants for revenue expenditure are credited to the income and expenditure account as they become receivable.

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

Homebuy loans

Under these arrangements the Group received social housing grant representing 25% of the purchase price in order to advance interest free loans to homebuyers. The buyer met the balance of the purchase price from a personal mortgage and savings.

Loans advanced by the Group under these arrangements are disclosed as fixed asset investments. The social housing grant received to fund these loans is included as part of the investment note using a linked presentation.

In the event that a property is resold, the Group recovers 25% of the value of the property at the time of the resale. The grant becomes recyclable when the loans are repaid up to the amount of the original grant and to the extent the proceeds permit. The Group is able to retain any surplus proceeds attributable to the 25% share of the value of the property. If there is a fall in the value of the property the shortfall of proceeds is offset against the recycled grant. In relation to grant-aided transactions, there are no circumstances in which the Group will suffer any loss.

Following the loss of Zone Agent Status the Group introduced its own equivalent Homebuy product, Festival Property Purchase.

FORTIS LIVING

Notes to the Financial Statements 2015

Festival Property Purchase

These transactions were generally not grant aided but provided opportunities to purchasers on a similar basis to the previous Homebuy product. The scheme was closed in 2009/2010.

When the scheme was open, the Group provided loans of 25% of the purchase price of a property, to qualifying individuals. No monthly repayments are made on the loan, however it is only available for a maximum of ten years or until the property is sold, whichever is the sooner.

These loans are represented by a long-term debtor. These loans are secured by second charges on the properties and therefore, falls in the value could directly affect the recoverability of these loans.

Because of this exposure, the loan balance is reviewed against property values annually and where required, a provision for losses is made in the Income and Expenditure Account.

In certain circumstances the loans were funded by local authority grant and where this is the case, these grants are represented by a long-term creditor in the balance sheet

Stock and Work in Progress

Stock and work in progress, which includes housing properties held for resale, shared ownership first tranche properties and provisions for catering and cleaning, is stated at the lower of cost or net realisable value.

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.

Haven Bond Premium and AHF Bond Premium

The premiums on the issue of the Haven Bond and AHF Bond are included in creditors and are being written off over the period of the loans.

Provisions

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

FORTIS LIVING GROUP

Notes to the Financial Statements 2015 (continued)

2 PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	2015				2014			
	Turnover £'000	Cost of Sales	Operating Costs / £'000	Operating Surplus/ (Deficit) £'000	Turnover £'000	Cost of Sales	Operating Costs / £'000	Operating Surplus/ (Deficit) £'000
Social Housing Lettings (see note 3)	71,237	-	(40,004)	31,233	66,555	-	(38,257)	28,298
Other Social Housing								
Supported Housing	703	-	(577)	126	1,212	-	(1,543)	(331)
Sale of Shared Ownership first tranche	7,669	(5,346)	-	2,323	3,758	(2,663)	-	1,095
Housing Services	1,058	-	(1,048)	10	1,146	-	(1,101)	45
Property Managed by Others	120	-	(72)	48	75	-	(22)	53
Other	6,395	-	(5,734)	661	4,702	-	(4,319)	383
Other Social Housing	15,945	(5,346)	(7,431)	3,168	10,893	(2,663)	(6,985)	1,245
Non Social Housing Activities								
Student Accommodation	136	-	(408)	(272)	207	-	(142)	65
Market Rents	652	-	(386)	266	501	-	(308)	193
Outright sales development	6,590	(5,021)	-	1,569	18	-	-	18
Leaseholders	460	-	(554)	(94)	263	-	(294)	(31)
Shops	237	-	(146)	91	251	-	(147)	104
Garages	532	-	(171)	361	526	-	(218)	308
Care & Repair	566	-	(567)	(1)	569	-	(592)	(23)
Falls Response	160	-	(144)	16	73	-	(77)	(4)
Catering	143	-	(335)	(192)	-	-	-	-
Other	44	-	(17)	27	1	-	-	1
Non Social Housing	9,520	(5,021)	(2,728)	1,771	2,409	-	(1,778)	631
Total	96,702	(10,367)	(50,163)	36,172	79,857	(2,663)	(47,020)	30,174

FORTIS LIVING GROUP

Notes to the Financial Statements 2015 (continued)

3 INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

(i) 2015: Group

	General Needs Housing £'000	Supported Housing £'000	Shared Ownership £'000	Total £'000
Rent receivable net of identifiable service charges	54,205	8,108	2,244	64,557
Charges for support service	12	1,015	11	1,038
Service Income	2,116	2,829	288	5,233
Net Rental Income	56,333	11,952	2,543	70,828
Homes and Communities Agency and other grants	371	26	12	409
Turnover From Social Housing Lettings	56,704	11,978	2,555	71,237
Management	9,143	1,931	371	11,445
Service Charge Costs	1,641	3,345	168	5,154
Routine Maintenance	5,700	1,040	57	6,797
Planned Maintenance	1,772	383	26	2,181
Major Repairs	4,907	1,117	12	6,036
Bad Debts	572	97	9	678
Depreciation of housing properties	6,566	910	217	7,693
Other Costs	2	17	1	20
Operating Costs On Social Housing Lettings	30,303	8,840	861	40,004
Operating Surplus On Social Housing Lettings	26,401	3,138	1,694	31,233
Void losses	(361)	(346)	(68)	(775)

FORTIS LIVING GROUP

Notes to the Financial Statements 2015 (continued)

3 INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

(ii) 2014: Group

	General Needs Housing £'000	Supported Housing £'000	Shared Ownership £'000	Total £'000
Rent receivable net of identifiable service charges	51,360	7,703	1,839	60,902
Charges for support service	5	1,300	-	1,305
Service Income	1,958	2,168	195	4,321
Net Rental Income	53,323	11,171	2,034	66,528
Homes and Communities Agency and other grants	10	10	7	27
Turnover From Social Housing Lettings	53,333	11,181	2,041	66,555
Management	10,152	1,863	376	12,391
Service Charge Costs	1,567	2,577	90	4,234
Routine Maintenance	5,316	956	43	6,315
Planned Maintenance	1,732	425	14	2,171
Major Repairs	4,275	1,211	1	5,487
Bad Debts	612	34	(20)	626
Depreciation of housing properties	6,027	823	152	7,002
Other Costs	8	23	-	31
Operating Costs On Social Housing Lettings	29,689	7,912	656	38,257
Operating Surplus On Social Housing Lettings	23,644	3,269	1,385	28,298
Void losses	(317)	(162)	(46)	(525)

FORTIS LIVING GROUP

Notes to the Financial Statements 2015 (continued)

4 INTEREST PAYABLE AND SIMILAR CHARGES	Group		Parent	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Loans repayable after 5 years	9,336	8,216	-	-
Costs of rearranging finance	267	566	-	-
Other interest	12	11	-	-
	<u>9,615</u>	<u>8,793</u>	<u>-</u>	<u>-</u>
Interest capitalised on housing properties	(533)	(985)	-	-
Other Finance Costs – Pension Scheme (note 27)	(140)	(17)	-	-
	<u>8,942</u>	<u>7,791</u>	<u>-</u>	<u>-</u>

Interest has been capitalised at rates of 1.55% and 4.5% (2014: 4.1% and 5.0%).

5 OPERATING SURPLUS

The operating surplus for the year is stated after charging:

	2015 £'000	2014 £'000
Depreciation of housing properties	7,539	6,872
Depreciation of other fixed assets	790	813
Auditors remuneration:-		
In their capacity as auditors	33	-
In respect of other services	18	-
Land and Buildings – operating leases	85	54
Hire of motor vehicles – operating leases	781	554
Hire of other assets – operating leases	71	29

From 1 April 2014, Auditors remuneration is paid for by Fortis Living.

6 TAXATION

The Group has tax losses of £NIL (2014: £NIL). Losses are normally available to be carried forward and used to relieve taxable surpluses on future trading activities.

	Group		Parent	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Surplus on ordinary activities before tax	<u>27,926</u>	<u>22,747</u>	<u>5</u>	-
Surplus on ordinary activities at the standard rate of Corporation tax in the UK of 21% (2014: 23%)	5,864	5,232	1	-
Surplus relating to charitable entities	(5,842)	(5,315)	(1)	-
Depreciation in excess of capital allowances	4	(5)	-	-
Utilisation of charges on income	(26)	88	-	-
Tax charge for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

FORTIS LIVING GROUP

Notes to the Financial Statements 2015 (continued)

7 GROUP STAFF COSTS

	2015 £'000	2014 £'000
Wages and salaries	16,341	15,410
Social security costs	1,236	1,173
Other pension costs	1,799	1,539
	19,376	18,122

	2015 Number	2014 Number
Average number of full time equivalent persons (including the Group Chief Executive, and where 1 full time equivalent is based on 37 hours per week) employed during the year was:		
Office staff	247	306
Site based staff	289	274
Total employees	536	580

The number of full time equivalent staff whose remuneration payable fell within the bands:

£60,000 to £69,999	4	4
£70,000 to £79,999	6	6
£80,000 to £89,999	-	-
£90,000 to £99,999	1	2
£100,000 to £109,999	2	1
£110,000 to £119,999	1	-
£120,000 to £129,999	1	1
£130,000 to £139,999	-	1
£140,000 to £149,999	1	-
Total	16	15

FORTIS LIVING GROUP

Notes to the Financial Statements 2015 (continued)

8 BOARD MEMBERS AND DIRECTORS EMOLUMENTS

(a)	The aggregate emoluments paid to or receivable by non Executive Directors:	2015 £	2014 £
	• F J Bentley	9,200	8,400
	• D Hall	-	1,640
	• M G Moyles	14,000	10,500
	• J Weir	-	2,533
	• R J Foster	2,211	3,571
	• A G Strong	5,600	4,200
	• C M Jackson	6,374	7,005
	• J B Waring	4,500	3,449
	• A J Milner	7,415	5,250
	• L E Furniss	-	2,026
	• P R Cullen	-	4,263
	• D Thompson	9,828	1,445
	• C Almgill	5,600	-
	• M Davies	5,600	-
	• S Williams	7,387	-
	• G Williams	5,600	-
	• D Clark	1,924	-
		85,239	54,282
(b)	The aggregate emoluments paid to or receivable by Executive Directors and former Directors	2015	2014
		Remuneration	Total
		£'000	£'000
	Group Chief Executive		
	Guy Weston	147	17
	Executive Director		
	Stewart Mountfield	129	12
	Executive Director, Growth & Investment - Richard Grounds	105	12
	Executive Director, Housing, Care & Communities		
	Clare Huyton	106	10
	Executive Director, Finance		
	Andrew Howarth	115	13
		602	64
		666	618
(c)	Emoluments paid to the highest paid Director (exc. Pension)	147	137
(d)	The aggregate amount of any compensation paid to Directors or former Directors during the period of account	-	129
(e)	The aggregate amount of any consideration payable to or receivable by third parties for making available the services of a Director	-	157

The Chief Executive is a member of the Local Government Pension Scheme and no enhanced terms have been agreed.

FORTIS LIVING GROUP

Notes to the Financial Statements 2015 (continued)

9 TANGIBLE FIXED ASSETS - HOUSING PROPERTIES GROUP

(a) Group	Housing Properties Held For Letting £'000	Housing Properties In The Course Of Construction £'000	Completed Shared Ownership Housing Properties £'000	Shared Ownership Properties in the Course of Construction £'000	Total £'000
COST OR VALUATION					
At 1 April 2014	580,610	16,669	35,465	5,913	638,657
Additions	2,412	33,731	-	8,864	45,007
Work to existing properties	7,743	-	2	-	7,745
Disposals	(1,410)	-	(637)	-	(2,047)
Schemes completed	39,369	(39,369)	11,843	(11,843)	-
Adjustment on revaluation	9,516	-	(713)	-	8,803
Reclassification	45	-	(45)	-	-
At 31 March 2015	638,285	11,031	45,915	2,934	698,165
SOCIAL HOUSING AND OTHER GRANTS					
At 1 April 2014	-	4,540	-	975	5,515
Receivable during year	976	2,781	-	573	4,330
Schemes completed	5,423	(5,423)	1,356	(1,356)	-
Adjustment on revaluation	(6,399)	-	(1,356)	-	(7,755)
At 31 March 2015	-	1,898	-	192	2,090
DEPRECIATION					
At 1 April 2014	-	-	-	-	-
Charge for the year	7,330	-	209	-	7,539
Adjustment on revaluation	(7,330)	-	(209)	-	(7,539)
At 31 March 2015	-	-	-	-	-
NET BOOK VALUE					
At 31 March 2015	638,285	9,133	45,915	2,742	696,075
At 31 March 2014	580,610	12,129	35,465	4,938	633,142

(b) Work on existing properties:

	2015 £'000	2014 £'000
Works capitalised	7,745	10,561
Works charged to income and expenditure account	6,241	5,538
	13,986	16,099

FORTIS LIVING GROUP

Notes to the Financial Statements 2015 (continued)

9 TANGIBLE FIXED ASSETS - HOUSING PROPERTIES (continued)

- (c) Freehold housing properties were revalued at existing use value for social housing (EUUV-SH) as at 31 March 2015 by Savills (UK) Ltd. This valuation, based on perpetuity, made use of discounted cash flow methodology and key assumptions related to the level of future rents, level of future expenditure on repairs and maintenance, the rate of turnover of existing tenants, the level of right to buy sales and the discount rate of 5.02% to 6.52%.
- (d) Additions to housing properties include development administrative costs of £1,287,253 (2014 - £841,093) which have been capitalised. A rate of 4.1% has been used to capitalise interest.
- (e) Housing properties held for letting includes 120 properties rented at market rates.
- (f) The total social housing grant received to date is £83.2m (2014 - £78.9m) of which £83.1m (2014 - £78.8m) was in respect of capital funding.
- (g) If housing properties had not been revalued, they would have been included at the following amounts: -

	2015 £'000	2014 £'000
Cost	516,280	464,818
Social Housing Grant	(92,791)	(78,825)
	423,489	385,993
Accumulated Depreciation	(57,913)	(50,342)
	365,576	335,651

FORTIS LIVING GROUP

Notes to the Financial Statements 2015 (continued)

9 TANGIBLE FIXED ASSETS - HOUSING PROPERTIES PARENT

	Housing Properties Held For Letting £'000	Total £'000
COST OR VALUATION		
At 1 April 2014	-	-
Transfer from Festival	71	71
Transfer from WCH	40	40
Adjustment on Revaluation	(14)	(14)
At 31 March 2015	97	97
SOCIAL HOUSING AND OTHER GRANTS		
At 1 April 2014	-	-
Transfer from Festival	15	15
Adjustment on revaluation	(15)	(15)
At 31 March 2015	-	-
DEPRECIATION		
At 1 April 2014	-	-
Charge for the year	-	-
Transfer from Festival	5	5
Transfer from WCH	2	2
Adjustment on revaluation	(7)	(7)
At 31 March 2015	-	-
NET BOOK VALUE		
At 31 March 2015	97	97
At 1 April 2014	-	-

FORTIS LIVING GROUP

Notes to the Financial Statements 2015 (continued)

10 TANGIBLE FIXED ASSETS - OTHER

Group	Freehold Land & Offices £'000	Fixtures & Fittings £'000	Computer Equipment and Software £'000	Motor Vehicles £'000	Plant and Machinery £'000	Short Leasehold Improvements £'000	Total £'000
COST							
At 1 April 2014	7,649	2,135	4,764	385	1,136	77	16,146
Additions	8	155	309	38	26	-	536
Disposals	-	-	(15)	(67)	-	-	(82)
At 31 March 2015	<u>7,657</u>	<u>2,290</u>	<u>5,058</u>	<u>356</u>	<u>1,162</u>	<u>77</u>	<u>16,600</u>
DEPRECIATION							
Restated at 1 April 2014	1,487	1,750	3,853	287	558	46	7,981
Charge for year	111	156	376	51	88	8	790
Disposals	-	-	(15)	(61)	-	-	(76)
At 31 March 2015	<u>1,598</u>	<u>1,906</u>	<u>4,214</u>	<u>277</u>	<u>646</u>	<u>54</u>	<u>8,695</u>
NET BOOK VALUE							
At 31 March 2015	<u>6,059</u>	<u>384</u>	<u>844</u>	<u>79</u>	<u>516</u>	<u>23</u>	<u>7,905</u>
At 31 March 2014	<u>6,162</u>	<u>385</u>	<u>911</u>	<u>98</u>	<u>578</u>	<u>31</u>	<u>8,165</u>

FORTIS LIVING GROUP

Notes to the Financial Statements 2015 (continued)

11 HOMEBUY LOANS	Group	
	2015 £'000	2014 £'000
Grants received from the Homes and Communities Agency	<u>10,108</u>	<u>10,992</u>
Loans made by the Group	<u>10,108</u>	<u>10,992</u>
No. of loans outstanding	342	372

12 STOCKS	Group	
	2015 £'000	2014 £'000
Housing properties for sale		
Shared Ownership properties under construction	1,030	1,651
Outright sales properties under construction	418	5,337
Completed Shared Ownership properties	2,514	807
Completed outright sales properties	<u>146</u>	<u>-</u>
	4,108	7,795
Other stock		
General materials	<u>28</u>	<u>37</u>
Total	<u><u>4,136</u></u>	<u><u>7,832</u></u>

There is no material difference between the replacement cost of stocks and the amounts stated above.

13 DEBTORS	Group		Parent	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Amounts falling due within one year				
Rent and service charge receivable	4,095	3,413	-	-
Less: provision for bad debts	<u>(1,626)</u>	<u>(1,376)</u>	-	-
	2,469	2,037	-	-
SHG and other grants receivable	1,316	358	-	-
Trade debtors	1,338	593	-	-
Amounts due from subsidiary undertakings	-	-	131	-
Prepayments and accrued income	1,108	1,099	-	-
Other debtors	<u>719</u>	<u>1,117</u>	-	-
Sub-total	6,950	5,204	131	-
Amounts falling due after one year				
Other debtors	2,602	2,672	-	-
Total	<u><u>9,552</u></u>	<u><u>7,876</u></u>	131	-

Other debtors falling due after one year relate to the Festival Property Purchase Scheme. This Scheme offered loans to people who qualified towards the purchase of a suitable property. This loan is available for a maximum of 10 years, or until the property is sold, whichever is sooner.

FORTIS LIVING GROUP

Notes to the Financial Statements 2015 (continued)

14 INVESTMENTS

	Group	
	2015 £'000	2014 £'000
Cost	17,076	1,014
Revaluation	38	1
	17,114	1,015
The Investments at market value are as follows: -		
Long term Bank Deposits	10,533	425
UK Treasury Bonds	1,268	122
UK Treasury Gilts	4,920	103
Other listed Bonds	393	365
	17,114	1,015

Government stocks are held at rates of 8% (Haven) and 4.5% (AHF).

15 CREDITORS (AMOUNTS FALLING DUE WITHIN ONE YEAR)

	Group		Parent	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Bank loans and overdrafts	20	-	-	-
Trade creditors	2,401	3,426	-	-
Recycled Capital Grant Fund (note 20)	825	426	-	-
Amounts due to subsidiary undertakings	-	-	161	-
Other taxation and social security costs	754	232	-	-
SHG and other grants received in advance	91	50	-	-
Accruals and deferred income	8,631	6,555	-	-
Disposal proceeds fund (note 20)	60	-	-	-
Rents received in advance	495	452	-	-
Other creditors	1,113	1,062	-	-
Total	14,390	12,203	161	-

Other creditors includes Worcestershire Nightstop— £55,690 grant funding received in 2014-2015 (Big Lottery Restricted Fund).

	2015 £	2014 £
At 1 April	1,490	101
Grant Received	55,690	50,340
Grant Used	(57,180)	(48,951)
At 31 March	-	1,490

FORTIS LIVING GROUP

Notes to the Financial Statements 2015 (continued)

16 CREDITORS (AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR)	Group	
	2015 £'000	2014 £'000
Housing finance not repayable by instalments		
Bank loans	193,600	211,156
Finance costs	(835)	(36)
	192,765	211,120
Housing finance repayable by instalments		
Haven Bond funding	6,301	6,416
Premium on issue of Bond	171	183
AHF Bond funding	50,000	-
Premium on issue of Bond	4,269	-
Finance Costs	(124)	-
	60,617	6,599
Total housing finance due after more than five years	253,382	217,719
Retentions	4	610
Recycled Capital Grant Fund (note 20)	1,650	1,519
Other Recycled Grants	402	402
Festival Property Purchase	507	409
Sinking Funds / Reserve Funds	642	548
Disposal Proceeds Fund (note 20)	207	191
	256,794	221,398

Bank loans are repayable at different stages and are secured by specific charges on freehold housing properties. Interest is payable on the loans at either LIBOR or fixed rates at an average of 4.46%.

The undrawn loan facility is £19.0m (2014: £11.8m) and is available to finance the future development requirements of the group.

The Haven Bond is redeemable in 2032 and is secured by fixed charges on certain housing properties and the fixed asset investment. Interest is payable at 7%.

The AHF Bond is redeemable in 2042 and is secured by specific charges on freehold properties. Interest is payable at 3.8%.

17 SHARE CAPITAL	Parent	
	2015 £	2014 £
At 1 April 2014	-	-
Issued during the year	10	-
Cancelled during the year	-	-
At 31 March 2015	10	-

FORTIS LIVING GROUP

Notes to the Financial Statements 2015 (continued)

17 SHARE CAPITAL (continued)

The shares have a nominal value of £1 each and provide members with the right to vote at general meetings, but do not provide a right to dividends or distributions on winding up. The issue of shares is authorised as required throughout the year. Shares in issue cannot be repaid or transferred and when a shareholder ceases to be a member, the share is cancelled and the amount paid up becomes the property of the Group.

18 RESERVES

Group	Investment Revaluation Reserve £'000	Property Revaluation Reserve £'000	Income & Expenditure £'000	Total £'000
At 1 April 2014	1	306,353	116,599	422,953
Surplus for the year	-	-	27,926	27,926
Revaluation in the year	37	24,097	-	24,134
Actuarial (loss) – pension scheme	-	-	(7,899)	(7,899)
Transfer to RCGF	-	(55)	-	(55)
Transfer – disposals	-	(768)	768	-
At 31 March 2015	38	329,627	137,394	467,059

Parent	Investment Revaluation Reserve £'000	Property Revaluation Reserve £'000	Income & Expenditure £'000	Total £'000
At 1 April 2014	-	-	-	-
Surplus for the year	-	-	5	5
Revaluation in the year	-	9	-	9
Transfer from Festival/WCH	-	53	-	53
At 31 March 2015	-	62	5	67

19 STATEMENT OF GRANT MOVEMENTS

Group	2015 Capital £'000	2015 Revenue £'000
Balance at 1 April 2014	78,825	100
Social Housing Grant received	2,993	-
Transfer to RCGF	(55)	-
Transfer from RCGF	345	-
Movement in debtors	1,007	-
Movement in creditors	-	-
Balance At 31 March 2015	83,115	100

FORTIS LIVING GROUP

Notes to the Financial Statements 2015 (continued)

20 RECYCLED CAPITAL GRANT FUND AND DISPOSAL PROCEEDS FUND

	RCGF		DPF	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
At 1 April	1,945	1,879	191	69
Grant to Development Schemes	(443)	(612)	-	-
Recycled from sales	962	667	76	121
Interest on fund	11	11	-	1
At 31 March	2,475	1,945	267	191

The movement in recycled capital grant fund is reflected above and in Notes 15 and 16.

21 SALE OF FIXED ASSETS

	Group	
	2015 £'000	2014 £'000
Proceeds of sale	2,698	2,528
Less: carrying value	(1,865)	(1,492)
Less: RTB clawback on disposals	(476)	(754)
Surplus for the year	357	282

22 RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2015 £'000	2014 £'000
Operating surplus for the year	36,172	30,174
Depreciation charges	8,329	7,685
Movement in stocks	3,696	(4,622)
Movement in debtors	(1,403)	(173)
Movement in creditors	502	1,830
Net cash inflow from operating activities	47,296	34,894

23 ANALYSIS OF CHANGES IN NET DEBT

	At 31 March 2014 £'000	Cash flows £'000	Non Cash Mov'm't £'000	At 31 March 2015 £'000
Cash at Bank and in hand	13,342	12,963	-	26,305
Bank overdraft	-	(20)	-	(20)
Investments	1,015	16,062	37	17,114
	14,357	29,005	37	43,399
Funds held in Sinking funds/Reserves	(548)	(94)	-	(642)
Housing and non-housing loans	(217,719)	(36,644)	981	(253,382)
	(203,910)	(7,733)	1,018	(210,625)

FORTIS LIVING GROUP

Notes to the Financial Statements 2015 (continued)

24 RECONCILIATION OF NET CASH INFLOW TO MOVEMENT IN NET DEBT

	2015 £'000	2014 £'000
Increase in cash in the year	12,963	3,118
Change in net debt resulting from cash flows	(20,696)	(56,982)
Change in net debt resulting from non cash movements	1,018	(43)
Net debt at 1 April	(203,910)	(150,003)
Net debt at 31 March	(210,625)	(203,910)

25 UNITS / BED SPACES

	2015 Number	2014 Number
Under management at end of year		
<u>Social Housing properties</u>		
Rented units	11,394	11,043
Sheltered housing	1,950	1,948
Shared ownership (including DIYSO)	863	714
Managed for others	9	9
Properties for sale	21	8
Other	107	116
	14,344	13,838

The Group owns 14 properties (2014:11) which are leased to and managed on its behalf by other bodies.

	2015 Number	2014 Number
<u>Non Social Housing Properties</u>		
Market Rent	107	87
Student Accommodation	13	19
	120	106

Student Accommodation as at 31 March 2015 constituted 64 bed spaces (2014 –92 bed spaces).

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

	2015 Number	2014 Number
Under development/refurbishment at end of year		
<u>Social Housing Properties</u>		
Rented units	301	246
Shared ownership	86	82
	387	328
<u>Non Social Housing Properties</u>		
Properties for sale	9	46
	9	46

FORTIS LIVING GROUP

Notes to the Financial Statements 2015 (continued)

26 CAPITAL COMMITMENTS	2015 £'000	2014 £'000
Capital expenditure contracted for but not provided for in the financial statements	48,924	47,342

In addition to the capital commitments shown above, the Board has approved a further £60.6m capital expenditure.

The Group expects to finance the expenditure above by loans, Social Housing Grant or the Group's own resources.

27 PENSION OBLIGATIONS

The Group participates in six schemes for staff as a contributing member (four defined benefit schemes and two defined contribution scheme). The assets of the defined benefit schemes are held in separately administered funds under (i) two schemes in the Local Government Pension Scheme by Worcester County Council and (ii) two schemes in the Social Housing Pension Scheme operated by the Pensions Trust. Contributions to the Schemes are determined by a qualified actuary on the basis of triennial valuations using the "projected unit credit method". Under Financial Reporting Standard No 17 – Retirement Benefits (FRS17), both schemes are defined as multi employer defined benefit schemes.

All pension scheme information is disclosed for the group as a whole. In accordance with FRS17 the Group is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees.

It is not possible to identify the share of the underlying assets and liabilities belonging to individual participating employers for the Social Housing Pension Scheme. Accordingly, the income and expenditure charge for that scheme for the period under FRS17 represents the employer contributions payable.

FESTIVAL HOUSING PENSION SCHEMES

(i) Worcestershire County Council Pension Fund (Defined Benefit)

	As at 31 March 2015	As at 31 March 2014
Membership numbers are:		
Actives	148	164
Deferreds	124	125
Pensioners	153	139
	425	428
Reconciliation of present value of plan liabilities	As at 31 March 2015 £'000	As at 31 March 2014 £'000
At the beginning of the year	36,940	37,692
Current service cost	918	1,069
Interest cost	1,664	1,595
Actuarial losses	6,668	(2,932)
Curtailement costs	51	-
Benefits paid	(1,152)	(784)
Member contributions	314	300
At the end of the year	45,403	36,940

FORTIS LIVING GROUP

Notes to the Financial Statements 2015 (continued)

27 PENSION OBLIGATIONS (continued)

FESTIVAL HOUSING PENSION SCHEMES (continued)

(i) Worcestershire County Council Pension Fund (Defined Benefit) (continued)

Reconciliation of present value of plan assets	2015	2014
	£'000	£'000
At the beginning of the year	25,286	22,682
Expected rate of return on plan assets	1,610	1,457
Actuarial gains	1,566	793
Contributions by Group	917	838
Benefits paid	(1,152)	(784)
Member contributions	314	300
At the end of the year	<u>28,541</u>	<u>25,286</u>
Reconciliation to balance sheet	2015	2014
	£'000	£'000
Present value of funded obligations	(45,403)	(36,940)
Fair value of plan assets	28,541	25,286
	<u>(16,862)</u>	<u>(11,654)</u>
The amounts recognised in the Income and Expenditure Account are as follows:	2015	2014
	£'000	£'000
Included in administrative expenses:		
Current service cost	918	1,069
Curtailement costs	51	-
	<u>969</u>	<u>1,069</u>
Included in other finance (income)/expense:		
Expected return on plan assets	(1,610)	(1,457)
Interest cost	1,664	1,595
	<u>54</u>	<u>138</u>
Total	<u>1,023</u>	<u>1,207</u>
Analysis of amount recognised in statement of total recognised gains and losses	Year to 31	Year to 31
	March	March
	2015	2014
	£'000	£'000
Actual return less expected return on pension plan assets	1,566	793
Experience (losses)/gains arising on the scheme liabilities	(6,668)	2,932
Actuarial (losses)/gains recognised in the statement of total recognised gains and losses	<u>(5,102)</u>	<u>3,725</u>

FORTIS LIVING GROUP

Notes to the Financial Statements 2015 (continued)

27 PENSION OBLIGATIONS (continued)

FESTIVAL HOUSING PENSION SCHEMES (continued)

Historical Summary	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Difference between the expected and actual return on assets	1,566	793	1,671	(1,796)	415
Experience losses and gains on liabilities	(6,668)	2,932	(4,238)	(1,114)	2,818

Composition of plan assets consist of:

	Value at 2015 £'000	Value at 2014 £'000
Equities	26,429	23,314
Other bonds	1,741	1,618
Cash	371	354
Total	28,541	25,286

Principal actuarial assumptions:

	Value at 2015 %	Value at 2014 %
Discount rates	3.3	4.5
Future salary increases	3.5	3.9
Future pension increases	2.0	2.4
Inflation (CPI)	2.0	2.4
Expected rates of return on plan assets		
Equities	6.5	7.0
Government Bonds	2.2	3.4
Other Bonds	2.9	4.3
Property	5.9	6.2
Cash	0.5	0.5
Other	6.5	7.0
Expenses deduction	0.29	0.38
Overall expected return	5.91	6.36

Overall expected rate of return on plan assets is based upon historical returns of the investment performance adjusted to reflect expectations of future long term returns by asset class.

FORTIS LIVING GROUP

Notes to the Financial Statements 2015 (continued)

27 PENSION OBLIGATIONS (continued)

FESTIVAL HOUSING PENSION SCHEMES (continued)

Mortality assumptions

As part of this formal valuation, the actuaries carried out an analysis of the experience of the membership of the scheme. The resulting average expectation of life for a member currently aged 65 were as follows:

Male:	23 years
Female:	26 years

The average life expectancy from age 65 for a member currently aged 45 is two years longer for both males and females.

The Group's best estimate of the contribution expected to be paid in the year beginning 1 April 2015 is £963,000. (2014: £895,000).

(ii) Social Housing Pension Schemes (SHPS – defined benefit and defined contribution)

Both schemes are funded and are contracted out of the State Pension scheme.

Defined Benefit Scheme

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the scheme is a multi employer scheme where the scheme assets are co-mingled for investment purposes, and benefits are paid from total scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to address the financial position of the Scheme in order to address the level of future contributions required, so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation was performed as at 30 September 2011 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035 million, equivalent to a past service funding level of 67%.

The Scheme Actuary is currently finalising the 2014 valuation but key provisional results have been confirmed. As at 30 September 2014, the market value of the Scheme's assets was £3,123 million. There was a shortfall of assets compared with the value of liabilities of £1,323 million, equivalent to a past service funding level of 70%.

FORTIS LIVING GROUP

Notes to the Financial Statements 2015 (continued)

27 PENSION OBLIGATIONS (continued)

FESTIVAL HOUSING PENSION SCHEMES (continued)

Defined Contribution Scheme

The Group joined the SHPS Defined Contribution scheme to satisfy its commitment to auto-enrolment, a government pension initiative. Contributions commenced in November 2013.

WORCESTER COMMUNITY HOUSING PENSION SCHEMES

(i) Worcestershire County Council Pension Fund (Defined Benefit)

	As at 31 March 2015	As at 31 March 2014
Membership numbers are:		
Actives	121	121
Deferreds	91	88
Pensioners	86	78
	298	287

Reconciliation of present value of plan liabilities	As at 31 March 2015 £'000	As at 31 March 2014 £'000
At the beginning of the year	20,932	21,223
Current service cost	627	772
Interest cost	939	894
Actuarial losses	3,898	(1,352)
Curtailment costs	99	-
Benefits paid	(1,020)	(823)
Member contributions	226	218
At the end of the year	25,701	20,932

Reconciliation of present value of plan assets	2015 £'000	2014 £'000
At the beginning of the year	17,968	16,568
Expected rate of return on plan assets	1,133	1,049
Actuarial gains	1,101	568
Contributions by Group	511	388
Benefits paid	(1,020)	(823)
Member contributions	226	218
At the end of the year	19,919	17,968

FORTIS LIVING GROUP

Notes to the Financial Statements 2015 (continued)

27 PENSION OBLIGATIONS (continued)

WORCESTER COMMUNITY HOUSING PENSION SCHEMES (continued)

Reconciliation to balance sheet	2015 £'000	2014 £'000
Present value of funded obligations	(25,701)	(20,932)
Fair value of plan assets	19,919	17,968
	<u>(5,782)</u>	<u>(2,964)</u>

The amounts recognised in the Income and Expenditure Account are as follows:	2015 £'000	2014 £'000
Included in administrative expenses:		
Current service cost	627	772
Curtailement costs	99	-
	<u>726</u>	<u>772</u>
Included in other finance (income)/expense:		
Expected return on plan assets	(1,133)	(1,049)
Interest cost	939	894
	<u>(194)</u>	<u>(155)</u>
Total	<u>532</u>	<u>617</u>

Analysis of amount recognised in statement of total recognised gains and losses	Year to 31 March 2015 £'000	Year to 31 March 2014 £'000
Actual return less expected return on pension plan assets	1,101	568
Experience (losses)/gains arising on the scheme liabilities	(3,898)	1,352
Actuarial (losses)/gains recognised in the statement of total recognised gains and losses	<u>(2,797)</u>	<u>1,920</u>

Historical Summary	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Difference between the expected and actual return on assets	1,101	568	1,197	(1,258)	(220)
Experience losses and gains on liabilities	(3,898)	1,352	(2,439)	(611)	727

FORTIS LIVING GROUP

Notes to the Financial Statements 2015 (continued)

27 PENSION OBLIGATIONS (continued)

WORCESTER COMMUNITY HOUSING PENSION SCHEMES (continued)

Composition of plan assets consist of:

	Value at 2015 £'000	Value at 2014 £'000
Equities	18,445	16,566
Government bonds	-	-
Other bonds	1,215	1,150
Cash	259	252
Total	<u>19,919</u>	<u>17,968</u>

Principal actuarial assumptions:

	Value at 2015 %	Value at 2014 %
Discount rates	3.3	4.5
Future salary increases	3.5	3.9
Future pension increases	2.0	2.4
Inflation (CPI)	2.0	2.4
Expected rates of return on plan assets		
Equities	6.5	7.0
Government Bonds	2.2	3.4
Other Bonds	2.9	4.3
Property	5.9	6.2
Cash	0.5	0.5
Other	6.5	7.0
Expenses deduction	0.29	0.25
Overall expected return	<u>5.91</u>	<u>6.49</u>

Overall expected rate of return on plan assets is based upon historical returns of the investment performance adjusted to reflect expectations of future long term returns by asset class.

Mortality assumptions

As part of this formal valuation, the actuaries carried out an analysis of the experience of the membership of the scheme. The resulting average expectation of life for a member currently aged 65 were as follows:

Male: 26 years
Female: 28 years

The average life expectancy from age 65 for a member currently aged 45 is two years longer for both males and females.

The Group's best estimate of the contribution expected to be paid in the year beginning 1 April 2015 is **£468,000**. (2014: £450,000).

FORTIS LIVING GROUP

Notes to the Financial Statements 2015 (continued)

27 PENSION OBLIGATIONS (continued)

WORCESTER COMMUNITY HOUSING PENSION SCHEMES (continued)

(ii) Social Housing Pension Schemes (SHPS – defined benefit and defined contribution)

Both schemes are funded and are contracted out of the State Pension scheme.

Defined Benefit Scheme

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the scheme is a multi employer scheme where the scheme assets are co-mingled for investment purposes, and benefits are paid from total scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to address the financial position of the Scheme in order to address the level of future contributions required, so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation was performed as at 30 September 2011 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035 million, equivalent to a past service funding level of 67%.

The Scheme Actuary is currently finalising the 2014 valuation but key provisional results have been confirmed. As at 30 September 2014, the market value of the Scheme's assets was £3,123 million. There was a shortfall of assets compared with the value of liabilities of £1,323 million, equivalent to a past service funding level of 70%.

Defined Contribution Scheme

The Group joined the SHPS Defined Contribution scheme to satisfy its commitment to auto-enrolment, a government pension initiative. Contributions commenced in November 2013.

28 OPERATING LEASES

At 31 March the Group was committed to making lease payments as follows:

	2015		2014	
	Land & Buildings £'000	Other £'000	Land & Buildings £'000	Other £'000
On Leases Expiring In: -				
< 1 year	3	161	51	113
2 < 5 years	18	662	16	579
> 5 years	12	-	11	12
	33	823	78	704

FORTIS LIVING GROUP

Notes to the Financial Statements 2015 (continued)

29 GIFT AID

A Gift Aid payment of £752,451 was made by Fortis Property Care Limited to Festival Housing Limited (2014: £1,135,760).

30 PROVISIONS FOR LIABILITIES AND CHARGES

	Group		Parent	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
At start of year	200	200	-	-
Transfer from income and expenditure account	-	-	-	-
At the end of the year	<u>200</u>	<u>200</u>	<u>-</u>	<u>-</u>

31 LEGISLATIVE PROVISIONS

The Group is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Homes and Communities Agency under the Housing and the Regeneration Act 2008.

32 SUBSIDIARY AND RELATED UNDERTAKINGS

At 31 March 2015, the Group incorporated the following wholly owned subsidiary undertakings:

Name of undertaking	Nature of Business
• Festival Housing Limited	Registered Provider
• Worcester Community Housing	Registered Provider
• Elgar Housing Association Limited	Registered Provider
• Spa Housing Association Limited	Registered Provider
• Fortis Property Care Limited	Property maintenance and repair
• Partnership Care Services Limited	Dormant
• Spa Homes Limited	Dormant
• Worcester Community Housing Foundation	Dormant

As required by statute, the financial statements consolidate the results of Festival Housing, Worcester Community Housing and Fortis Property Care Limited.

At 31 March 2015, Fortis Living was the ultimate parent undertaking.

FORTIS LIVING GROUP

Notes to the Financial Statements 2015 (continued)

33 TRANSACTIONS WITH NON-REGULATED GROUP MEMBERS

During the year Fortis Living received £643,000 for the provision of central services (2014: 641,000) such as Finance and Human Resources from Fortis Property Care Limited, a non-regulated group member. In addition regulated group members Festival Housing Limited and Worcester Community Housing Limited were charged £5,394,000 and £2,658,000 respectively for the provision of central services (2014: nil and nil).

34 POST BALANCE SHEET EVENTS

Disclosure of all post balance sheet events has been made in the Board Report.

35 RELATED PARTY TRANSACTIONS

The parent has taken advantage of the exemption conferred by FRS 8 not to disclose transactions with members of the group headed by Fortis Living Group on the grounds that at least 90% of the voting rights in group entities are controlled by Fortis Living Group and are included in consolidated financial statements.

Tenants and Councillors on subsidiary boards have been disclosed in the accounts of the subsidiaries.

Worcestershire Telecare

The Group is a shareholding member of Worcestershire Telecare, a Co-operative and Community Benefit Society. The organisation's core purpose is to provide community alarms and related services to people with support needs.

	Unaudited Accounts 2015 £'000	Unaudited Accounts 2014 £'000
Income	1,590	1,494
Expenditure	<u>(1,681)</u>	<u>(1,343)</u>
Operating (loss)/profit for the year	<u><u>(91)</u></u>	<u><u>151</u></u>

The above results have not been consolidated into the Group Financial Statements because the Group has no direct rights to assets or surpluses of the Co-operative and Community Benefit Society and limited liability as regards debts or losses. Payments made by Fortis to Worcestershire Telecare during 2014-2015 amounted to £95,000 (2014: £99,000) and were in respect of the provision of community alarms and related services.

Central Housing Investment Consortium Limited (CHIC)

Fortis Living Group is one of seven founder members of CHIC, a 'not for profit' company limited by guarantee. The principal activity of the company is based on a joint management arrangement to procure multi-client contracts for the provision of asset management works, services and materials. These contracts are available to the consortium's current and future membership, who can join the consortium to benefit from the efficiencies yielded through joint procurement and collaborative working.

FORTIS LIVING GROUP

Notes to the Financial Statements 2015 (continued)

35 RELATED PARTY TRANSACTIONS (continued)

The members have no direct rights to assets or surpluses of the company and the liability of each member is limited to £1. The following results have not, therefore, been consolidated into the Group Financial Statements.

	Unaudited Accounts 2015 £'000	Audited Accounts 2014 £'000
Turnover	1,189	755
Costs	<u>(1,070)</u>	<u>(641)</u>
Profit	<u><u>119</u></u>	<u><u>114</u></u>

Payments made by Fortis to CHIC during 2014-2015 amounted to £48,000 (2014: £48,000) and were in respect of membership fees.