

Spectrum Housing Group Limited

Report of the Board of Management
and financial statements
Registered number 32020R
31 March 2015

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Board of Management and Officers

Board of Management

Chair

R Organ

Other members

R Hill

S Rastrick – Chair of the Audit & Risk Committee

F Rhodes – Chair of Treasury Committee.

S Lindley – Chair of Spectrum Property Care Limited

C Turner – Chair of Spectrum Premier Homes Limited

L McArthur

M Robinson

H Rose

E Sabey

B Neaves – resigned 15th March 2015

Company Secretary

C McKenna

Group Executive Team

Group Chief Executive

R Hill

Group Finance Director

M J Lucas

Group Development Director

J Takhar

Group Human Resources Director

A Wildeman

Group Director of Operations

R Webber

Managing Director – Spectrum Property Care

P Bryan

Registered Office

Spectrum House

Grange Road

Christchurch

Dorset

BH23 4GE

Spectrum Housing Group Limited is a Registered Society under the Co-operative and Community Benefit Societies Act 2014

Registration Number

32020R

Registered with the Homes and Communities Agency as a Registered Provider under the Housing Act 1996

Registration Number

4759

Operating and financial review

Spectrum Housing Group Limited (“the Association”) is the parent company of the Spectrum Group (“the Group” or “SHG” or “Spectrum”). It is a not-for-profit Registered Provider of Social Housing administered by a Board of Management.

Purpose and Values

The purpose of the Spectrum Group is encapsulated in its vision, to provide ‘Great Homes, Strong Communities and Residents at the Heart.’ Delivery of the vision is underpinned by the following core objectives and values:

Can do – we are a ‘can do’ group of people who deliver on our promises and maximise our impact.

Creative – we aim to be smart in the way we do things, to challenge ‘the norm’ and to think and do in new and creative ways.

Collaborative – we work together, with our residents, and with partner organisations to come up with solutions that are shared and inclusive.

Responsible – we are a robust, long-term business, rooted in the communities in which we work.

The vision and values were updated during the year. We tested a number of ideas for a new vision with our Board, staff and residents. There was strong support for a vision that affirmed our commitment to develop and to manage great homes but also one that went beyond bricks and mortar to include the work that we do to build communities and our commitment to be an organisation that puts residents at the heart of everything we do.

We target our resources where we identify they are most needed through estate strategies and other programmes all aimed at improving the employment prospects, finances, health and wellbeing of residents.

There are numerous examples within the Group that are linked to the core objectives and demonstrate putting customers and staff at the forefront of the plans. These include:

- The Registered Provider within Spectrum was a founder member of Quality Housing Services (“QHS”) and achieved full certified member status in May 2005. The accreditation assessment was undertaken by an independent company specifically created for the task. It used a mix of techniques to assess performance from a customer perspective including mystery shoppers visiting or telephoning the staff, customer surveys by telephone, questionnaire and office audits. This quality accreditation scheme covered all aspects of housing management and customer service with traditional stock being assessed against standard QHS criteria and our NHSK (National Health Service Keyworker) and student stock more recently being assessed against bespoke criteria.
- In 2008, QHS launched a more challenging target to give to those Associations who had been at certification level for some time. SHG attained the enhanced accreditation in November 2011 and has retained this since.
- In January 2013 QHS launched their new Criteria for Excellence and tightened their targets to create a new highest level certification – The Performance Award. SHG’s current position, as assessed in May 2015, against The Performance Award targets shows that we exceed targets in all 10 criteria.
- Our NHSK and Student stock also achieved accreditation on its first assessment in November 2012.

Operating and financial review *(continued)*

Purpose and Values *(continued)*

- Spectrum Property Care (“SPC”), the maintenance provider within the Group, has been re-accredited with its suite of international standards covering safety, health, environment and quality, whilst securing its seventh successive national award from the Royal Society for the Prevention of Accidents (RoSPA). Six of these awards have been Gold status (including the most recent) and the other one was a Silver award.
- SPC also won its ninth, tenth and eleventh national site awards under the Considerate Constructors Scheme (CCS) during the year, for its contracts with Spectrum Housing Group and Poole Housing Partnerships.
- SPC’s growth strategy is adding social value through more employment and training opportunities in local communities, and specifically, SPC has committed to a 50 person apprenticeship programme which was launched during 2014/15, with 11 apprenticeships successfully offered.
- investment in systems technology and mobile working has continued during 2014/15 to support the Company growth and create value for money gains for SHG and SPC’s external clients.
- The Group was also accredited by Investors in People, and in November 2014 achieved Gold Status as a result of the strong emphasis on progressive human resource policies, employee engagement, the development of a coaching culture and significant investment in training and quality compliance.

Business objectives and strategies

Our Corporate Plan, Moving Forward, was reviewed and updated during the year and sets the direction and strategy to 2018 focussing on four main priority areas:

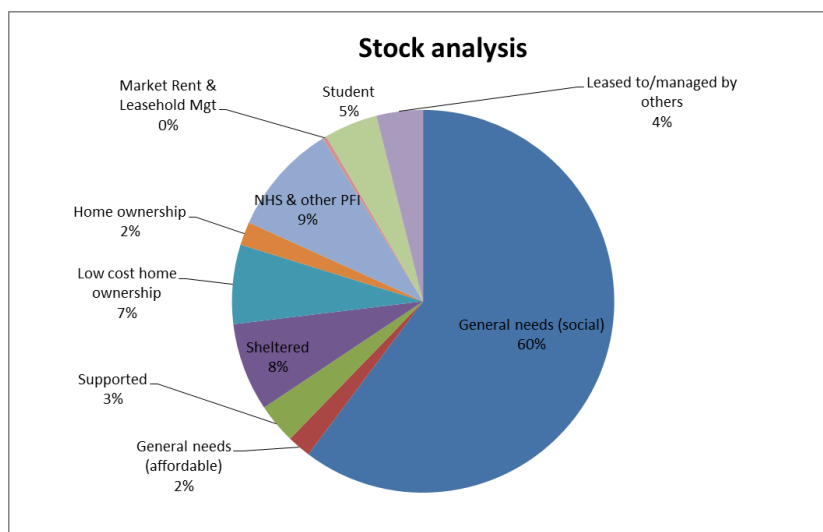
1. Sustained growth
2. High quality services
3. Great place to work
4. Create value

The detailed document is available on our web site (www.spectrumhousing.co.uk).

The Group’s corporate plan sets out the strategic overview with headline objectives to be pursued by all companies over four years. The objectives within the plan have been agreed in consultation with residents, management and boards and are reviewed annually.

Nature of the business

Spectrum Housing Group is a non-profit organisation. We own and manage approximately 17,750 homes and maintain 35,000 across the South of England through Spectrum Property Care. We work in partnership with local authorities, health trusts, statutory bodies, a range of voluntary organisations and higher education establishments to create safe, sustainable communities. The Group provides a wide range of homes:



Operating and financial review *(continued)*

Nature of the business *(continued)*

Spectrum delivers all the services our customers need to live in their homes including repairs and maintenance, home improvements, benefits advice and help with money, neighbourhood services, community development, dealing with anti-social behaviour, and specialist support to independent living and supported housing schemes.

In addition to property maintenance the Group also provides services to external companies including development agency services and access to our contractor and consultant frameworks through the Source Development Partnership, training courses and conference facilities.

Our head office is in Christchurch, Dorset, but we also operate from a number of regional offices including Blandford, Newport, Exeter, Poole, Cheltenham, Reading and Leicester.

The Group's principal subsidiaries as at 31 March 2015 were as follows:

- Signpost Homes Limited is a commercial organisation involved in the letting of market rented and student accommodation;
- Spectrum Property Care Limited is a private limited company providing repair and maintenance services both within the Group and to external organisations;
- Spectrum Premier Homes Limited is a commercial organisation providing design and build services for all developments to the Group and developing housing for open market sale;
- Spectrum Property Ventures Limited is a private limited company utilised as a funding vehicle.

Corporate structure

The ethos of the Spectrum Group structure is that the subsidiaries of the Group have responsibility for operational service delivery whilst sharing corporate services. These shared services currently include Human Resources, Facilities, IT, Business Development, Finance and Chief Executive functions. This is reflected in the Executive Management Team structure which has functional directors (Business Development, Finance & IT and Human Resources & Facilities) plus a Group Operations Director and Managing Director for SPC reporting to the Group Chief Executive.

Governance & co-regulation

Spectrum strongly believes that the foundation of good governance is a balanced, diverse and effective Board which leads and controls the organisation and complies with its legal requirements.

Group control is vested in the rules (i.e. constitution) of Spectrum and the intra-group agreement, which sets out the relationship between the Group parent and subsidiaries. Group constitutional control is further embedded by the parent's power to control appointment and dismissal of subsidiary board members and proposed changes to the constitutions of the various subsidiaries. It is accepted that whilst the Group parent must control, it must also support its subsidiaries. Detailed control procedures are set through the standing orders and financial regulations. As an overview, the parent will provide strategic direction to the Group, allowing subsidiaries to manage their respective businesses in line with agreed business plans.

Operating and financial review *(continued)*

Governance & co-regulation *(continued)*

The Group Board is now supported by three Group committees - Audit & Risk, Remuneration & Nominations and Treasury.

The Group Audit & Risk Committee meets up to six times a year. Its purpose is to monitor and assess the financial control of the Group and to ensure that the Group is operating at appropriate levels of risk. This includes review of financial reporting, internal control, internal audit, external audit and risk management. The Group Audit & Risk Committee regularly reviews its effectiveness in accordance with the former Housing Corporation's good practice guide, "improving the effectiveness of audit committees".

The Remuneration and Nominations Committee meets at least twice a year, promoting the development of strong and effective governance structures to support the delivery of the Group's strategic aims and objectives. The Committee oversees and monitors processes for the recruitment, succession, appraisal and development of non-executive members and the executive. It also reviews and recommends non-executive remuneration, agreements for services, and oversees the review of board and non-executive member performance, plus executive pay and benefits, terms and conditions, and oversees their annual appraisal.

The Treasury Committee normally meets four times a year to consider all aspects of treasury management, including long-term funding requirements and ensuring that loan compliance is maintained. The Treasury Committee also proactively monitors Spectrum's treasury risks and related matters.

The concept of Co-regulation was introduced in April 2010 by the body that regulates social housing. The idea is that housing associations like Spectrum are managed through a partnership between boards, staff and residents providing residents with opportunities to shape how services are delivered and to hold responsible boards to account. Tenants, Board members and staff need to trust and respect each other for Co-regulation to work well, as a high degree of coordination is required. Spectrum achieve this through the Spectrum Residents Group (SRG) and local community forums.

Spectrum recognises excellence in governance as a priority to its continuing success. Spectrum is committed to maintaining the highest standards of governance, accountability and probity and seeks to comply fully with the [National Housing Federations Code of Governance](#).

The code aims to support federation members in being excellent at governing their organisations and being accountable to their stakeholders: shareholders, residents and the sector regulator, the Homes and Communities Agency (HCA).

The National Housing Federation (NHF) 'Excellence in Standards of Conduct' has been adopted as the basis for the Group's Code of Conduct. It aims to ensure that registered providers and their subsidiaries maintain high standards of conduct as their role in delivering affordable homes, neighbourhoods and services to their customers.

The Board has assessed its compliance against its adopted Code of Governance and a statement of compliance is set out in the Report of the Board of Management.

Business development

Spectrum leads the Source Development Partnership ("SDP"), a development consortium of 7 active members. SDP was re-accredited as a partnering body for the HCA's 2011-15 programme with a grant allocation of some £9m. As at 31 March 2015 SDP's spend performance was 92% (2014: 82%) and rent completions 96% (2014: 89%) based on start of year targets. SDP has also secured a grant allocation of some £24.7m for the Homes and Communities Agencies 2015-18.

During 2014/15 Spectrum entered into a Joint Venture (Sherford LLP) with Galliford Try that will see a new community developed on the outskirts of Plymouth. This is a long term project that will see estimated returns towards £20m for Spectrum.

Operating and financial review *(continued)*

Financial results

The Group's surplus for the period was £7.1m (2014: £11.1m). When property disposals, tax adjustments and property impairments/write-downs are excluded, the underlying surplus was £7.4m (2014: £10.4m). Turnover increased by 6.5% to £107.1m (2014: £100.6m) whilst cost of sales increased 38.5% to £12.6m (2014: £9.1m) and operating costs increased 8.9% to £72.0m (2014: £66.1m). The Group has charged impairment on housing properties and write-down of properties for sale totalling £1.2m (2014: £0.2m) which is included within the operating costs.

The Group has capital and reserves of £115.3m (2014: £107.5m). The cash attributable to these reserves has been invested in the Group's housing stock thus reducing borrowing requirements.

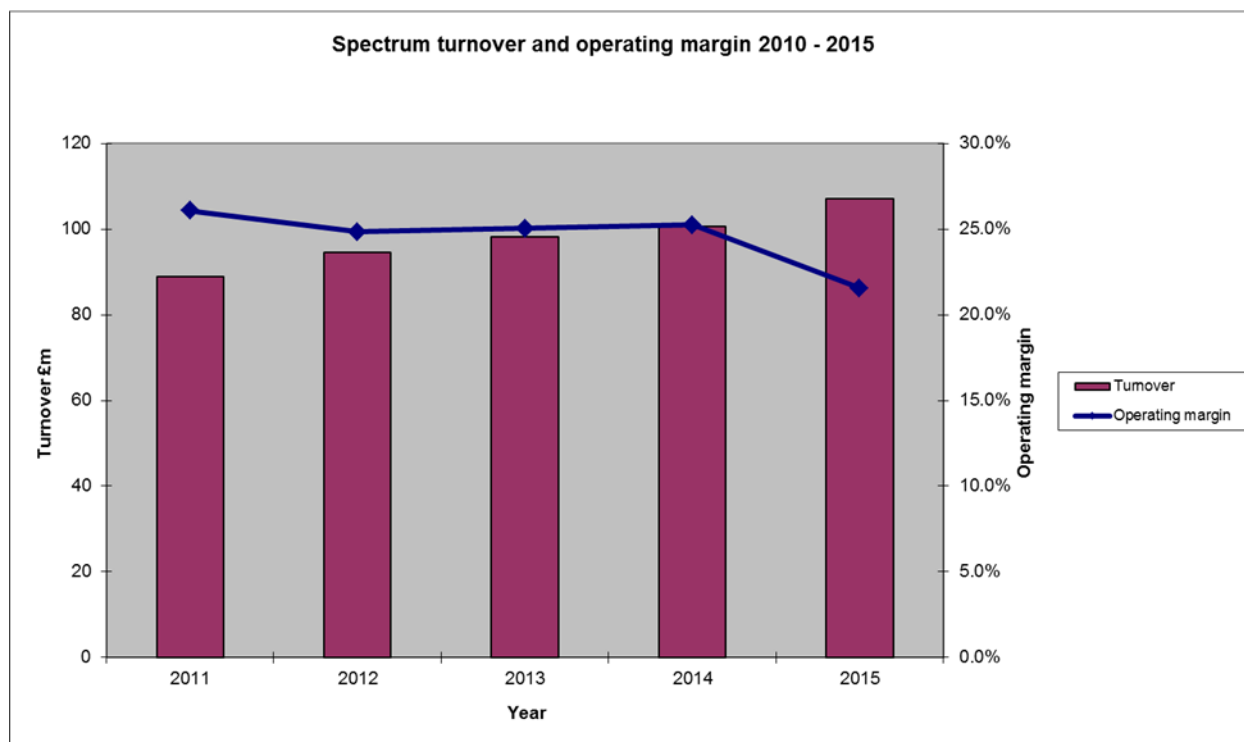
The following table and graph show year on year performance over the past 5 years. A large asset impairment charge, and additional pension costs have impacted the operating margin in 2015 following modest growth in the prior 3 years. The 2011 margin was affected by a one off past service pension credit stemming from changes to future pension increases introduced by the Government. Excluding this pension credit the margin was 23.5% rather than 26.1%. The Corporate Plan has set a challenging target to achieve an operating margin of 30% by 2018. The latest financial projections demonstrate that we are on target to achieve this.

Group financial results: Five year summary

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Income & expenditure account					
Turnover	107.1	100.6	98.2	94.6	89.0
Operating costs and cost of sales	(84.6)	(75.2)	(73.6)	(71.1)	(65.8)
Operating surplus	22.5	25.4	24.6	23.5	23.2
Operating margin	21.0%	25.2%	25.1%	24.8%	26.1%
Net interest	(16.4)	(16.9)	(17.0)	(17.1)	(16.9)
Surplus on disposal of assets	1.0	2.0	28.2	(0.6)	7.4
Taxation	(0.0)	0.6	0.4	(0.4)	0.5
Surplus after tax	7.1	11.1	36.2	5.4	14.2
Balance sheet					
Housing properties at cost less depreciation	833.3	805.1	798.3	799.2	794.6
Social Housing and other grants	(336.2)	(333.6)	(322.8)	(340.8)	(332.3)
	497.1	471.5	475.5	458.4	462.3
Other tangible fixed assets and investments	12.6	11.3	11.8	12.1	11.4
Investment in JV	(0.1)	-	-	-	-
Net current assets/(liabilities)	11.4	7.3	19.8	(0.6)	8.6
	521.0	490.1	507.1	469.9	482.3
Loans due after one year	391.8	372.2	399.8	396.2	403.3
Other long term liabilities	13.9	10.4	12.2	10.3	7.3
Revaluation reserve	6.4	4.7	6.2	8.8	15.5
Income and expenditure account	108.9	102.8	88.9	54.6	56.2
	521.0	490.1	507.1	469.9	482.3

Operating and financial review *(continued)*

Financial results *(continued)*



Following the May 2015 General Election, the Government announced a set of changes that will impact on the housing association sector and on Spectrum's business plan. The main changes include the proposed introduction of Right to Buy for the social housing sector; this was announced in the Queen's Speech in May 2015 and we expect details to be included in a Housing Bill scheduled to be published in Autumn 2015.

The Chancellor also set some significant changes in his Summer Budget (July 2015). The Government had previously announced a 10 year rent settlement with increases in rents set at a maximum of CPI +1%. In the Summer Budget the Chancellor revised this so that for the 4 years from 2016-17 social and affordable rents will fall by 1% annually. The Budget also included a set of welfare reform changes including a reduction in the Benefit cap to £20,000 per year outside London (from £26,000) and a more restrictive approach to tax credits.

These are substantial changes and they will impact on our Business Plan. Since the announcements we have been able to do a significant amount of modelling work to help us understand the impact of the changes. This work demonstrates that there are no immediate issues with our going concern status.

However, the changes in our operating environment will mean that we will have to look carefully at our cost base as we seek to maintain strong operating margins and a healthy business. Our regulator, the Homes and Communities Agency, have asked us to provide them with a new Business Plan by the end of October 2015 and we are actively working to meet that deadline.

Operating and financial review *(continued)*

Value for money – securing efficiency and effectiveness

Spectrum has a comprehensive and strategic approach to achieving value for money which is fully compliant with the HCA's value for money standard. This includes:

- Managing our resources economically, efficiently and effectively in meeting our Corporate Plan;
- Maintaining a robust assessment of the performance of our assets and resources and controlling liabilities;
- Putting residents at the heart by taking account of the interests of, and our commitment to, residents and other stakeholders and sharing this assessment in a way that is transparent and accessible; and
- Planning for and delivering continuous improvement.

2014/15 has been a successful year with achievements that have included the following:

- Enhanced our 2015/16 budget process - strengthening the direct link between the budget, the financial plans and the Corporate Plan and delivering a 3% saving in overheads;
- New homes - we have continued to use our resources to meet housing need by completing a programme of 447 affordable homes for rent and shared ownership, meeting the HCA's expectations for performance in 2014/15;
- Joint venture – in November 2014 we entered into a joint venture with Galliford Try, a major national housebuilder, for the delivery of some 1,600 homes over the next 20 years in Sherford, near Plymouth. This investment is estimated to generate £20m of Gift Aid which will subsidise much needed additional affordable housing;
- Spectrum Property Care (SPC) growth – turnover from our maintenance business has increased by 23% (from £31.6m to £38.9m). SPC was able to Gift Aid £300k to be reinvested in our core business;
- Procurement – we have delivered twelve significant procurements generating £1.1m of annualised savings;
- Return on assets – we have been lead players with other associations in the development of the English Social Housing Index with Investment Property Databank (IPD). We have now completed three years of analysis. The resulting information has been incorporated into our decision making process for recent stock rationalisation and disposals;
- Digital strategy – we have integrated our telephony system with our other communication channels and systems, enabling more residents to transact with us over digital media. At the end of March 2015 62.5% of Spectrum households were transacting with us digitally, significantly ahead of our target;
- Social value through community investment – we have run 210 projects impacting on 13,555 people creating £3.2m social value from Spectrum's investment of £891k alongside third party investment of £412k;
- “Beyond Bricks and Mortar” - we have piloted our work with local communities and our building contractors to ensure our development programme delivers more than just new homes;
- Operational performance – we have retained our Quality Housing Services (QHS) enhanced performance standard for a 7th consecutive year. We recognise that our cost/outcome benchmarking performance has slightly deteriorated and are working to improve this;
- Digital working – we have successfully implemented projects this year including greater automation of manual processes (e.g. report generation), upgrades to infrastructure (e.g. smart phones, audio-visual and video conferencing systems, Microsoft Office suites) and consolidation of home/flexible working systems;
- “Smarter Working” – we successfully initiated our cultural change programme introducing Lean Thinking to streamline processes and reduce waste;
- Best Companies “One to Watch” – in December 2014 we retained this accreditation with an increased score reflecting our commitment to achieving high levels of engagement with our staff;
- Investors in People Gold – in November 2014 we achieved this prestigious accreditation demonstrating our best practice in people management and equipping our organisation with the tools to succeed;
- Pathway employment programme – we have helped 31 people (of whom 15 are Spectrum residents) into employment, including six into apprenticeships with Spectrum Property Care (our maintenance company). 22 others are still going through the programme.

Operating and financial review *(continued)*

Value for money – securing efficiency and effectiveness *(continued)*

We are proud of what we do at Spectrum but recognise that we can do even better.

The environment in which we operate and the expectations of our customers and wider stakeholders is changing. Spectrum is looking to meet the challenges of that change to be a better and stronger organisation.

Our approach to value for money continues to develop and strengthen, providing the foundations for further achievements in future years. We continue to invest in technology, supporting our residents to interact confidently with an increasing digital world as well as making our own processes more efficient. We are also enhancing the engagement with our staff, providing them with a more formal methodology to review and challenge processes which don't add value as well as providing them with opportunities to develop their own skills. Measurement of this is critical in considering how we add value to the communities in which we work and in understanding how our physical assets perform and we continue to focus on strengthening this.

2015/16 will be a challenging year and we have plans that are well underway to deliver further value for money improvements including:

- Credit rating – seeking an independent assessment of our business from a credit perspective giving us the flexibility to approach the capital markets to fund our future growth;
- Geographic stock rationalisation – continuation of our programme of asset rationalisation producing financial and operational benefits to the business and our customers with a circa 400 home stock swap in Dorset/Devon/South Somerset;
- Asset management - using the data from Investment Property Databank (IPD) to identify schemes for possible disposal by correlating income, costs, performance energy data and social value. This will complement our existing lifetime cost approach and will be linked to our business planning and budget round;
- Delivering more homes – under our development plan we will deliver 420 new homes in 2015/ across mixed tenures. Spectrum Premier Homes, our open market sales vehicle, will generate £2m of Gift Aid to support further affordable housing;
- Spectrum Property Care (SPC) growth – profit from our maintenance business is budgeted at circa £600k for 2015/16 enabling an estimated Gift Aid payment of £300k to be reinvested in our core business;
- Adding value in delivering new homes - we have plans to improve our cost effectiveness and to deliver further added value to local communities by extending our “Beyond Bricks and Mortar” approach to bringing together our construction, Pathways and community development activities;
- Digital strategy - extending the digital channels through which our residents can access and feedback on Spectrum’s services with the launch of a Spectrum App and TV site and a new web site in January 2016;
- Quality Assured Scrutiny Accreditation – we have targeted to achieve this accreditation by March 2016 to demonstrate excellent tenant led scrutiny;
- Procurement - undertaking the 22 planned procurements to deliver over £600k of savings and efficiency gains as well as direct savings to residents through service charges and other non-cashable benefits. We are also putting in place resource and processes to enhance supplier management to ensure that we continue to get the required outcomes from our contracts with suppliers;
- Pathways employment programme - supporting a further 12 people, including Spectrum residents, into employment through our Pathway programme as well as securing more external funding to extend the reach of the programme;
- Working smarter - providing the infrastructure and toolset for our staff to work smarter, including realising our plans to embed a coaching culture, developing a formal continuous improvement way of working through our “Smarter Working” initiative. During 2015/16 we will be carrying out a review of our repairs service and our finance forecasting and performance reporting process;
- Value for money strategy - we have recently concluded a structured process of gaining feedback from our residents and internal auditors on our approach to value for money. This will support us in the completion of a new Value for Money Strategy as part of the 2015 Corporate Plan update.

Our detailed self assessment can be found by clicking on the following link

<http://www.spectrumhousing.co.uk/valueformoney>

Operating and financial review *(continued)*

Regulatory performance

The HCA took over the regulatory role from the TSA from 1 April 2012 under its new regulatory framework. The new framework has standards covering governance and financial viability, value for money, rent, tenant involvement and empowerment, home, tenancy and neighbourhood and community. The HCA published a revised regulatory judgement in January 2015 confirming an unchanged viability assessment and that it remains satisfied with Spectrum's governance, and that Spectrum is compliant with the Value for Money standard.

The HCA's Annual Viability Review for the Group for 2014 was issued in January 2015. This confirmed that "the Group meets the requirements on viability set out in the Governance and Financial Viability standard and has the capacity to mitigate its exposures effectively." The ratings (G1 and V1) are the highest of the four gradings available.

G1 – The provider meets the requirements on governance set out in the Governance and Financial Viability Standard.

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

Diversity

Spectrum Housing Group's approach to diversity is contained in our Equality, Diversity and Inclusion Strategy 2014/18 – a journey to excellence.

Our commitment is to ensure that there will be no discrimination or unfair treatment on the grounds of any protected characteristics. We aim to ensure that everybody is treated with dignity and respect and has equal opportunity to receive the services and employment opportunities we offer.

Equality is a key thread across our business, underpinning our values, behaviours and everything we do. We regularly measure our equality performance and take positive action to deal with any imbalances we find. Performance against the Group-wide EDI Strategy Action Plan is reviewed quarterly and annually. Each Department completes a Diversity Audit and there are separate reports on employment and governance, customer service, finance, information technology, development and Spectrum Property Care.

We want to improve further in terms of making equality and diversity central to what we do. In 2013/14 we did some work to understand how we are performing with respect to equality and diversity issues. Our performance overall has some strong elements but good practice is not consistent enough across everything we do. In June 2014 we agreed a detailed equality and diversity (EDI) strategy, and a specific strategy for older people, the implementation of which will be monitored by a new Diversity Board made up of Board Members, executives, staff and residents. We have also included two new key targets in the Corporate Plan: "To achieve the Social Housing Equality Framework Excellent Standard by December 2017 and to employ at least 25 women as trade staff within Property Care by 2018." Corporate Plan 2013/18

In the first year of implementing the EDI strategy we have made good progress:

- We achieved the Chartered Institute of Housing – Equality and Diversity Charter;
- We developed an Older Persons Strategy focusing on our approach to meeting the housing needs of older people;
- We reviewed our Anti-Social Behaviour Policy in light of the Crime and Policing Act 2014 and developed a new Harassment and Bullying Policy;
- We recruited 10 women into trade roles, achieved reaccreditation of 'disability two ticks' for being a disability friendly employer and employed external consultants to carry out a full Equal Pay Audit, which confirmed our pay structures are fair and free of inequality;
- We developed a Digital Strategy and provided broadband and computers for residents at 32 Independent Living and Supported Housing Schemes and over 250 residents received IT training;
- Our staff throughout 2014/15 raised money for several charities supporting various causes: homelessness, autism, cancer, disabilities, heart foundation, food banks, and children's charities.

Operating and financial review (continued)

Principal risks and uncertainties

The main risks that may prevent the Group achieving its objectives are considered and reviewed quarterly by the Group Audit & Risk Committee, and annually by the Group Board and its subsidiaries as part of the Annual Assurance Framework.

In 2014 the responsibility for Risk Management programme oversight was moved from the Managing Director of SPC to the Business Services Director. During this time a new Group Risk Manager has been recruited and a Risk Maturity Plan has been approved at the ARC and Group Board. Group Board have delegated the oversight responsibility for this plan to the ARC. This is also reviewed quarterly by the Executive Team.

In 2014 a new Audit & Risk Clinic was formed with membership from the Executive Management Team, the Business Services Director and Group Risk Manager. All Strategic Risks that score 8 or more, presenting the greatest threat to the Group, are reviewed at this meeting, as well as new and emerging risks being identified and discussed.

Following this, these risks are then reported to each meeting of the ARC together with actions identified on how we are currently managing the risks. These risk reports also include assessments of key controls used to manage the risks.

Key risks may also be identified for individual projects or arising from departmental operational risk registers. The risks are recorded and assessed in terms of their impact and probability.

Key risks from the Group's risk register include:

- Welfare benefit reforms lead to increased rental losses and drive higher void rates;
- Open market property sales fail to raise planned levels of revenue to cross subsidise the development programme;
- Affordable Rent conversions and Low Cost Home Ownership sales miss revenue targets;
- Loss of reputation through serious safety or environmental failure.

The Board has requested a full year of budgets as well as budgets based on planned disposal dates to gain comfort that the loan covenants and operational requirements are satisfied.

The Group's risk management policy and procedures were reviewed and updated during the period, culminating in ARC approval taking place in February 2015, followed by the Group Board in May 2015. A new Risk Management Strategy has been written alongside the Policy review, which was also approved in May 2015. The Group's risk appetite was agreed by the ARC and Group Board as part of a Risk Management Training day held in October 2014, with further training currently being planned for the Senior Leadership Team in the coming months

We have detailed the set of changes that the Government has made since the May 2015 General Election that have impacted on the operating environment for housing associations. We are working through a process of understanding the impact of these changes on our Business Plan and putting in place the measures that we need to take to maintain strong operating margins and a healthy business.

In an operating environment where there is less certainty we will continue to stress test our business plan in accordance with HCA requirements so that we are prepared for further policy changes and for movements in other areas such as RPI and CPI, bank interest rates, bad debt provisioning, maintenance and repairs costs and sales values.

Operating and financial review *(continued)*

Resources

Staff

The Group is well established as an accredited Investor in People and in November 2014 achieved Gold status as a result of the strong emphasis on progressive human resource policies, staff involvement, engagement and training. All staff benefit from an annual Performance and Development Review Process and regular one-to-ones which assess their skills, competence and capacity to deliver a challenging set of individual objectives and in particular assess training needs together with individual performance against the behaviours the company expects of its employees. Working practices are flexible, involving job share, home working and maternity/paternity leave. Consultation with staff is well established. The Group maintains a structured training plan through which staff receive an average of four days training per annum. Included in the plan is a specific management development programme.

A Staff Forum is in place with representatives from across the Group. This continues to improve communication and facilitate consultation with staff and plays a leading role in the annual staff conference.

Independently co-ordinated annual surveys of all staff are carried out, the most recent being in the autumn of 2014. In December 2014 it was announced that Spectrum had achieved the Best Companies “One to Watch” category. Best Companies have been producing and publishing the 'Best Companies to Work For' lists since 2001 to measure and acknowledge excellence in workplace engagement. Each year hundreds of organisations from a wide range of industries use this employee survey to measure the engagement of their employees. The responses from these surveys are collated and combined to produce an overall engagement score for each organisation.

As part of its Corporate Plan Spectrum has set a target to achieve Top 100 Company accreditation by 2018. The wider results of the survey are considered by the Staff Forum, Executive Management Team, Spectrum Leadership Team and the Boards and an appropriate action plan is developed and implemented.

IT systems

As part of the corporate objective to improve customer service, a number of projects were successfully completed during the course of the year, including the implementation of a Service Charges system, a Process Management System to improve complaints and compliments handling, and dealing with ASB as well as void management.

A significant contribution has also been made to the Spectrum Operations Digital Strategy where numerous residential schemes and residents groups were digitally included. The Spectrum contact centre was configured to offer additional digital services and mobile working technologies continued to be rolled out to various staff groups. The Finance systems have been successfully prepared for the change to the FRS 102 accounting standards.

In support of SPC's growth targets, systems were upgraded to provide new functionality to staff and clients, including the development of a new interface suite for the Knightstone Group. Business Development's home ownership system has also been revamped to accommodate growth and portfolio diversity.

A number of infrastructure modernisation projects were completed during the period (Microsoft Office, Outlook and Windows), to ensure the systems can develop and accommodate the increase in user numbers.

Underpinning the “Spectrum People” agenda, a comprehensive internal customer survey was conducted to engage staff on the subject of satisfaction with IT service delivery, with satisfaction levels higher than the previous survey.

Treasury management

Spectrum has a Group Treasury Management Policy which is reviewed on an annual basis and includes the requirement for Financial Standards and an annual Funding Strategy. The policy was set on the basis of the following key principles:

- Compliance with statute, regulation and best practice;
- Security of financial assets;
- Provision of adequate liquidity to meet financial obligations;
- Interest rate management; and
- Effectiveness and efficiency in the use of financial resources.

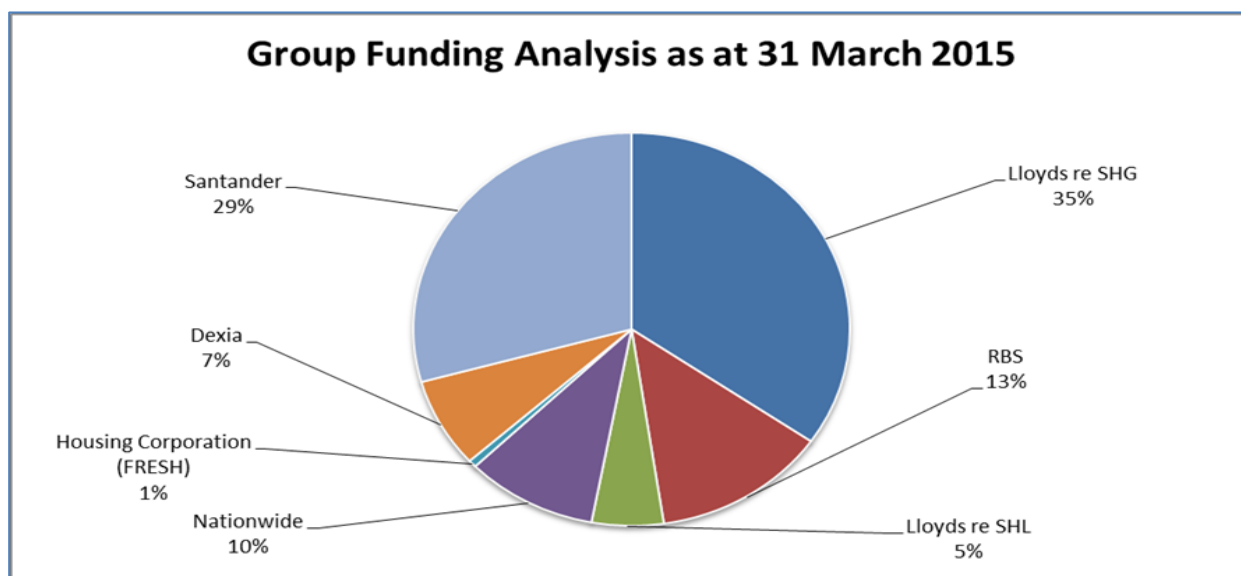
Operating and financial review (continued)

Treasury management (*continued*)

The combination of these principles is heavily weighted towards the minimisation of risk, the preservation of asset value and liquidity levels and the minimisation of costs within those parameters. The maximisation of returns is of secondary importance. Speculative transactions are precluded, as is exposure to foreign currency risk.

The Treasury Committee acts to ensure effective review of the Group's treasury activities. The Committee are responsible for the detailed review of Group Treasury Policy, the annual update to the Funding Strategy and the related Action Plan, and the Group's Financial Standards. They receive quarterly monitoring reports on performance treasury activity, and loan covenant compliance and new facilities are considered in detail before recommendation for approval to the Group Board.

Total debt as at 31 March was £402.6m (2014: £380.7m) with an average cost of funds, including margin and costs of 3.97 % pa (2014: 4.22%).

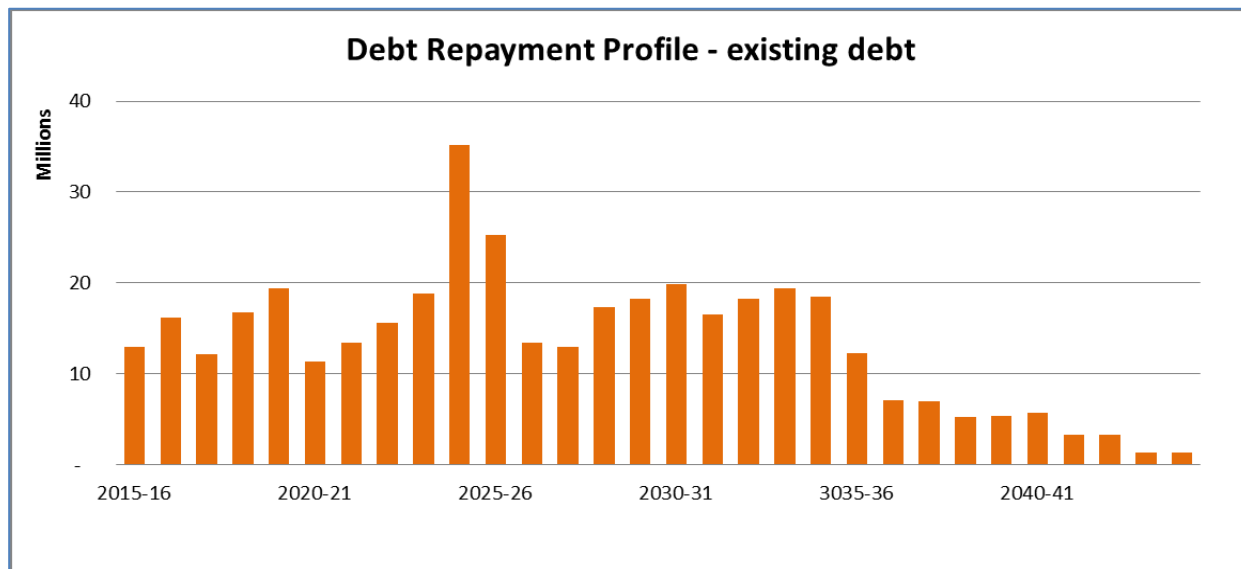


At the year end the Group held £48m of cash and secured undrawn facilities (2014: £72m) and work is progressing towards arranging a number of new facilities to support the future phases of the 2015-2020 development programme. In April 2015 a new £50m revolving credit facility was signed and the Funding Strategy sets our targets for additional new facilities to ensure that funds are available as required both for the programme and to comply with the Group's liquidity policy.

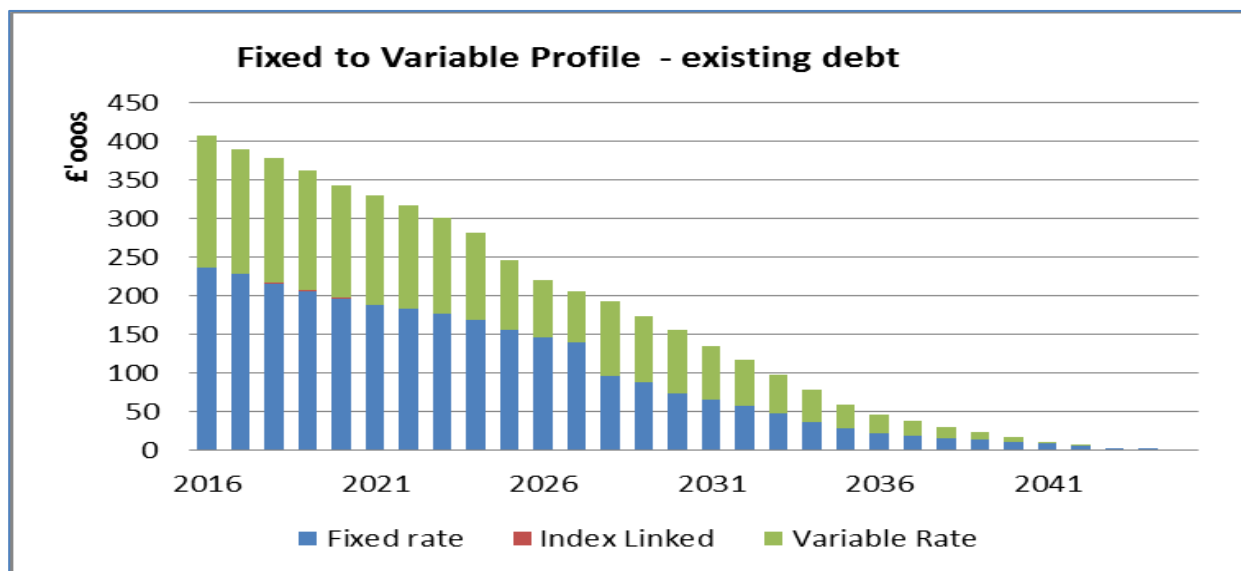
The majority of current debt is repayable on an amortising profile which lowers the Group's exposure to refinancing risk.

Operating and financial review *(continued)*

Treasury management *(continued)*



The interest rate management policy is to have a minimum of 50% of loans at fixed rates of interest. As at 31 March 2015 63.5% (2014: 67.4%) of the Group's debt was on a fixed rate. All fixings are embedded into existing loans and the Group has no standalone derivatives.



In December 2014 a decision was taken to enter into a new joint venture (JV) with Linden Homes as part of a wider consortium developing a new settlement of 5,500 homes over the next 20 years. This proved to be an appropriate time to undertake a review of the funding structures across the group to reflect and allow for the new requirement to provide funding into the JV, the increase in complexity and scale of the development programme and the growth in the group's commercial subsidiaries, whilst at the same time maintaining compliance with the on lending limits within existing loan facilities.

Operating and financial review *(continued)*

Treasury management *(continued)*

To respond to this challenge, it was agreed that this would be a realistic time to strengthen the capital base of the operational subsidiaries. As the Group's maintenance company, SPC has an ongoing requirement for a core element of working capital and £2m new share capital was issued by SPC to fund that working capital requirement, which replaced the previous intercompany loan from SHG. Both SPH and the new JV require a higher level of funding to allow for the financing of work in progress on new build units. SPH is limited by guarantee and is not therefore in a position to issue share capital. As an alternative option, approval was given for up to £12m equity to be invested into Spectrum Property Ventures Limited (SPV), a previously dormant subsidiary within the Group. At the same time SHG provided an inter company loan facility to SPV. This has positioned SPV as a funding vehicle and will allow it to allocate its available funding between SPH and the JV as the various build phases in each entity progress. As at 31 March 2015 £4m share capital had been issued and SPV had drawn £10.1m against the intercompany loan facility.

Compliance with Reporting Standard 1

This operating and financial review has been prepared in accordance with Reporting Standard 1.

Compliance with the 2010 Update to the Statement of Recommended Practice "Accounting by Registered Social Housing Providers"

The financial statements have been prepared in accordance with the Statement of Recommended Practice Accounting by Registered Social Housing Providers 2010.

Report of the Board of Management

The Board presents its report and audited financial statements for the period 1 April 2014 to 31 March 2015.

Principal activities

Spectrum Housing Group is a not-for-profit registered provider administered by a Board of Management. Spectrum Housing Group Limited is the parent company of the Spectrum Group.

The Group and Association's principal activities are the management and development of social housing. The Association also provides central services (Finance, I.T, H.R, Support Services, Property Development and Corporate Services) to the Group. The Association charges management services to subsidiary undertakings for these services.

Business review

This period has seen continued growth in the housing activities of the Group. The Group spent £45.6m (2014: £64m) (see note 10) on the acquisition and development of housing properties. The number of units owned or in management is 17,473 (2014: 17,117).

Housing properties

The net book value of the Group's housing properties at the period-end was £497.1m (2014: £471.6m) representing costs / valuation of £909.5m less £412.4m (2014: £873.5m less £401.9m) grant and depreciation.

Other fixed assets

The movement in other fixed assets is set out in Note 11.

Members of the Board

Details of the Board members who served during the period are set out on page 1.

Liability insurance

The Group maintained Board members liability insurance through its affiliation to the National Housing Federation. Top up cover is also provided by the Group's insurers. Fidelity policies are held for employees.

Political and charitable contributions

During the period the Group made no political donations (2014: £nil) and no charitable contributions (2014: nil) except those made within the Group's normal activities.

Employees

The Board acknowledges the key part played by the Group's staff in ensuring that its services are delivered efficiently and effectively and that its objectives are achieved. Great emphasis is placed on developing skills and expertise of staff. The Group has Investors in People accreditation.

The Group formally provides information to all staff on a monthly basis of the Group's activities, performance and plans. This is augmented by regular meetings of the Staff Forum as well as staff input into the production of the Group's five year strategy.

Equal opportunities

The Group is committed to equal opportunity in access to and delivery of its services. The Group is also committed to equal opportunities in employment both for job applicants and for existing staff and supports the employment of people with disabilities. The Group monitors its performance on a routine basis and the Board receives an annual report on progress. It has implemented an equality, diversity and inclusion strategy and policy specifically aimed to eliminate discrimination in all its dealings as an employer and provider of housing services. This includes creating a Diversity Board to review performance against the strategy and to consider compliance issues arising from changes in legislation, policy and best practice. The strategy sets out our commitments to improve diversity representation across our workforce, board members and tenant participation activities. The Group carried out a thorough review of its equality activities and agreed a comprehensive four year strategy in June 2014 with a detailed action plan to achieve the Social Housing Equality Framework 'Excellent' level by 2017.

Report of the Board of Management *(continued)*

Auditor

A resolution for the reappointment of KPMG LLP as auditor of the Group is to be proposed at the forthcoming Annual General Meeting.

Disclosure of information to auditor

The Directors who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Policy on payment of creditors

The Group is committed to settle all supplier accounts within agreed terms of payment. Where no payment terms have been agreed the Group's policy is to pay accounts within 30 days.

National Housing Federation (NHF) Code of Governance

An analysis against the NHF's Code of Governance (2010 version) found the group to be fully compliant for the 2014/15 financial year.

A revised code of governance was issued by the National Housing Federation in April 2015 and has been adopted throughout Spectrum Housing Group. An initial gap analysis was undertaken and reported to the Chairs' Forum which found the group to be broadly compliant with no material departures from the code. However, minor improvements were recommended for implementation during 2015/16 and progress against the action plan will be monitored by the Remuneration and Nominations Committee and reported to the Group Board.

The Remuneration & Nominations Committee and the Group Board are satisfied that the effectiveness of the Group's governance is enhanced by its policies and procedures.

Internal control

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by the Group is by its nature ongoing but has been in place for the period under review and up to the date of approval of these financial statements.

The main policies which the Board has established and which are designed to provide effective internal control are summarised as follows:

- The Group has developed an effective risk-management process over recent years which is kept under review by the Board. There is an annual risk assessment review and action plans stemming from this are monitored by the Group and subsidiary Boards. The process is independently reviewed as part of the internal audit;
- Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict unauthorised use of the Group's assets;
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Board or relevant sub-committees;
- The Group Audit & Risk Committee reviews reports from management, from the internal auditors (BDO LLP) for the period ended 31 March 2015, and from the external auditors to provide reasonable assurance that control procedures are in place and are being followed. Formal procedures have been established for instituting appropriate action to correct weaknesses identified from these reports. The status of action plans are summarised and reported quarterly to the Audit & Risk Committee;
- The quality of the Group's management is acknowledged by its Investors in People accreditation. Procedures are in place to ensure that personnel have capabilities commensurate with their responsibilities. Also there are clearly defined recruitment procedures together with a formal appraisal system and individual training plans for staff;

Report of the Board of Management *(continued)*

Internal control *(continued)*

- All aspects of performance are reviewed quarterly by the Group and subsidiary Boards through reports covering key performance indicators and progress against corporate objectives and continuous improvement plans;
- The Group has a policy on the prevention and detection of fraud and procedures should fraud be discovered or suspected. There is also a Group whistle blowing policy; and
- The Association and Group Boards monitor compliance with the Regulatory Code and review the various reports received from the Homes and Communities Agency stemming from their regulatory processes.

As part of the review of the effectiveness of the Group's system of internal control, the Group Executive Team has presented a report to the Group Audit & Risk Committee. Having considered the matter and made appropriate enquiries the Group Audit & Risk Committee is satisfied with the effectiveness of the control systems in existence in the Group for the period ended 31 March 2015 and until the date of signing these financial statements and this has been endorsed by the Board.

The report of the Board of Management was approved on 11 August 2015 and signed on its behalf by

Typesigned

R Organ
Chairman

Registered Office
Spectrum House
Grange Road
Christchurch
Dorset
BH23 4GE

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

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

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the group and the association and of the income and expenditure of the group and the association 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 UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its 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. The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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

ABCD

KPMG LLP

Dukes Keep
Marsh Lane
Southampton
SO14 3EX
United Kingdom

Independent auditor's report the members of Spectrum Housing Group Limited

We have audited the financial statements of Spectrum Housing Group Limited for the year ended 31st March 2015 set out on pages 22 to 69. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the association's members, as a body, in accordance with section 128 of the Housing and Regeneration Act 2008 and 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 auditor

As more fully explained in the Statement of Board's Responsibilities set out on page 19, the association's Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the group and the association as at 31st March 2015 and of the surplus of the group and the association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

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:

- the association has not kept proper books of account; or
- the association has not maintained a satisfactory system of control over transactions; or

- the financial statements are not in agreement with the association's books of account; or
- we have not received all the information and explanations we need for our audit.

Typesigned

Victoria Sewell
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Dukes Keep
Marsh Lane
Southampton
SO14 3EX

Date:

Consolidated income and expenditure account

for the year ended 31 March 2015

	<i>Note</i>	2015 £000	2014 £000
Turnover	2	107,110	100,635
Cost of sales	2	(12,560)	(9,114)
Operating costs	2	(72,039)	(66,127)
		<hr/>	<hr/>
Operating surplus	2	22,511	25,394
Surplus on sale of housing properties	3	953	1,979
		<hr/>	<hr/>
Surplus on ordinary activities before interest and other income		23,464	27,373
Interest receivable and other income	6		
Group		117	99
Interest payable and similar charges	7		
Group		(16,190)	(16,642)
Joint Venture		(111)	-
Other finance costs	18	(179)	(354)
		<hr/>	<hr/>
Surplus on ordinary activities before taxation	8	7,101	10,476
Tax on surplus on ordinary activities	9	(41)	590
		<hr/>	<hr/>
Surplus for the financial year	20	7,060	11,066
		<hr/> <hr/>	<hr/> <hr/>

All activities are continuing. A statement of movements on reserves is given in note 20.

Statement of consolidated total recognised surpluses and deficits

for the year ended 31 March 2015

	2015 £000	2014 £000
Surplus on ordinary activities after taxation	7,060	11,066
Unrealised surplus on revaluation of investment properties	2,478	1,056
Actuarial (loss)/gains on pension schemes	(965)	61
Deferred tax on actuarial loss	-	(50)
	<hr/>	<hr/>
Total recognised surpluses since last annual report	8,573	12,133
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 29 to 69 form an integral part of these financial statements.

Note of historical cost surpluses and deficits
for the year ended 31 March 2015

	2015	2014
	£000	£000
Reported surplus on ordinary activities before taxation	7,101	10,476
Realisation of property revaluation gains of previous years	-	2,594
	<hr/>	<hr/>
Historical cost surplus on ordinary activities before taxation	7,101	13,070
	<hr/>	<hr/>
Historical cost surplus for the year retained after taxation	7,060	13,660
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 29 to 69 form an integral part of these financial statements.

Association income and expenditure account

for the year ended 31 March 2015

		2015	2014
	<i>Note</i>	£000	£000
Turnover	2	91,020	86,585
Cost of sales	2	(4,458)	(2,773)
Operating costs	2	(65,178)	(61,670)
		<hr/>	<hr/>
Operating surplus	2	21,384	22,142
Surplus on sale of housing properties	3	953	1,970
Gift Aid		350	235
Interest receivable and similar income	6	313	227
Interest payable and similar charges	7	(15,153)	(15,112)
Other finance costs	18	(13)	(85)
		<hr/>	<hr/>
Surplus on ordinary activities before taxation	8	7,834	9,377
		<hr/>	<hr/>
Tax on surplus on ordinary activities	9	-	-
		<hr/>	<hr/>
Surplus for the financial year	20	7,834	9,377
		<hr/> <hr/>	<hr/> <hr/>

There were no surpluses or deficits other than those dealt with in the income and expenditure account.

There is no material difference between the historical cost deficit for the year and the deficit for the year reported in the above income and expenditure account.

The notes on pages 29 to 69 form an integral part of these financial statements.

Consolidated balance sheet

at 31 March 2015

	<i>Note</i>	2015 £000	2014 £000
Fixed assets			
Housing properties – cost and valuation	<i>10</i>	909,514	873,508
Less: Housing Grant	<i>10</i>	(336,239)	(333,615)
Less: Depreciation and impairment	<i>10</i>	(76,151)	(68,318)
	<i>10</i>	497,124	471,575
Other tangible fixed assets	<i>11</i>	12,570	11,287
Investments	<i>12</i>	1	1
Investment in Joint Venture			
Share of gross assets		44,992	-
Share of gross liabilities		(45,106)	-
Homebuy and Starter Home Initiative Loan		2,246	2,476
Homebuy and Starter Home Initiative Grant		(2,246)	(2,476)
		-	-
		509,581	482,863
Current assets			
Stocks	<i>12</i>	16,045	6,852
Debtors (including deferred tax liabilities of £74,000 (2014:£47,000 tax assets) due in more than one year)	<i>15</i>	23,902	14,142
Cash at bank and in hand		9,061	15,915
		49,008	36,909
Creditors: amounts falling due within one year	<i>16</i>	(37,603)	(29,656)
Net current assets		11,405	7,253
Total assets less current liabilities		520,986	490,116
Creditors: amounts falling due after more than one year	<i>17</i>	391,750	372,214
Pension schemes liabilities	<i>18</i>	13,906	10,419
Revaluation reserve	<i>20</i>	6,439	4,687
Income and expenditure account	<i>20</i>	108,891	102,796
		520,986	490,116

These financial statements were approved by the Board on 11 August 2015 and were signed on its behalf by:

Typesigned

R Organ
Chairman

R Hill
Group Chief Executive

C McKenna
Company Secretary

The notes on pages 29 to 69 form an integral part of these financial statements.

Association balance sheet

at 31 March 2015

	<i>Note</i>	2015	2014
		£000	£000
Fixed assets			
Housing properties – cost and valuation	<i>10</i>	878,462	844,680
Less: Housing Grant	<i>10</i>	(336,239)	(333,615)
Less: Depreciation and impairment	<i>10</i>	(74,907)	(68,318)
	<i>10</i>	467,316	442,747
Other tangible fixed assets	<i>11</i>	11,964	11,024
Investments	<i>12</i>	8,107	2,107
Homebuy and Starter Home Initiative Loan		2,246	2,476
Homebuy and Starter Home Initiative Grant		(2,246)	(2,476)
		-	-
		487,387	455,878
Current assets			
Stocks	<i>12</i>	5,736	3,154
Debtors (including intercompany of £nil (2014:£nil) due in more than one year)	<i>15</i>	21,629	19,252
Cash at bank and in hand		7,345	15,318
		34,710	37,724
Creditors: amounts falling due within one year	<i>16</i>	(33,823)	(31,266)
Net current assets		887	6,458
Total assets less current liabilities		488,274	462,336
Creditors: amounts falling due after more than one year	<i>17</i>	370,873	352,012
Pension schemes liabilities	<i>18</i>	3,751	2,818
Capital and reserves			
Revaluation reserve	<i>20</i>	1,369	2,094
Income and expenditure account	<i>20</i>	112,281	105,412
		488,274	462,336

These financial statements were approved by the Board on 11 August 2015 and were signed on its behalf by:

Typesigned

R Organ
Chairman

R Hill
Group Chief Executive

C McKenna
Company Secretary

The notes on pages 29 to 69 form an integral part of these financial statements.

Consolidated cash flow statement

for the year ended 31 March 2015

	<i>Note</i>	2015		2014
		£000	£000	£000 £000
Net cash inflow from operating activities	I		17,574	36,185
Returns on investments and servicing of finance				
Interest received		117		99
Interest / Finance costs paid		(15,916)		(16,988)
Loan arrangements fees paid		-		-
		<hr/>		<hr/>
Net cash outflow from returns on investments and servicing of finance			(15,799)	(16,889)
Taxation (paid)/refunded			(70)	(8)
Capital expenditure				
Acquisition and construction of housing properties		(42,115)		(63,279)
Purchase of other tangible fixed assets		(2,828)		(1,409)
Investment in the Joint Venture		5,877		
Social housing grant received		4,247		11,924
Receipts from sale of other fixed assets		21		277
Receipts from sale of housing properties		4,114		49,360
		<hr/>		<hr/>
Net cash outflow from capital expenditure			(30,684)	(3,127)
Net cash inflow before financing	II		(28,979)	16,161
Financing				
Housing loans received		34,000		3,100
Finance Lease		32		35
Housing loans repaid		(11,931)		(30,159)
		<hr/>		<hr/>
Net cash (outflow)/inflow from financing			22,101	(27,024)
(Decrease)/Increase in cash	III		(6,878)	(10,863)

The notes on pages 29 to 69 form an integral part of these financial statements.

Notes to the consolidated cash flow statement

I Reconciliation of operating surplus to net cash flow from operating activities

	2015 £000	2014 £000
Operating surplus	22,511	25,394
Depreciation	10,235	9,957
Impairment	(578)	(36)
Impairment movements on properties for sale	-	(145)
(Increase) in stock	(9,193)	(1,769)
Amortisation of loan issue costs	134	487
(Increase) in debtors	(10,808)	(397)
Increase in creditors	5,273	1,015
Increase in provisions	-	209
Non cash movements – transfer from housing property to stock	-	1,470
	<u>17,574</u>	<u>36,185</u>

II Analysis of net debt

	At beginning of period £000	Cash flows £000	Other Changes £000	At 1 April 2015 £000
Cash at bank and in hand	15,915	(6,854)	-	9,061
Bank Overdraft	(9)	(27)	-	(36)
Debt due within 1 year	(10,091)	11,932	(14,455)	(12,614)
Finance lease due within 1 year	(216)	-	(6)	(222)
Debt due after 1 year	(370,602)	(33,881)	14,455	(390,028)
Finance lease due after 1 year	(2,385)	(31)	6	(2,410)
	<u>(367,388)</u>	<u>(28,861)</u>	<u>-</u>	<u>(396,249)</u>

III Reconciliation of net cash flow to movement in net debt

	2015 £000	2014 £000
(Decrease) in cash balances	(6,881)	(10,863)
Cash outflow/(inflow) from decrease/increase in debt financing	(21,980)	27,024
Change in net debt resulting from cashflow	<u>(28,861)</u>	<u>16,161</u>
Net debt at beginning of year	<u>(367,388)</u>	<u>(383,549)</u>
Net debt at end of year	<u>(396,249)</u>	<u>(367,388)</u>

The notes on pages 29 to 69 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

Basis of accounting

The financial statements have been prepared in accordance with applicable Accounting Standards and in accordance with the Co-operative and Communities Benefit Societies Act 2014, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2012, the Statement of Recommended Practice Accounting by Registered Social Housing Providers (Update 2010) and under the historical cost accounting rules, modified to include the revaluation of certain leasehold schemes for the elderly, student accommodation and market rented schemes.

Going concern

The consolidated financial statements have been prepared on the going concern basis as the Group has adequate funding arrangements in place. As a consequence the Board of Management believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. The Group is expected to continue to generate positive cash flows throughout the 30 year period for which it prepares business plans, and to meet its loan repayments and other financial commitments as they fall due.

The Board of Management have a reasonable expectation that the Group has adequate resources to continue to adopt the going concern basis in preparing the annual financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of Spectrum Housing Group Limited (the "Association") and its subsidiary undertakings made up to 31 March 2015.

The financial statements are prepared under the merger accounting rules detailed in FRS6 Acquisitions and Mergers for the combination of Spinnaker Housing Group Limited and Signpost Housing Group Limited in the period ended 31 March 2008. It also includes the amalgamation of Spectrum Housing Group 2013 Limited, Western Housing Challenge Association Limited, Signpost Housing Association Limited, Signpost Care Partnerships Limited and Medina Housing Association Limited as at 2 April 2013. Under merger accounting all existing reserves are carried forward into the new Group and are not eliminated as with acquisition accounting. No goodwill arose.

Joint Venture

Joint ventures are contractual arrangements where two or more parties enter into an economic activity that they jointly control. The group has a jointly controlled entity which is a separate organisation in which each venturer has an interest. This is accounted for using the equity method.

Turnover

Group turnover represents rents and service charges and management charges receivable on housing properties and other properties, excluding VAT (where applicable), fees and grants from local authorities and the Homes and Communities Agency (where revenue grants), sales of housing properties and construction and maintenance of properties.

Association turnover represents rent and service charges and management charges receivable for the year and development fees charged to other Registered Providers.

Retirement benefits

The Group participates in three defined benefit final salary pension schemes, administered by The Pensions Trust, Dorset County Council and Isle of Wight County Council. Contributions are based on pension costs across the various participating organisations taken as a whole. The assets of the schemes are invested and managed independently of the finances of the Group. As the Group's share of the Pensions Trust scheme (Social Housing

Notes (continued)

1 Accounting policies (continued)

Retirement benefits (continued)

Pension Scheme) assets and liabilities cannot be separated out, the Group accounts for this scheme as if it were a defined contribution scheme in accordance with the multi-employer provisions of FRS17. The Dorset County Council and Isle of Wight schemes are accounted for as defined benefit schemes and the full disclosures as required by FRS 17 are set out in Note 18.

Pension costs are assessed triennially for each scheme in accordance with the advice of an independent qualified actuary.

Value Added Tax

The group undertakings are registered for Value Added Tax (VAT), but a large proportion of their income, including rents, is exempt for VAT purposes and the majority of its expenditure is subject to VAT which cannot be reclaimed. Expenditure is therefore shown inclusive of VAT. The Group recovers VAT where appropriate and this is credited to turnover within the income and expenditure account.

Tangible fixed assets

Fixed assets - housing properties (note 10)

Housing properties are stated at cost, except for completed student, market rented schemes and certain leasehold schemes for the elderly where they are stated at valuation. The development cost of housing properties includes the cost of acquiring land and buildings, the valuation of contracted works completed to date, internal administration costs as permitted under the SORP, and interest charged on the mortgage loans raised to finance the scheme during development. Works to existing properties are works which result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension to the useful economic life of the property in the business. Only the direct overhead costs associated with new developments are capitalised.

All invoices and architects' certificates relating to capital expenditure incurred in the year at gross value including retentions are included in the financial statements for the year. Expenditure on schemes which are subsequently aborted is written off in the period in which it is recognised that the schemes will not be developed to completion.

Interest on loans to finance the development is capitalised up to the date of practical completion, using the Group's average cost of funds.

The Group capitalises an apportionment of staff salary costs incurred in administering the development programme and other costs to the extent that they are incremental as a result of the specific scheme.

First tranche shared ownership sales

The Group accounts for first tranche shared ownership sales such that:

- Shared ownership properties are split proportionally between current and fixed assets based on the first tranche proportion.
- First tranche proportions are accounted for as current assets and the related sales proceeds shown in turnover.
- The remaining element of the shared ownership property is accounted for as a fixed asset so that any subsequent sale is treated as a part disposal of a fixed asset.
- Any surplus on first tranche shared ownership sales on mixed tenure developments (sale and rent) is restricted to the overall scheme development net present value of future cashflows.

Notes (continued)

1 Accounting policies (continued)

Depreciation

Freehold land is not depreciated. Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion of construction.

The group depreciates freehold housing properties by component on a straight line basis over the estimated useful economic lives of component categories. Useful economic lives for identified components are as follows:

	2015	2014
Bathrooms	27 years	25-30 years
Boilers	15 years	15 years
Electrical Wiring	30 years	30 years
Heating Systems	30 years	30 years
Kitchens	23 years	25 years
Roofs	50 years	50 years
Windows and Doors	29 years	30 years
Structure	100 years	100 years

Leasehold properties are depreciated over the life of the lease on a straight line or annuity basis. Impairment reviews are carried out for all properties on an annual basis in accordance with FRS 11.

Other fixed assets

Depreciation is provided by the Group to write off the cost less the estimated residual value of other tangible fixed assets over their estimated useful economic lives as follows:

Freehold buildings	-	1% per annum on written down value
Leasehold office premises	-	straight line over length of lease
Leasehold office improvements	-	10% per annum straight line
Office furniture and equipment	-	10% - 30% per annum straight line
Scheme furniture and equipment	-	10% - 33.33% per annum straight line
Scheme Lifts	-	3.33% - 6.67% per annum straight line
Computer equipment	-	20% - 50% per annum straight line
Motor vehicles	-	20% per annum straight line

Investment properties

Freehold and long leasehold investment properties are held for long-term investment and are included in the balance sheet at their open market values. The surpluses or deficits on annual revaluation of such properties are transferred to the revaluation reserve. If a deficit exceeds previous surpluses arising on a particular property, the excess is charged to the Income and Expenditure Account, unless it is regarded as being temporary in which case it is disclosed in the statement of total recognised gains and losses. In the period of sale, a surplus or deficit is recognised in the period's Income and Expenditure Account based upon the difference between net sale proceeds and the property valuation at the previous period-end. Depreciation is not provided in respect of freehold and long leasehold investment properties. Investment properties held on a short term lease are reported at cost and depreciated over the remaining life of the lease.

Notes *(continued)*

1 Accounting policies *(continued)*

Social Housing Grant

Social Housing Grant (SHG) is receivable from the Homes and Communities Agency and is utilised to reduce the cost of development and such grants are therefore matched with the expenditure to which they relate. The majority of SHG is shown as a deduction from the cost of housing properties. The Statement of Recommended Practice - Accounting by Registered Social Landlords (Update 2010) requires that part of the development costs are regarded as revenue costs and therefore the proportion of SHG attributable to these costs is matched with the expenditure to which it relates by crediting the income and expenditure account as part of turnover.

SHG is subordinated to the repayment of loans by agreement with the Homes and Communities Agency. SHG released on sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the balance sheet in creditors.

SHG is allocated against either the land or structure components of a housing property.

Other Housing Grant

Other housing grants are receivable from local authorities and other organisations. Capital grants are utilised to reduce the capital costs of housing properties, including land costs. Grants in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate. Other housing grants are repayable under certain circumstances, primarily following the sale of a property, but will normally be restricted to net proceeds of sale.

Mortgages

Mortgage loans are advanced by banks or building societies under the terms of individual mortgage deeds in respect of each property or housing scheme. Loan finance issue costs are written off evenly over the life of the related loan. Loans are stated in the balance sheet at the amount of the net proceeds after issue, adjusted for any subsequent issue amortisation cost.

Maintenance expenditure

Expenditure incurred by the Group on replacing components as identified within the “Depreciation – Housing Properties” accounting policy is capitalised. Other expenditure on general repairs to its housing stock is expensed to the income and expenditure account in the period in which it is incurred. Maintenance expenditure which adds to the value of the property (i.e. which results in an increase in net rental income, such as a reduction of future maintenance costs or extends its useful life) is treated as an improvement to the housing properties concerned and is capitalised.

Investments

Investments are stated at cost.

Investments in Third Parties

Investments in other companies not part of the group are held at cost.

Lease commitments

Assets held under finance leases and hire purchase arrangements and the related lease obligations are recorded in the balance sheet at the fair value of the respective leased asset at the inception of the lease. The amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation.

Rentals paid under operating leases are charged to the income and expenditure account on the accruals basis.

Stocks and work in progress

Stock is valued at the lower of cost and net realisable value.

Notes *(continued)*

1 Accounting policies *(continued)*

Property for sale

Unsold shared ownership first tranche properties and shared ownership properties under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour, and direct development overheads. Net realisable value is based upon estimated sales price, after allowing for all further costs of completion and sales costs, and, the net present value of the estimated future cashflows of the development, both shared ownership and rented stock where applicable.

Corporation Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation

Deferred tax is provided for on a full provision basis on all timing differences which have arisen but not reversed at the balance sheet date. No timing differences are recognised in respect of (i) property revaluation surpluses where there is no commitment to sell the asset; and (ii) gains on sale of assets where those assets have been rolled over into replacement assets. A deferred tax asset is recognised to the extent that the transfer of economic benefit in the future is virtually certain. Any assets and liabilities recognised have not been discounted. It is considered that the future economic benefit can be reasonably estimated with some assurance.

Disposal Proceeds Fund

The Group is required to credit a Disposal Proceeds Fund with the net proceeds of "Right to Acquire" Sales. Net proceeds comprise the sales proceeds and grant towards the discount, less permitted deductions. The purpose of the fund is to provide replacement properties for rent, at no greater cost than properties provided through the approved development programme. If unused within a three year period it may be repayable to The Homes and Communities Agency with interest. The development programme of the Group is such that the Disposal Proceeds Fund is likely to be used before it becomes repayable.

Notes (continued)

2 Group turnover, cost of sales, operating costs and operating surplus

	2015 Turnover £000	2015 Cost of Sales £000	2015 Operating Costs £000	2015 Operating surplus £000	2014 Turnover £000	2014 Cost of Sales £000	2014 Operating Costs £000	2014 Operating surplus £000
Social housing lettings (note 2a)	80,613	-	(58,259)	22,354	77,443	-	(52,526)	24,917
Other social housing activities								
Current Asset Property Sales	8,507	(7,273)	-	1,234	3,996	(3,376)	-	620
Charges for Support Services	601	-	-	601	672	-	-	672
Other	11,406	(3,415)	(12,978)	(4,987)	11,120	(3,564)	(12,989)	(5,433)
	20,514	(10,688)	(12,978)	(3,152)	15,788	(6,940)	(12,989)	(4,141)
Non-Social housing activities	5,983	(1,872)	(802)	3,309	7,404	(2,174)	(612)	4,618
	107,110	(12,560)	(72,039)	22,511	100,635	(9,114)	(66,127)	25,394

2a Particulars of income and expenditure from social housing lettings

	General Needs Housing £000	Supported Housing and Housing for Older People £000	Other £000	2015 Total £000	2014 Total £000
Net Income from lettings					
Rent receivable net of identifiable service charges	55,439	8,518	8,703	72,660	69,728
Service Charge Income	1,767	2,212	3,372	7,351	7,160
Other Income	462	140	-	602	555
Turnover from social lettings	57,668	10,870	12,075	80,613	77,443
Expenditure					
Management	(8,267)	(2,469)	(4,111)	(14,847)	(11,793)
Services Charge Costs	(2,645)	(3,080)	(4,172)	(9,897)	(10,094)
Routine maintenance	(9,114)	(2,237)	(851)	(12,202)	(11,438)
Planned maintenance	(976)	(223)	(163)	(1,362)	(1,520)
Bad Debts	(217)	(62)	8	(271)	(363)
Major repairs expenditure	(4,254)	(1,304)	(686)	(6,244)	(4,776)
Depreciation of housing properties	(8,265)	(1,200)	(1,054)	(10,519)	(9,785)
Impairment of housing properties	-	-	-	-	(79)
Other costs	(1,874)	(211)	(832)	(2,917)	(2,678)
Operating costs on social housing lettings	(35,612)	(10,786)	(11,861)	(58,259)	(52,526)
Operating surplus on social housing lettings	22,056	84	214	22,354	24,917
Void Losses	623	362	1,453	2,438	2,557

Notes (continued)

2 Association turnover, cost of sales, operating costs and operating surplus (continued)

	2015 Turnover	2015 Cost of Sales	2015 Operating Costs	2015 Operating surplus/ (deficit)	2014 Turnover	2014 Cost of Sales	2014 Operating Costs	2014 Operating surplus/ (deficit)
	£000	£000	£000	£000	£000	£000	£000	£000
Social housing lettings (note 2a)	80,613	-	(58,259)	22,354	77,443	-	(52,526)	24,917
Other social housing activities								
Current Asset Property Sales	4,864	(4,458)	-	406	3,206	(2,773)	-	433
Charges for Support Services	601	-	-	601	672	-	-	672
Other	2,272	-	(5,945)	(3,673)	2,093	-	(7,621)	(5,528)
	7,737	(4,458)	(5,945)	(2,666)	5,971	(2,773)	(7,621)	(4,423)
Non-Social housing activities	2,670	-	(974)	1,696	3,171	-	(1,523)	1,648
	91,020	(4,458)	(65,178)	21,384	86,585	(2,773)	(61,670)	22,142

2a Particulars of income and expenditure from social housing lettings

	General Needs Housing £000	Supported Housing and Housing for Older People £000	Other £000	2015 Total £000	2014 Total £000
Net Income from lettings					
Rent receivable net of identifiable service charges	55,439	8,518	8,703	72,660	69,728
Service Charge Income	1,767	2,212	3,372	7,351	7,160
Other Income	462	140	-	602	555
Turnover from social lettings	57,668	10,870	12,075	80,613	77,443
Expenditure					
Management	(8,268)	(2,469)	(4,110)	(14,847)	(11,793)
Services Charge Costs	(2,645)	(3,080)	(4,172)	(9,897)	(10,094)
Routine maintenance	(9,113)	(2,237)	(852)	(12,202)	(11,438)
Planned maintenance	(976)	(223)	(163)	(1,362)	(1,520)
Bad Debts	(217)	(62)	8	(271)	(363)
Major repairs expenditure	(4,254)	(1,304)	(686)	(6,244)	(4,776)
Depreciation of housing properties	(8,265)	(1,200)	(1,054)	(10,519)	(9,785)
Impairment of housing properties	-	-	-	-	(79)
Other costs	(1,874)	(211)	(832)	(2,917)	(2,678)
Operating costs on social housing lettings	(35,612)	(10,786)	(11,861)	(58,259)	(52,526)
Operating surplus on social housing lettings	22,056	84	214	22,354	24,917
Void Losses	623	362	1,453	2,438	2,557

Notes (continued)

3 Surplus on sale of housing properties – Group and Association

	Group 2015	Group 2014	Association 2015	Association 2014
	£000	£000	£000	£000
Sales proceeds	4,114	49,359	4,114	20,154
Cost of sales	(3,161)	(47,380)	(3,161)	(18,184)
Net surplus	953	1,979	953	1,970

4 Directors' & Senior Staff emoluments – Group

The remuneration paid to the directors of the Group (the Board and senior management) was:

	Group 2015 £000	Group 2014 £000
Emoluments (including pension contributions and estimated monetary value of benefits in kind)	1,033	1,066
Emoluments (excluding pension contributions but including estimated monetary value of benefits in kind) paid to the Chief Executive (highest paid)	177	126

The emoluments, excluding pension contributions, of the Group Executive Team who served during the year were:

	Salary, Allowances, Merit pay and Bonuses £	Benefits in kind £	Total 2015 £	Total 2014 £
Richard Hill	176,057	1,249	177,306	99,946
Martin Lucas	125,229	1,324	126,553	124,278
Jitinder Takhar	122,551	1,324	123,875	123,746
Rob Webber	120,664	1,979	122,643	120,568
Paul Bryan	123,784	1,266	125,050	120,067
Anne Wildeman	108,923	1,708	110,631	108,555
Wayne Morris	-	-	-	125,538

The Group Chief Executive, Richard Hill, commenced on 9 September 2013. He is a member of the Social Housing Pension Scheme (see note 18). There was a contribution of £16,830 during the financial period (2014: £8,250).

The former Group Chief Executive, Wayne Morris, retired on 31 December 2013.

Notes (continued)

4 Directors' & Senior Staff emoluments – Group (continued)

The number of FTE staff whose remuneration payable exceeded £60,000 was:

Salary bandings for all employees earning over £60,000:	2015 No.	2014 No.
£60,000 to £70,000	8	9
£70,001 to £80,000	9	8
£80,001 to £90,000	2	2
£90,001 to £100,000	0	1
£100,001 to £110,000	1	1
£110,001 to £120,000	3	3
£120,001 to £130,000	1	1
£130,001 to £140,000	-	-
£140,001 to £150,000	-	-
£150,001 to £160,000	-	-
£160,001 to £170,000	1	1
	25	26

The remuneration of non executive Board members who served during the year were:-

	2015			2014		
	Fees £	Expenses £	Total £	Fees £	Expenses £	Total £
R Organ (<i>chair</i>)	17,000	3,550	20,550	17,000	4,260	21,260
S Lindley	14,000	2,611	16,611	12,088	1,788	13,876
L McArthur	7,000	971	7,971	6,254	1,088	7,342
B Neaves	8,000	1,020	9,020	11,000	845	11,845
L Price	-	-	-	6,000	897	6,897
S Rastrick	10,000	303	10,303	10,000	701	10,701
M Robinson	7,000	1,059	8,059	7,000	986	7,986
H Rose	7,000	1,547	8,547	7,000	1,701	8,701
F Rhodes	10,000	860	10,860	8,000	789	8,789
E Sabey	7,000	231	7,231	7,000	294	7,294
C Turner	13,000	2,594	15,594	13,000	3,223	16,223
	100,000	14,746	114,746	104,342	16,572	120,914

These are the total fees paid by Spectrum Housing Group for services to the Association and its subsidiaries during the year.

Notes *(continued)*

4 Directors' & Senior Staff emoluments – Group *(Continued)*

In addition Spectrum Housing Group paid the following board remuneration to subsidiary board and committee members during the year:

	2015			2014		
	Fees £	Expenses £	Total £	Fees £	Expenses £	Total £
R Avon	7,000	70	7,070	6,500	235	6,735
M Chapman-Kelly	2,333	817	3,150	867	207	1,074
L Cousins	4,000	-	4,000	4,000	464	4,464
R Davies	4,000	267	4,267	4,000	166	4,166
P Dean	5,000	460	5,460	5,000	446	5,446
N Dyer	4,000	615	4,615	4,000	698	4,698
J Earley	8,000	194	8,194	8,500	450	8,950
C Garland	12,000	-	12,000	11,060	-	11,060
G Kemp	1,000	-	1,000	1,000	-	1,000
I Keys	-	-	-	1,000	134	1,134
G Miller	-	-	-	-	396	396
R Morrissey	4,000	562	4,562	4,000	1,302	5,302
N Morrow	2,549	362	2,911	-	-	-
S Murray	2,667	-	2,667	2,000	49	2,049
T Peters	4,583	268	4,851	4,500	181	4,681
S Rungien	-	-	-	667	-	667
D Singleton	2,000	96	2,096	4,500	243	4,743
J Templeton	2,549	139	2,688	-	-	-
D Ward	2,000	140	2,140	2,000	302	2,302
G Welsh	1,433	-	1,433	-	-	-
	69,114	3,990	73,104	63,594	5,273	68,867

5 Employee information

The average monthly number of full time equivalent persons during the year was:

	Group 2015	Group 2014	Association 2015	Association 2014
	No.	No.	No.	No.
Average number of employees expressed in full time equivalents	827	760	827	760

Full time equivalents are calculated based on a standard working week of 35 hours. All staff were employed and paid through Spectrum Housing Group Limited from 2 April 2013 and recharged to the subsidiaries.

Notes (continued)

5 Employee information (continued)

Staff costs were as follows:

	Group 2015	Group 2014	Association 2015	Association 2014
	£000	£000	£000	£000
Wages and salaries	22,784	21,642	24,428	22,517
Social security costs	3,238	2,800	2,130	1,908
Other pension costs	2,936	2,762	2,370	2,228
Termination payments	200	88	200	88
Health insurance premiums	49	41	49	41
	29,207	27,333	29,177	26,782

6 Interest receivable and other income

	Group 2015	Group 2014	Association 2015	Association 2014
	£000	£000	£000	£000
Bank interest receivable	42	97	33	91
Sundry interest receivable	75	2	280	136
	117	99	313	227

7 Interest payable and similar charges

	Group 2015	Group 2014	Association 2015	Association 2014
	£000	£000	£000	£000
On housing loans repayable in more than five years	16,208	16,461	15,171	15,205
Other interest payable	253	527	253	253
	16,461	16,988	15,424	15,458
Less capitalised interest	(271)	(346)	(271)	(346)
	16,190	16,642	15,153	15,112
Joint Venture – Other interest payable	111	-	-	-

The average rate of interest applied to capitalise interest was 3.97% (2014: 4.22%)

Notes (continued)

8 Surplus on ordinary activities before taxation

The surplus on ordinary activities before taxation is stated after charging:

	Group 2015	Group 2014	Association 2015	Association 2014
	£000	£000	£000	£000
Depreciation on housing properties	8,710	8,322	8,710	8,322
Depreciation on other tangible fixed assets	1,525	1,635	1,420	1,535
Amortisation of loan issue costs	134	487	134	120
Impairment of housing properties	1,827	(36)	583	79
Impairment movements on properties for sale	-	(145)	-	558
Amounts payable under operating leases	975	1,050	144	177
<i>Auditors' remuneration (excluding VAT)</i>				
Fees to the external auditor for the audit of the Group's annual accounts	58	65	42	49
Other services relating to taxation	11	8	-	1
Other fees payable to external auditor	11	9	11	9
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

9 Taxation

Taxation – Group

	2015 £000	2014 £000
Tax on surplus on ordinary activities		
<i>Current tax</i>		
Corporation tax charge at 21% (2014:23 %)	31	78
Over provision in respect of prior years	(49)	(54)
	<hr/>	<hr/>
Total current tax charge	(18)	24
<i>Deferred tax</i>		
Utilisation of capital allowances	-	-
Origination and reversal of timing differences	1	(432)
Tax Charge	-	-
Adjustment in respect of prior years	58	(116)
Effect of tax rate changes	-	(66)
	<hr/>	<hr/>
Total deferred tax credit	59	(614)
	<hr/> <hr/>	<hr/> <hr/>
	<hr/>	<hr/>
Tax credit on surplus on ordinary activities	41	(590)
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

9 Taxation (continued)

Taxation – Group (continued)

Tax reconciliation

The current tax (credit)/charge is lower (2014: lower) than the surplus on ordinary activities at the standard rate of 21% (2014: 23%). The differences are explained below:

	2015 £000	2014 £000
Surplus on ordinary activities before tax	7,101	10,476
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2014: 23%)	1,491	2,409
Expenses not deductible for tax purposes	309	24
Profits not within scope of taxation due to charitable status	(1,393)	(2,023)
Depreciation for the period in excess of capital allowances	(184)	1,297
Fixed Asset Difference	25	(1,389)
Timing differences – capital gains	206	401
Other timing differences	60	46
Income not taxable for tax purposes	-	(188)
Utilisation of tax losses and other deductions	(279)	(98)
Deferred tax liabilities on FRS 17 adjustment	-	-
Deferred tax arising on elimination of intra group profits	-	-
Group relief surrendered	80	50
Group relief claimed	(78)	(50)
Chargeable (loss)/gain	(206)	(401)
Prior year adjustment	(49)	-
Over provision in respect of prior years	-	(54)
	(18)	24

Deferred tax provisions / (assets)

	Provisions £000	Assets £000	Total £000
At 1 April 2014	-	(47)	(47)
Deferred tax charge/(credit) in income and expenditure account	-	59	59
At 31 March 2015	-	12	12

No deferred tax asset has been recognised for unutilised £5.0m trading losses and capital related items arising within Signpost Homes Limited within the Group, giving unrecognised deferred tax assets of £0.6 m (2014: £1.0m)

Notes (continued)

9 Taxation (continued)

Taxation – Group (continued)

The total deferred tax provision is analysed as follows:

	2015 £000	2015 £000	2014 £000
	Unrecognised	Recognised	Recognised
Accelerated capital allowances	400	14	(53)
Other timing differences	-	(2)	6
Unutilised losses carried forward	162	-	-
Capital gains/(losses)	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 March 2015	562	12	(47)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

No provision has been made for deferred tax on gains recognised on revaluing the properties to their market values or on the sale of properties where potentially taxable gains have been rolled into replacement properties. Such tax would be payable only if the property were sold without it being possible to claim rollover relief.

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 March 2015 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

Taxation – Association

	2015 £000	2014 £000
Tax on surplus on ordinary activities		
<i>Current tax</i>		
Total current tax charge	-	-
<i>Deferred tax</i>		
Origination and reversal of timing differences	-	-
	<hr/>	<hr/>
Tax charge on deficit on ordinary activities	-	-
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

9 Taxation (continued)

Taxation – Association (continued)

Tax reconciliation

The current tax charge is higher/lower (2014: lower) than the surplus on ordinary activities at the standard rate of 21% (2014: 23%). The differences are explained below:

	2015	2014
	£000	£000
Surplus on ordinary activities before tax	7,834	9,377
	<hr/>	<hr/>
(Deficit)/Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2014: 23%)	1,645	2,157
Profits not within scope due to charitable status	(1,645)	(2,157)
Expenses not deductible for tax purposes	-	-
Depreciation for the period in excess of capital allowances	-	-
Group relief claimed	-	-
Deferred tax arising on elimination of intragroup profits	-	-
Other short term timing differences	-	-
	<hr/>	<hr/>
	-	-
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Notes (continued)

10 Housing properties – Group

	Housing properties held for Investment (valuation)	Housing properties held for letting	Investment and housing properties under construction	Total
	£000	£000	£000	£000
Cost/Valuation:				
At beginning of year	46,974	819,625	6,909	873,508
Schemes completed in the year	(255)	36,523	(36,523)	(255)
Additions	-	10,668	34,893	45,561
Transfer to current assets	781	(3,980)	(246)	(3,445)
Revaluation	1,760	-	-	1,760
Disposals	(912)	(6,703)	-	(7,615)
As at 31 March 2015	48,348	856,133	5,033	909,514
Depreciation and Impairment:				
At beginning of year	-	68,318	-	68,318
Charge for the year	-	8,710	-	8,710
Impairment	1,244	583	-	1,827
Transfer to current assets	-	(862)	-	(862)
Disposals	-	(1,842)	-	(1,842)
As at 31 March 2015	1,244	74,907	-	76,151
Grant:				
At beginning of year	-	329,001	4,614	333,615
Schemes completed in the year	-	5,986	(5,986)	-
Additions	-	270	4,366	4,636
Disposals	-	(1,220)	(70)	(1,290)
Recycled on disposals and attributable to revenue	-	(722)	-	(722)
As at 31 March 2015	-	333,315	2,924	336,239
Net Book Value				
As at 31 March 2015	47,104	447,911	2,109	497,124
As at 1 April 2014	46,974	422,306	2,295	471,575

Notes (continued)

10 Housing properties – Association

	Housing properties held for Investment (valuation) £000	Completed Schemes £000	Schemes under Construction £000	Total £000
Cost/Valuation:				
At beginning of year	17,894	819,420	7,366	844,680
Schemes completed in the year	-	36,523	(36,523)	-
Additions	-	10,667	34,893	45,560
Transfer from/(to) current assets	781	(3,980)	(246)	(3,445)
Disposals	(912)	(6,703)	-	(7,615)
Revaluation	(718)	-	-	(718)
As at 31 March 2015	17,045	855,927	5,490	878,462
Depreciation and Impairment:				
At beginning of year	-	68,318	-	68,318
Charge for the year	-	8,710	-	8,710
Impairment	-	583	-	583
Transfer to current assets	-	(862)	-	(862)
Disposals	-	(1,842)	-	(1,842)
As at 31 March 2015	-	74,907	-	74,907
Grant:				
At beginning of year	-	329,123	4,492	333,615
Schemes completed in the year	-	5,986	(5,986)	-
Additions	-	270	4,366	4,636
Disposals	-	(1,220)	(70)	(1,290)
Recycled on disposals and attributable to revenue	-	(722)	-	(722)
As at 31 March 2015	-	333,437	2,802	336,239
Net Book Value				
As at 31 March 2015	17,045	447,583	2,688	467,316
As at 1 April 2014	17,894	421,979	2,874	442,747

Notes (continued)

10 Housing properties – Group and Association (continued)

	Group 2015	Group 2014	Association 2015	Association 2014
The total net book value of housing properties comprises:				
	£000	£000	£000	£000
Freehold land and buildings	457,002	432,340	435,194	412,862
Long leasehold land and buildings	38,723	37,642	30,723	28,292
Short leasehold land and buildings	1,399	1,593	1,399	1,593
	<hr/> 497,124	<hr/> 471,575	<hr/> 467,316	<hr/> 442,747
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Capitalised expenditure on existing properties in the year was £10,662,274 (2014: £34,002,000), of which £1,338,274 (2014: £27,524,000) represents final costs on recently completed developments that were in management at the start of the year. Major repair expenditure on existing properties that has been capitalised in the year was £9,324,000 (2014: £6,478,000), with a further £20,362,000 (2014: £17,476,000), of major repairs and routine maintenance being accounted for in the income and expenditure account.

Capitalised interest amounting to £7,127,516 (2014: £7,957,000) is included in the total property cost. The capitalisation rate of interest is based on the Group's average cost of funds.

Additions to the Group's housing properties during the year include:

	2015 £000	2014 £000
Capitalised interest	271	346
Capitalised administration costs	838	777

Included in the net book value of completed schemes are shared ownership properties with a net book value of £31,232,006 (2014: £32,199,521). Included in the net book value of schemes in the course of construction are shared ownership properties with a net book value of £517,059 (2014: £nil).

Included in the net book value of housing properties held for non-social housing lettings are the following:

	Total 2015 £000	Total 2014 £000
NHS properties	20,145	24,399
Other Private Finance Initiative properties	6,701	6,608
Market rented	5,753	5,414
Key worker	4,610	4,102
Student accommodation	46,419	42,988
Other non-social housing	188	429
	<hr/> 83,816	<hr/> 83,940
	<hr/> <hr/>	<hr/> <hr/>

If housing properties are disposed of, Social Housing Grant is repayable to the Homes and Communities Agency under most circumstances or retained by the Group subject to restriction on use.

The Group's investment properties were revalued at 31 March 2015 by Jones Lang LaSalle, Chartered Surveyors, on a market value existing use basis. The valuations were carried out in accordance with the Statements of Assets valuation Practice and Guidance Notes published by the Royal Institution of Chartered Surveyors. An amount of £718,527 has been debited (2014: £1,056,000 debited) to the revaluation reserve.

Notes (continued)

10 Housing properties – Group and Association (continued)

The number of units owned or in management by the Group at the year end was as follows:

	Units under development		Units in management	
	2015	2014	2015	2014
Social Housing				
General Needs housing				
- Social	16	258	10,528	10,359
- Affordable	175	-	348	257
Supported Housing (inc. Hostels)	-	-	592	613
Sheltered housing	-	-	1,303	1,306
Low cost home ownership	59	142	1,170	1,088
Care Homes providing personal care	-	-	-	-
Total Social Housing	250	400	13,941	13,623
Non Social Housing				
Home ownership accommodation:				
Shared ownership and Owner Occupiers	-	-	315	299
Leasehold schemes for the elderly	-	-	28	27
NHS and other Private Finance Initiative contracts	-	-	1,649	1,660
Market Rent & Leasehold Management	73	-	62	26
Student Accommodation	-	-	791	819
Total Non Social Housing	73	-	2,845	2,831
Leased to Others / Managed by Others				
General Needs housing				
- Social	-	-	236	216
- Affordable	-	-	-	-
Sheltered housing	-	-	-	-
Leasehold management	-	-	-	-
Supported housing	-	-	150	155
NHS and other Private Finance Initiative contracts	-	-	82	73
Care Homes providing personal care	-	-	-	-
Shared ownership	-	-	-	-
Nursing homes	-	-	-	-
Student accommodation	-	-	219	219
Leased to other Registered Providers for more than 21 years	-	-	-	-
Total leases to others/managed by others	-	-	687	663
Total	323	400	17,473	17,117

14 Units owned by Signpost Homes Limited are managed by Spectrum Housing Group Limited and 36 Units owned by Spectrum Housing Group Limited are managed by Signpost Homes Limited. These units are included in the numbers stated above and not included in the “Managed by Others” table above.

Notes (continued)

11 Other tangible fixed assets – Group

	Freehold offices and commercial premises £000	Leasehold offices £000	Computers, office furniture and equipment £000	Scheme plant and furniture and equipment £000	Motor vehicles £000	Total £000
Cost:						
At beginning of year	4,848	463	11,169	11,601	1,255	29,336
Additions	-	1,065	1,300	237	226	2,828
Disposals	-	-	(912)	(678)	(44)	(1,634)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 March 2015	4,848	1,528	11,557	11,160	1,437	30,530
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation:						
At beginning of year	591	193	9,199	7,192	873	18,048
Charge for the year	87	37	733	519	149	1,525
Disposals	-	-	(908)	(661)	(44)	(1,613)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 March 2015	678	230	9,024	7,050	978	17,960
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value:						
As at 31 March 2015	4,170	1,298	2,533	4,110	459	12,570
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 1 April 2014	4,257	270	1,970	4,408	382	11,287
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Other tangible fixed assets – Association

	Freehold offices and commercial premises £000	Leasehold offices £000	Computers, office furniture and equipment £000	Scheme plant and furniture and equipment £000	Motor vehicles £000	Total £000
Cost:						
At beginning of year	4,848	463	10,609	11,601	844	28,365
Additions	-	1,065	1,079	237	-	2,381
Disposals	-	-	(911)	(678)	-	(1,589)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 March 2015	4,848	1,528	10,777	11,160	844	29,157
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation:						
At beginning of year	591	193	8,790	7,192	575	17,341
Charge for the year	87	37	673	519	104	1,420
Disposals	-	-	(907)	(661)	-	(1,568)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 March 2015	678	230	8,556	7,050	679	17,193
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value:						
As at 31 March 2015	4,170	1,298	2,221	4,110	165	11,964
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 1 April 2014	4,257	270	1,819	4,409	269	11,024
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

12 Investments – Group

	Investment in shares £000
<i>Cost</i>	
As at 1 April 2014 and 31 March 2015	1

Investments – Association

	2015 £000
<i>Cost and net book value</i>	
As at 1 April 2014	2,107
Investments in subsidiaries	6,000
As at 31 March 2015	8,107

Additional information in respect of unlisted subsidiary undertakings is detailed below:

<u>Subsidiary undertakings</u>	<u>Principal activities</u>
Spectrum Property Care Limited	Property maintenance contractor
Signpost Homes Limited	Property management
Spectrum Premier Homes Limited	Construction design & build services and residential property development
Spectrum Property Ventures Limited	Funding vehicle for the Group

All of the subsidiaries above are included in these consolidated financial statements.

The above entities are considered to be subsidiary undertakings because of the control exercised by the Board of Spectrum Housing Group Limited. In the case of those companies with equity shares, Spectrum Housing Group Limited holds 100% of the issued shares.

Spectrum Housing Group Limited is a Registered Society under the Co-operative and Community Benefit Societies Act 2014. All other group companies are incorporated under the Companies Act 2006.

Spectrum Property Care Limited, Spectrum Premier Homes Limited and Signpost Homes Limited are all companies incorporated under the the Companies Act.

Notes (continued)

13 Intra Group Transactions Between Regulated and Non-Regulated Group Companies

Spectrum Housing Group is a Registered Provider of Social Housing. Non-regulated members of Spectrum Housing Group are Signpost Homes Limited, a company involved in the letting of market rented and student accommodation; Spectrum Property Care Limited, a company providing repair and maintenance services; and Spectrum Premier Homes Limited, a company providing design and build services and which develops homes for sale on the open market.

Spectrum Housing Group provides management and administration services to the following non-regulated entities; Signpost Homes Limited, Spectrum Property Care Limited and Spectrum Premier Homes Limited. These costs are apportioned to the subsidiaries which directly drives the cost; where this is not possible they are apportioned on the following basis:

Department	By Reference to:
Finance	Budgeted Allocation of Staff Resource
Information Technology	Budgeted Allocation of Staff Resource
Human Resources	Budgeted Allocation of Staff Resource
Development	Budgeted Allocation of Staff Resource
Executive	Budgeted Allocation of Staff Resource
Other	Budgeted Allocation of Staff Resource

The total management and admin costs recharged to non-regulated entities were:

	2015 £000	2014 £000
Signpost Homes Limited	164	-
Spectrum Property Care Limited	1,139	1,000
Spectrum Premier Homes Limited	334	180
	<hr/> 1,637	<hr/> 1,180
	<hr/> <hr/>	<hr/> <hr/>

In addition to this Spectrum Housing Group has provided Spectrum Property Care Limited with a back office IT system and is charging them for the capital cost of the software. It was agreed this charge would be recovered over a 5 year period which ended in 2014, therefore the total charge in the year was: £nil (2014: £133,000).

Spectrum Property Care Limited provides repair and maintenance services to Spectrum Housing Group Limited. These costs are recharged in accordance with contracts agreed on a commercial basis.

Totals for the year:

	2015 £000	2014 £000
Signpost Homes Limited	225	277
Spectrum Housing Group Limited	27,689	19,620
	<hr/> 27,914	<hr/> 19,897
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

13 Intra Group Transactions (continued)

Spectrum Premier Homes Limited provides design and build services to Spectrum Housing Group Limited. These costs are recharged in accordance with scheme contracts.

Totals for the year:

	2015	2014
	£000	£000
Spectrum Housing Group Limited	19,894	13,366

Intra Group Loans

Spectrum Housing Group Limited

On 5th December 2014 Spectrum Housing Group Limited made a five year revolving loan facility with an aggregate principal amount of £18m available to Spectrum Property Ventures Limited, for which interest is charged at a commercial rate.

The total amount of loan balance and interest charged to Spectrum Property Ventures Limited in the year was:

	2015	2014
	£000	£000
Loan Balance	10,080	-
Interest Charged	98	-

Spectrum Housing Group Limited

Spectrum Housing Group Limited has a revolving loan facility with an aggregate principal amount of £10m available to Spectrum Premier Homes Limited for which interest is charged at a commercial rate.

The total amount of loan balance and interest charged to Spectrum Premier Homes Limited in the year was:

	2015	2014
	£000	£000
Loan Balance	-	4,600
Interest Charged	149	70

Spectrum Housing Group Limited

Spectrum Housing Group Limited has a revolving loan facility with an aggregate principal amount of £4m available to Spectrum Property Care Limited for which interest is charged at a commercial rate.

The total amount of loan balance and interest charged to Spectrum Property Care Limited in the year was:

	2015	2014
	£000	£000
Loan Balance	-	1,700
Interest Charged	33	46

Notes (continued)

13 Intra Group Transactions (continued)

Spectrum Housing Group Limited

Spectrum Housing Group Limited had a revolving loan facility during the year with an aggregate principal amount of £2m (2014: £5m) available to Signpost Homes Limited for which interest was charged at a commercial rate.

This facility ended on 31st March 2015. The total amount of loan balance and interest charged to Signpost Homes Limited in the year was:

	2015 £000	2014 £000
Loan Balance	-	250
Interest Charged	-	16
	<u> </u>	<u> </u>

14 Stocks

	Group 2015 £000	Group 2014 £000	Association 2015 £000	Association 2014 £000
Shared ownership properties – completed	4,542	1,878	4,542	1,878
Residential properties for sale	584	3,173	584	-
Shared ownership properties – under construction	610	364	610	364
Development sites	9,757	912	-	912
Raw materials and consumables	552	525	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	16,045	6,852	5,736	3,154
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Notes (continued)

15 Debtors: amounts falling due within one year

	Group 2015	Group 2014	Association 2015	Association 2014
	£000	£000	£000	£000
Rental debtors	4,645	4,846	4,548	4,737
Less: provision for bad debts	(2,106)	(2,144)	(2,011)	(2,039)
	<hr/> 2,539	<hr/> 2,702	<hr/> 2,537	<hr/> 2,698
Trade debtors	4,158	2,124	282	434
Other debtors	3,082	592	2,459	141
Other tax and social security	95	66	-	-
Social housing grant receivable	4,377	5,406	4,377	5,407
Prepayments and accrued income	3,773	3,205	1,473	1,435
Amounts owed by group undertakings	-	-	10,501	9,137
Loan to Limited Liability Partnership	5,878	-	-	-
Deferred tax assets (see note 9)	-	47	-	-
	<hr/> 23,902 <hr/>	<hr/> 14,142 <hr/>	<hr/> 21,629 <hr/>	<hr/> 19,252 <hr/>

Included in Association balances above is an amount of £10,080,000 (2014: £nil) which is due after more than one year.

Included in Group balances above is an amount of £10,080,000 (2014: £47,000) which is due after more than one year

Notes (continued)

16 Creditors: amounts falling due within one year

	Group 2015	Group 2014	Association 2015	Association 2014
	£000	£000	£000	£000
Housing loans (see note 17)	12,614	10,091	12,614	9,091
Less: arrangement fees	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	12,614	10,091	12,614	9,091
Bank Overdraft (unsecured)	36	9	-	-
Trade creditors	4,153	3,335	1,653	1,720
Rent received in advance	1,260	1,184	1,254	1,184
Social housing grant payable to other Registered Providers	2,793	2,199	2,793	2,199
Recycled capital grant	616	610	616	610
Disposals Proceeds Fund	55	-	54	-
Other taxes and social security	391	327	334	185
Other creditors/SHG in advance	1,134	1,920	1,134	1,920
Accruals and deferred income	13,019	8,431	5,748	5,382
Finance lease creditor	222	216	222	216
Amounts owed to group undertakings	-	-	6,113	7,488
Resident and contract sinking funds	1,288	1,271	1,288	1,271
Corporation tax	22	63	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	37,603	29,656	33,823	31,266
	<hr/>	<hr/>	<hr/>	<hr/>

Social housing grant payable to other Registered Providers of £2,793,000 as at 31 March 2015 (2014: £2,199,000) represented grant that is receivable by the Group from the Homes and Communities Agency at the year end that was due to other members of the Source Development Consortium.

17 Creditors: amounts falling due after more than one year - Group

	2015 £000	2014 £000
Housing loans (secured)	389,978	370,600
Less: unamortised loan costs	(2,684)	(2,478)
	<hr/>	<hr/>
	387,294	368,122
Non housing loans	50	2
Finance Lease	2,410	2,385
Indexation charges accrued	-	-
Recycled capital grant fund	1,893	1,534
Disposals Proceeds fund	29	83
Accrued retentions	-	88
Deferred Tax falling due after 1 year	74	-
	<hr/>	<hr/>
	391,750	372,214
	<hr/>	<hr/>

Notes (continued)

17 Creditors: amounts falling due after more than one year – Group (continued)

Movement in Recycled Capital Grant and Disposal Proceeds Funds

	2015 Recycled Capital Grant Fund £000	2015 Disposal Proceeds Fund £000	2014 Recycled Capital Grant Fund £000	2014 Disposal Proceeds Fund £000
Opening balance	2,144	83	1,244	55
Inputs to fund: Grant recycled	872	-	1,018	28
Recycling of grant: New build	(507)	-	(118)	-
	2,509	83	2,144	83
	£000	£000	£000	£000
Amount falling due within 1 year	616	-	610	-
Amount falling due after 1 year	1,893	83	1,534	83
	2,509	83	2,144	83

The total amount shown is due for repayment to the Homes and Communities Agency.

The Group has accrued the indexation charged but not paid, on an index linked loan in accordance with the Statement of Recommended Practice. The creditor and charge to the income and expenditure account, represents the prudent accrual of interest incurred but not paid, to 31 March 2015. Housing loans from banks and building societies are secured by specific charges on the Group's housing properties and are repayable at varying rates of interest in instalments as follows:

	2015 £000	2014 £000
Within one year	12,614	10,091
Between one and two years	35,949	13,082
Between two and five years	36,371	45,623
Over five years	314,974	309,418
	399,908	378,214

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	2015 £000	2014 £000
Within one year	222	216
In the second to fifth years	959	930
Over five years	5,929	6,180
	7,110	7,326
Less future finance charges	(4,478)	(4,726)
	2,632	2,600

Notes (continued)

17 Creditors: amounts falling due after more than one year – (continued)

Association

	2015	2014
	£000	£000
Housing loans (secured)	368,621	350,243
Less: unamortised loan costs	(2,475)	(2,261)
	<u>366,146</u>	<u>347,982</u>
Non housing loans	50	2
Finance Lease	2,410	2,385
Amounts owed to group undertakings	345	-
Indexation charges accrued	-	-
Recycled capital grant fund	1,893	1,534
Disposals Proceeds fund	29	83
Accrued retentions	-	26
	<u>370,873</u>	<u>352,012</u>

Movement in Recycled Capital Grant and Disposal Proceeds Funds

	2015 Recycled Capital Grant Fund £000	2015 Disposal Proceeds Fund £000	2014 Recycled Capital Grant Fund £000	2014 Disposal Proceeds Fund £000
Opening balance	2,144	83	1,244	55
Inputs to fund: Grant recycled	872	-	1,018	28
Recycling of grant: New build	(507)	-	(118)	-
	<u>2,509</u>	<u>83</u>	<u>2,144</u>	<u>83</u>
			£000	£000
Amount falling due within 1 year	616	-	610	-
Amount falling due after 1 year	1,893	83	1,534	83
	<u>2,509</u>	<u>83</u>	<u>2,144</u>	<u>83</u>

The total amount shown is due for repayment to the Homes and Communities Agency.

The Association has accrued the indexation charged but not paid, on an index linked loan in accordance with the Statement of Recommended Practice. The creditor and charge to the income and expenditure account, represents the prudent accrual of interest incurred but not paid, to 31 March 2015. Housing loans from banks and building societies are secured by specific charges on the Group's housing properties and are repayable at varying rates of interest in instalments as follows:

	2015 £000	2014 £000
Within one year	12,614	9,091
Between one and two years	35,949	12,481
Between two and five years	36,371	43,823
Over five years	293,826	291,678
	<u>378,760</u>	<u>357,073</u>

Notes (continued)

17 Creditors: amounts falling due after more than one year – Association (continued)

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	2015	2014
	£000	£000
Within one year	222	215
In the second to fifth years	959	931
Over five years	5,929	6,180
	<hr/>	<hr/>
	7,110	7,326
Less future finance charges	(4,478)	(4,726)
	<hr/>	<hr/>
	2,632	2,600
	<hr/>	<hr/>

18 Pensions - Group

The Group participates in two local government Defined Benefit schemes (Dorset and Isle of Wight), and also the Social Housing Pension Scheme.

Dorset Local Government Pension Scheme

The Group participates in the Dorset Local Government Pension Scheme, a defined benefits pension scheme.

Assumptions

The financial assumptions used by the actuary to calculate the results relating to the Spectrum Housing Group were:

	2015	2014	2013
RPI Price Increases	3.20%	3.60%	3.40%
CPI Price Increases	2.40%	2.80%	2.60%
Rate of increase in salaries	3.90%	4.30%	4.60%
Rate of increase in pensions in payment/inflation	2.40%	2.80%	2.60%
Discount rate	3.30%	4.50%	4.40%

These assumptions are set with reference to market conditions at 31 March 2015.

The estimate of the duration of Spectrum Housing Group's liabilities is 19 years.

Notes (continued)

18 Pension (continued)

The discount rate is the annualised yield at the 19 year point on the Merrill Lynch AA-rated corporate bond yield curve which has been chosen to meet the requirements of FRS17 and with consideration of the duration of Spectrum Housing Group's liabilities. This is consistent with the approach used at the last accounting date.

The Retail Prices Index (RPI) increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England (BoE), specifically the 19 year point on the BoE market implied inflation curve. The RPI assumption is therefore 3.2% p.a. This is consistent with the approach used at the last accounting date.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, a further assumption has been made about CPI which is that it will be 0.8% p.a. below RPI, i.e. 2.4% p.a. The Actuary believes that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods.

Salaries are then assumed to increase at 1.5% p.a. above CPI in addition to a promotional scale.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

Life Expectancy from Age 65 (years)		2015	2014
Retiring Today			
	Males	22.8 years	22.7 years
	Females	25.2 years	25.1 years
Retiring in 20 years			
	Males	25.1 years	24.9 years
	Females	27.6 years	27.4 years

Additional assumptions made by the Actuary are:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
- 10% of active members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

Assets – Whole Fund

The return on the Fund on a bid value to bid value basis for the year to 31 March 2015 is estimated to be 10%. The estimated asset allocation as at 31 March 2015 is as follows:

Whole Fund Assets – Bid Value		2015		2014	
		£000's	%	£000's	%
Equities	6,487	57%		5,959	57%
Gilts	1,337	12%		941	9%
Other Bonds	1,405	12%		1,045	10%
Property	1,078	10%		941	9%
Cash	290	3%		732	7%
Other	720	6%		836	8%
Total	11,317	100%		10,454	100%

Spectrum Housing Group's share of the assets of the Fund is less than 1%.

Notes (continued)

18 Pension (continued)

Unfunded Benefits

In the year to 31 March 2015 an estimated £4,000 (2014: £3,000) of unfunded pensions were paid.

Expected Return on Assets

For accounting years beginning on or after 1 January 2015, the expected return and the interest cost will be replaced with a single net interest cost, which will effectively set the expected return equal to the discount rate. Therefore it is not expected to be required to disclose an expected return assumption for the year to 31 March 2016.

For the year to 31 March 2015, the expected return was 6.2% per annum, which has been used to determine the income and expenditure charge for the year ended 31 March 2015 (2014: 6.2%).

The following tables refer to the position of Spectrum Housing Group within the whole LGPS and have been provided by the scheme actuary.

Net Pension Liability - Spectrum Housing Group

Balance Sheet:	2015	2014	2013
	£000's	£000's	£000's
Present Value of the Defined Benefit Obligation	(21,398)	(18,009)	(17,108)
Fair Value of Fund Assets (bid value)	11,317	10,454	10,085
Net Liability	(10,081)	(7,555)	(7,023)
Present Value of Unfunded Obligation	(74)	(46)	(74)
Net Deficit	(10,155)	(7,601)	(7,097)
Related Deferred Tax Asset	-	-	-
Net Liability in Balance Sheet	(10,155)	(7,601)	(7,097)

The related deferred tax asset is highly unlikely to be realised and is, therefore, no longer recognised in these financial statements as Spectrum Housing Group has charitable status for taxation purposes.

Income and Expenditure Statement - Spectrum Housing Group

The amounts recognised in the Income and Expenditure Statement are:	2015	2014
	£000's	£000's
Amounts going to operating costs:		
Current service cost	164	212
Interest on obligation	807	752
Expected return on Scheme assets	(641)	(483)
Total	330	481
Actual return on Scheme assets	1,055	515

Notes (continued)

18 Pension (continued)

Dorset Local Government Pension Scheme (continued)

Reconciliation of Asset and Benefit Obligation - Spectrum Housing Group

Reconciliation of opening & closing balances of the present value of the defined benefit obligation

	2015 £000's	2014 £000's
Opening Defined Benefit Obligation	18,055	17,182
Current Service cost	164	212
Interest cost	807	752
Actuarial loss	2,892	299
Estimated benefits paid (net of transfers in)	(494)	(441)
Contributions by Scheme participants	52	54
Unfunded pension payments	(4)	(3)
	<hr/>	<hr/>
Closing Defined Benefit Obligation	21,472	18,055
	<hr/> <hr/>	<hr/> <hr/>

Reconciliation of Fair Value of Scheme Assets - Spectrum Housing Group

Reconciliation of opening & closing balances of the fair value of Fund assets

	2015 £000's	2014 £000's
Opening fair value of Scheme assets	10,454	10,085
Expected return on Scheme assets	641	483
Actuarial gain	414	93
Contributions by employer	254	183
Contributions by Scheme participants	52	54
Estimated benefits paid (net of transfers in)	(498)	(444)
	<hr/>	<hr/>
Fair value of Scheme assets at end of period	11,317	10,454
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

18 Pension (continued)

Dorset Local Government Pension Scheme (continued)

Reconciliation of Opening and Closing Deficit - Spectrum Housing Group

Reconciliation of opening & closing surplus (deficit)	2015	2014
	£000's	£000's
Deficit at beginning of the year	(7,601)	(7,097)
Current Service Cost	(164)	(212)
Employer Contributions	250	180
Unfunded pension payments	4	3
Other Finance Costs	(166)	(269)
Actuarial (loss)	(2,478)	(206)
	<hr/>	<hr/>
Deficit at end of the year	(10,155)	(7,601)
	<hr/>	<hr/>

The total amount recognised in the statement of total recognised surpluses and deficits in respect of actuarial gains/losses is a loss of £2,478,000 (2014: loss of £206,000).

Cumulative actuarial losses reported in the statement of total recognised surpluses and deficits for accounting periods ending on or after 22 June 2002 and subsequently included by prior year adjustment under paragraph 96 of FRS 17, are £8,080,000 (2014: £5,602,000).

Sensitivity Analysis

	£000's	£000's	£000's
Adjustment to discount rate	+ 0.1%	0%	- 0.1%
Present value of total obligation	21,086	21,472	21,865
Projected service cost	210	215	221
Adjustment to long term salary increase	+ 0.1%	0%	- 0.1%
Present value of total obligation	21,512	21,472	21,433
Projected service cost	215	215	215
Adjustment to pension increases and deferred revaluation	+ 0.1%	0%	- 0.1%
Present value of total obligation	21,829	21,472	21,122
Projected service cost	221	215	210
Adjustment to mortality age rating assumption	+1 year	None	-1 year
Present value of total obligation	20,721	21,472	22,230
Projected service cost	208	215	222

Notes (continued)

18 Pension (continued)

Dorset Local Government Pension Scheme (continued)

Amounts for the current and previous four periods	2015 £000's	2014 £000's	2013 £000's	2012 £000's	2011 £000's
Defined Benefit Obligation	(21,472)	(18,055)	(17,182)	(15,586)	(12,583)
Scheme assets	11,317	10,454	10,085	8,983	8,111
Deficit	(10,155)	(7,601)	(7,097)	(6,603)	(4,472)
Experience adjustments on Scheme liabilities	(25)	298	-	-	(519)
Percentage of liabilities	-0.1%	1.7%	-	-	-4.1%
Experience adjustments on Scheme assets	414	93	832	33	230
Percentage of assets	3.7%	0.9%	8.2%	0.4%	2.8%
Cumulative actuarial gains and losses	(7,220)	(4,742)	(4,536)	(4,314)	(2,410)

Statement of recognised gains and losses	2015 £000's	2014 £000's
Actual return less expected return on Fund assets	414	32
Experience (losses)/gains	(25)	360
Changes in assumptions underlying the present value of the Fund liabilities	(2,867)	(598)
Actuarial losses in Fund	(2,478)	(206)
Increase (decrease) in irrecoverable surplus	0	0
Actuarial gains (losses) recognised in STRGL	(2,478)	(206)

Projected Pension Expense for the year to 31 March 2016

Year to 31 March 2016

	£000's
Service cost	215
Net interest on the defined liability	331
Administration expenses	9
Total loss (profit)	555
Employer Contributions	258

Notes (continued)

18 Pension (continued)

Isle of Wight Local Government Pension Scheme

The Group also participates in the Isle of Wight Local Government pension scheme that provides benefits based on final pensionable pay ("the scheme"). The latest full actuarial valuation was updated for FRS 17 purposes 31 March 2015 by a qualified independent actuary.

The information disclosed below is in respect of the whole of the plans for which the Group is either the sponsoring employer or has been allocated a share of cost under an agreed group policy throughout the periods shown.

	2015	2014
	£000	£000
Present value of funded defined benefit obligations	(11,751)	(9,625)
Fair value of plan assets	8,000	6,807
	<hr/>	<hr/>
Net liability	(3,751)	(2,818)
	<hr/> <hr/>	<hr/> <hr/>
 Movements in present value of defined benefit obligation		
	2015	2014
	£000	£000
At 1 April	9,625	9,210
Current service cost	335	348
Interest cost	417	419
Actuarial loss/(gain)	1,549	(209)
Contributions by members	86	84
Benefits paid	(261)	(227)
	<hr/>	<hr/>
At 31 March	11,751	9,625
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

18 Pension scheme (continued)

Isle of Wight Local Government Pension Scheme (continued)

Movements in fair value of plan assets

	2015 £000	2014 £000
At 1 April	6,807	6,188
Expected return on plan assets	404	334
Actuarial gains	584	58
Contributions by employer	380	370
Contributions by members	86	84
Benefits paid	(261)	(227)
	<hr/>	<hr/>
At 31 March	8,000	6,807
	<hr/> <hr/>	<hr/> <hr/>

Expense recognised in the income and expenditure account

	2015 £000	2014 £000
Amounts going to operating costs;		
Current service cost	335	348
Amounts going to finance costs;		
Interest on defined benefit pension plan obligation	417	419
Expected return on defined benefit pension plan assets	(404)	(334)
	<hr/>	<hr/>
Total	348	433
	<hr/> <hr/>	<hr/> <hr/>

The total amount recognised in the statement of total recognised surpluses and deficits in respect of actuarial losses is £965,000 loss (2014: £267,000 gain).

Cumulative actuarial losses reported in the statement of total recognised surpluses and deficits for accounting periods ending on or after 22 June 2002 and subsequently included by prior year adjustment under paragraph 96 of FRS 17, are £2,467,000 (2014: £1,502,000).

The fair value of the plan assets and the return on those assets were as follows:

	2015 Fair value £000	2014 Fair value £000
Equities	5,360	4,493
Bonds	2,240	1,906
Cash	-	68
Property	400	340
	<hr/>	<hr/>
	8,000	6,807
	<hr/> <hr/>	<hr/> <hr/>
Actual return on plan assets	988	681
	<hr/> <hr/>	<hr/> <hr/>

The overall expected rate of return on plan assets is based on the long-term future investment return for each asset class at the beginning of the year.

Notes (continued)

18 Pension (continued)

Isle of Wight Local Government Pension Scheme (continued)

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2015	2014
	%	%
Discount rate	3.2%	4.3%
Expected rate of return on plan assets	3.2%	5.9%
Salary increase rate	4.3%	4.6%
Pension increase rate	2.4%	2.8%

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

	Males	Females
Current pensioner aged 65:	22.4 years	24.5 years
Future retiree upon reaching 65:	23.8 years	26.7 years

History of plans

The history of the plan for the current and prior periods is as follows:

Balance sheet

	2015	2014	2013	2012	2011
	£000	£000	£000	£000	£000
Fair value of scheme assets	8,000	6,807	6,188	5,059	4,818
Present value of scheme liabilities	(11,751)	(9,625)	(9,210)	(7,622)	(6,799)
Deficit	(3,751)	(2,818)	(3,022)	(2,563)	(1,981)

Experience adjustments

	2015	2014	2013	2012	2011
	£000	£000	£000	£000	£000
Experience adjustments on scheme liabilities	98	422	13	(100)	-
Experience adjustments on scheme assets	584	58	603	(221)	(774)
	682	480	616	(321)	(774)

Projected Pension Expense for the year to 31 March 2016

Year to 31 March 2016 £000

Service cost	425
Interest cost	380
Return of assets	(260)
Closing Defined Benefit Obligation	545
Employer Contributions	380

Notes (continued)

18 Pension scheme (continued)

Social Housing Pension Scheme

Spectrum Housing Group Limited also participates in the Social Housing Pension Scheme (SHPS), a defined benefit scheme.

The scheme is funded and is contracted out of the state pension scheme.

It is not possible in the normal course of events to identify on a consistent and reasonable 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 year under FRS17 represents the employer contribution payable.

Contributions for the year payable by the Group to the fund amounted to £1,767,266 (2014: £1,172,272).

The Trustee commissions an actuarial valuation of the scheme every three years. The main purpose of the valuation is to determine 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 latest formal valuation of the scheme was performed as at 30 September 2014 by a professionally qualified actuary using the projected unit method. The market value of the scheme's assets at the valuation date was £3,123 million. The valuation revealed a shortfall of assets compared to liabilities of £1,323 million, equivalent to a past service funding level of 70%.

Consolidated group Pension Schemes

Pension schemes liability

	2015 £000	2015 £000	2014 £000	2014 £000
Market value of assets:-				
Dorset Local Government Pension Scheme	11,317		10,454	
Isle of Wight Government Pension Scheme	8,000		6,807	
	<hr/>		<hr/>	
Present value of scheme liabilities:-		19,317		17,261
Dorset Local Government Pension Scheme	(21,472)		(18,055)	
Isle of Wight Government Pension Scheme	(11,751)		(9,625)	
	<hr/>		<hr/>	
		(33,223)		(27,680)
		<hr/>		<hr/>
Net pension liability		(13,906)		(10,419)
Related deferred tax asset		-		-
		<hr/>		<hr/>
Pension schemes liability		(13,906)		(10,419)
		<hr/>		<hr/>

Notes (continued)

18 Pension scheme (continued)

Reconciliation to the balance sheet

	2015 £000	2014 £000
Net assets excluding pension liability	129,224	117,853
Pension liability	(13,906)	(10,419)
	<hr/>	<hr/>
Net assets including pension liability	115,318	107,434
	<hr/> <hr/>	<hr/> <hr/>

Pensions Scheme – Association

The Association, as part of the Spectrum Housing Group participates in the Dorset Local Government Pension Scheme, a defined benefits pension scheme. Spectrum Housing Group's contribution made to the scheme in the accounting period was £175,987 (2014: £179,558).

The scheme is a defined benefit funded scheme, but the Association is not able to identify its share of assets and liabilities within the scheme in order to account for them in accordance with requirements of FRS17 'Retirement Benefits'. As permitted by FRS 17, the Association has accounted for its contribution as if made to a defined contribution scheme, namely by including them in the income and expenditure account as they fall due.

19 Non equity share capital - Association

	Shares £
At beginning of year	39
Issued during the year	-
Cancelled during the year	(6)
	<hr/>
As at 31 March 2015	33
	<hr/> <hr/>

The shares have limited rights. They carry no entitlement to dividend, they are not repayable and do not participate in a winding up. They carry the following voting rights: to approve the financial statements and to appoint members of the Board and the auditors.

20 Reserves

Group

	Revaluation Reserve £000	Income and expenditure Account £000	Total £000
At beginning of year	4,687	102,796	107,483
Surplus for the year	-	7,060	7,060
Realised surplus on disposal of investment property	-	-	-
Revaluation of Housing Properties	1,752	-	1,752
Actuarial gain recognised on the pension scheme	-	(965)	(965)
Deferred tax on gain recognised on the pension scheme	-	-	-
	<hr/>	<hr/>	<hr/>
As at 31 March 2015	6,439	108,891	115,330
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

20 Reserves (continued)

Association

	Revaluation Reserve £000	Income and expenditure Account £000	Total £000
At beginning of year	2,094	105,412	107,506
Surplus for the year	-	7,834	7,834
Realised surplus on disposal of investment property	(725)	-	(725)
Actuarial loss recognised on the pension scheme	-	(965)	(965)
Intercompany adjustment	-	-	-
	<u>1,369</u>	<u>112,281</u>	<u>113,650</u>
As at 31 March 2015	1,369	112,281	113,650

21 Capital commitments

	Group 2015 £000	Group 2014 £000	Association 2015 £000	Association 2014 £000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	67,826	92,448	33,722	53,987
Capital expenditure approved by directors which has not been contracted for	192,668	30,008	73,350	18,751
	<u>260,494</u>	<u>122,456</u>	<u>107,072</u>	<u>72,738</u>

As at 31st March 2015 it is proposed that the current capital commitments will be funded by existing loan agreements.

22 Operating leases

Group

	Land and Buildings 2015 £000	2014 £000	Motor vehicles 2015 £000	2014 £000
Annual commitments under operating leases:				
Expiring within one year	-	27	62	81
Expiring within two to five years	872	474	1,532	588
	<u>872</u>	<u>501</u>	<u>1,594</u>	<u>669</u>

Association

	Land and Buildings 2015 £000	2014 £000	Motor Vehicles 2015 £000	2014 £000
Annual commitments under operating leases:				
Expiring within one year	-	-	-	2
Expiring within two to five years	512	318	-	22
	<u>512</u>	<u>318</u>	<u>-</u>	<u>24</u>

Notes *(continued)*

23 Incorporation

The Association was formed on 25 August 1999, is registered with the Homes and Communities Agency and prepares its financial statements under the Accounting Direction for Private Registered Providers of Social Housing 2012. Spectrum Housing Group Limited is a Registered Society under the Co-operative and Community Benefit Societies Act 2014.

24 Transactions with related parties

Certain Board members of Spectrum Housing Group Limited (or its subsidiaries) who served during the year are tenants of the Group. Rents received from these Board members are therefore related party transactions, but were under the same terms and conditions as other tenants of the Group.

In December 2014, Spectrum Premier Homes Limited became a partner of Linden Homes (Sherford) LLP (formerly Sherford Developments LLP), with Galliford Try Homes Limited to facilitate and fund development in the town of Sherford. For the period ended 31 March 2015 Sherford LLP made a loss of £227,783 and made no distribution to its shareholders.

In the period ended 31 March 2015, a loan of £5,802,636 was made by Spectrum Ventures Limited to Linden Homes (Sherford) LLP, to fund the development in which it is engaged. Interest is payable on this loan at 3.5% above the Bank of England base rate per annum. The loan is repayable when the limited liability partnership has surplus funds.

25 Group companies

At 31 March 2015 Spectrum Housing Group Limited was a parent undertaking with four subsidiaries. This includes the companies amalgamated to simplify the Group structure on 2 April 2013. On that date the Association was renamed Spectrum Housing Group 2013 Limited. Spectrum Housing Group 2013 Limited and its four subsidiary Registered Providers then amalgamated to form the parent company Spectrum Housing Group Limited. Spectrum Housing Group Limited is a Registered Provider and a Co-operative and Community Benefit Society. Subsidiaries within the Group are as follows:

- Spectrum Premier Homes Limited
- Spectrum Property Care Limited
- Spectrum Property Ventures Limited
- Signpost Homes Limited