Spectrum Housing Group Limited

Report of the Board of Management and financial statements

Registered number 32020R

31 March 2016

Contents

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 – Resigned 24/09/15
	M Robinson
	H Rose
	E Sabey
	I Baker – Appointed 10/06/15, resigned 15/06/16
Company Secretary	C McKenna
Group Executive Team	
Group Chief Executive	R Hill
Group Finance Director	M J Lucas
Group Development Director	J Takhar – Resigned 26/02/16
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

Registered in England under the Co-operative and Community Benefit Society Act 2014

Registration Number 32020R

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

Registration Number 4759

Report of the Board

Strategic and Directors' Report

Principle activity

Spectrum Housing Group Limited ("the Association") is the parent company of the Spectrum Group ("the Group" or "SHG" or "Spectrum"). It is a public benefit entity ("PBE") and a not-for-profit Registered Provider of Social Housing administered by a Board of Management.

Objectives & Strategies

The Corporate Plan was reviewed and updated in 2016 and sets the direction and strategy to 2018 focussing on four main priority areas:

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

The review confirmed we have improved our core financial performance and managed the business within strong financial standards. Working closely with our local authority partners, we have developed award winning development schemes for rent, shared ownership and sale. Customer satisfaction levels have increased over the year and across repairs, neighbourhoods and with listening to our customers now in the top quartile. Our repairs and maintenance business (Spectrum Property Care) continues to deliver an efficient and effective service to our residents and win high-value external contracts.

The review included confirmation that a number of Corporate Plan objectives have been achieved. It also included an update of objectives following the substantial changes to our operating environment following the Government's Summer Budget in 2015 to ensure our business remains robust and successful. This means taking action in the short term: to reduce our cost base, strengthen our financial standards and actively manage our risks. But it also means making strategic choices for the long-term – making sure that we continue to grow, to develop new homes and to deliver a great service to our residents.

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

The strategic objectives to be delivered by March 2018 are:

- Increasing core operating margin to 30%
- At least 80% of residents would recommend Spectrum to their families and friends
- At least 80% of employees would recommend Spectrum as an employer to their family and friends
- 1,700 new homes built, and
- To grow Spectrum Property Care annual sales to £38.5m (from £23.5m in 2013)

The objectives within the plan have been agreed in consultation with residents, management and boards and are reviewed annually. We target our resources where we identify they are most needed through neighbourhood strategies and other programmes all aimed at improving the employment prospects, finances, health and wellbeing of residents.

Strategic and Directors' Report *(continued)*

Vision and Values

Spectrum Housing Group's vision is to provide 'Great Homes, Strong Communities and Residents at the Heart.' The vision is underpinned by the following core 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.

Merger Proposal with Sovereign Housing Association

In responding to the increasingly challenging environment for housing associations, our key corporate objectives are to grow and be more efficient to increase our strength and resilience. Although we have plans for natural growth, we have also been open to exploring mergers and/or acquisitions with the right organisation, to help achieve our objectives.

In 2015 we were talking with Sovereign about stock swaps as part of their stock rationalisation plans. The discussions revealed a high degree of geographical overlap, as well as similar visions, values and objectives, which led to us exploring the opportunity to join our organisations together. During these discussions, we recognised that there could be benefits to both organisations and our residents if we merged. We believe that by joining together, we would be stronger and more efficient, enabling us to deliver more of the new homes that are desperately needed across our operating area. In February 2016 we announced that we had jointly produced an outline business case, setting out all of the benefits of joining our organisations. Joint discussions continued to work through the detail and in June the Boards approved the final business case. We are now working towards consents from our regulator, lenders and pension providers before seeking the approval of our shareholders in September. If these are all successful, we will go ahead with the merger in the autumn.

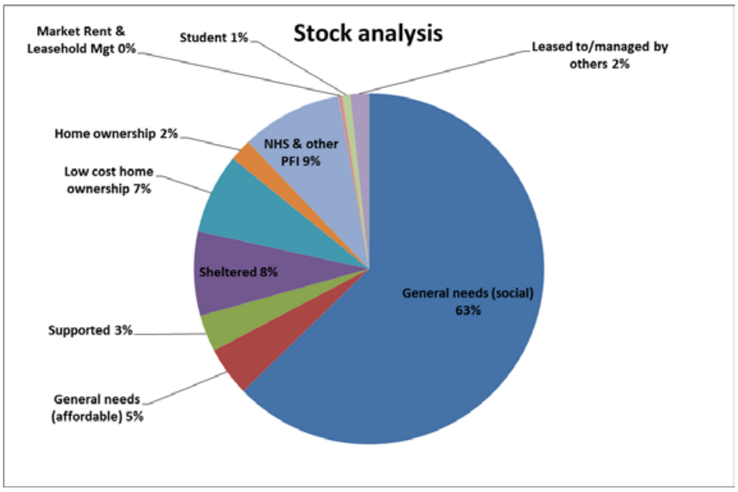
The Board approved and adopted the NHF Voluntary Merger Code "Mergers, Group Structures and Partnerships – a voluntary code for housing associations" at its meeting on 26 January 2016

Nature of the business

Spectrum Housing Group is a non-profit organisation. We own and manage approximately 16,500 homes and maintain over 45,000 across the South of England through Spectrum Property Care. We work in partnership with local authorities, health trusts, statutory bodies, and a range of voluntary organisations to create safe, sustainable communities. The Group provides a wide range of homes as set out in the chart below:

Strategic and Directors' Report *(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 training courses, conference facilities, development agency services and access to our contractor and consultant frameworks through the Source Development Partnership.

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

The Group's principal subsidiaries as at 31 March 2016 were as follows:

- 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.

During the year Spectrum disposed of Signpost Homes Limited (SHL), and the remaining student scheme within SHGL, to Campus Living Villages (CLV). All staff involved in the direct management were subject to a TUPE transfer. The process was well managed and the staff moved across to CLV with no issues or problems. To maintain service at this pressurised time it was agreed that although the affected staff would TUPE transfer the strategic management would remain with Spectrum for a period of two months. This was controlled through a short term management agreement. The two month period ended on the 1st May 2016 with all responsibilities and actions required of Spectrum being fully discharged and with all parties being satisfied with the process.

Performance

Spectrum recognises the quality of management information is critical to deliver the best possible basis for decision-making throughout the organisation. During 2015/16 we have extensively reviewed and improved our approach to Performance Management. The Performance Framework is aligned with the Corporate Plan to ensure that the relevant objectives and risks are well managed and monitored by the Group Board. The Group Board approve the performance data KPIs and review the Quarterly Performance Report and the Risk Management update each quarter.

Strategic and Directors' Report *(continued)*

Performance *(continued)*

Our annual STAR survey, undertaken on our behalf by Ipsos MORI offers us independent feedback from residents. We reviewed what is important to customers in 2014 and a number of changes were made to our general approach to customer service. Much of this work focused on embedding the Spectrum values and behaviours into our daily activities. This included revisions to our training programmes, systems, processes and automation. The changes have relied not just on work by front-line teams but also by colleagues in Learning & Development and IT who have refined new training courses and implemented changes to processes and systems including:

- A new Customer Service Pledge
- Simplification of transactional satisfaction surveys
- Focus on Net Promoter and Customer Effort scores as team drivers
- Team based reviews of anecdotal feedback from customers
- Review of customer feedback at 121s
- "The doorstep challenge" in SPC
- "Moments of truth" based customer service training
- First contact resolution of complaints

These changes have had an immediate positive effect on customer loyalty and satisfaction with most of our STAR results now at Quartile 1 and 2 as measured against the Housemark benchmark targets.

Our Net Promoter Score (NPS) which assesses customer loyalty increased to just over 10 and the proportion of residents that would recommend Spectrum to family and friends increased 5.5% to meet our 2016 interim target and remains on track to meet the 2018 target of 80%. Overall satisfaction with our services is also at 81.9% which is a 7.3% increase on the previous year.

Similarly the customer polling that we conduct when resident's access our services has also produced impressive results across all operational areas and these are largely at quartile 1. Our surveys measure customer loyalty by the Net Promoter Score - NPS, how easy it is to deal with Spectrum through the Customer Effort Score - CES, and satisfaction with our service through the Customer Satisfaction Score (CSAT). The results of these surveys are used in the regular performance reports to managers, Executive, Board and Resident groups.

SHG was one of the founder members of Quality Housing Services (QHS) in 2003 and we were proud to have achieved and retained the enhanced performance standard since 2011. Unfortunately QHS ceased to trade in 2015 but our last set of results confirmed that we were still exceeded all the enhanced targets. SHG has now joined the Institute of Customer Service (ICS) to provide us with an independent assessment of the quality of our service. The benefit of this approach will be that we can benchmark with other social housing providers but also other public and commercial sectors.

The Group is accredited by Investors in People and 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. Focus remains in this area as it is considered to be a key employee engagement and involvement opportunity.

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 eighth successive national award from the Royal Society for the Prevention of Accidents (RoSPA). Seven of these awards have been Gold status (including the most recent) and the other one was a Silver award. Other key areas to note are:

- SPC also won its thirteenth, fourteenth and fifteenth national site awards under the Considerate Constructors Scheme (CCS) during the year, for its contracts with Spectrum Housing Group and Poole Housing Partnerships. The latest 3 awards are all Gold status.

- SPC revised its Growth Strategy in 2016 to focus on margin over volume. This followed the Government's July 2015 Budget and specifically the reductions to RP rents. For the year to 31 March 2016, SPC achieved its highest annual profits to date which followed record margins earned on its external contracts. SPC's focus on high margin construction projects is a key factor in the Company's improved financial performance.

Strategic and Directors' Report *(continued)*

Performance *(continued)*

- SPC has delivered a strong VFM outcome for its clients during 2016. Key performance indicators are at their high watermark as at 31 March 2016. Job costs have continued to be competitive in the year with client budget targets being achieved and in some cases bettered.
- Customer satisfaction has risen in the year following SPC's investment in customer care training to support expert trade skills and the Company's mobile-working system. SPC has also taken over direct responsibility for customer complaint handling and resolution. This has resulted in reduced lead times and a fall in overall complaints to 1 in 2,000 jobs.
- High quality new business has also been won at open-market tender against the Company's mid-price, high quality value for money offer.
- SPC's growth strategy is adding social value through more employment and training opportunities in local communities, and specifically, SPC has committed to a 30 person apprenticeship programme which was launched during 2014/15. SPC now employs 17 apprentices and has complemented their workplace training with strong partnerships with local colleges.

Spectrum Premier Homes is well established, with its 7th site now generating sales and our 100th home sold during the year. SPH have refined the contract terms to maximise control over the rate of sales/construction providing further risk mitigation against market conditions. SPH standard house types range is proving popular and is successfully being delivered on our new developments.

Spectrum Property Ventures has successfully delivered funding in excess of £17m to SPHL and the Sherford Joint Venture to enable the Group to meet its objectives. Cash Flows are monitored closely by the Treasury Committee, with funds drawn down from SHGL only when required, ensuring efficient treasury management.

Business development

Spectrum leads the Source Development Partnership ("SDP"), a development consortium of 7 active members in the Framework agreement for the HCA 2011-15 programme and 4 active members in the Framework Delivery Agreement for the HCA's 2016 –18 programme.

SDP was re-accredited as a partnering body for the HCA's 2011-15 programme with a grant allocation of some £9m and a grant allocation of £24.7m for the HCA's 2015–18 Programme.

As at 31 March 2016 SDP's spend performance for all programmes was 76% *(2015 92%)* and completions 110% *(2015: 96%)* based on start of year targets

This is the first full year of the Group's initial Joint Venture (JV) with Galliford Try, providing more than 1,600 homes over 20 years on a green-field site on the outskirts of Plymouth. This is part of a larger settlement development of some 5,000 homes involving a consortium of three major house builders of which Galliford Try is one. SPH is the partner within the 50:50 joint venture with Galliford Try. Spectrum's share of the funding for the JV is being provided through Spectrum Property Ventures. The JV LLP is serviced by a joint board with three Directors from Spectrum and Galliford Try respectively and a detailed suite of KPIs has been developed to ensure effective monitoring of progress for this project.

Despite some delays earlier in the year the consortium's infrastructure works are now well underway and housebuilding construction commenced for all members in Q4 of 2015/16. There is a risk that delays experienced to date may impact on programming of anticipated sales completions which would affect the revenue SPH expects in the forthcoming year, but overall it is expected that gross development value across the site will increase and expected returns in the longer term remain positive.

Strategic and Directors' Report *(continued)*

Financial results

The Group's surplus for the year was £4.2m *(2015: £4.3m).* When company/property disposals, tax adjustments and property impairments/write-downs are excluded, the underlying surplus was £4.2m (*2015: £5.0m*). Turnover increased by 8.1% to £118.6m *(2015: £109.7m)* whilst cost of sales increased 24.8% to £16.1m *(2015: 12.9m)* and operating costs increased 3.8% to £76.4m *(2015: £73.6m)*. The Group has charged impairment on housing properties and write-down of properties for sale totalling nil *(2015: £1.8m)*.

The Group continued its geographic stock rationalisation programme with a circa 400 home swap with Magna in Dorset/Devon/south Somerset. Whilst the economics of the stock swap revolved around matching existing use value, accounting requirements means that an accounting loss on disposal of £1.8m has been reflected this year. This was due to the fall in social housing stock values following the introduction of rent reductions as part of the government's summer Budget.

The Group has equity of £116.6m *(2015: £112.4m)*. 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 improved year on year performance over the past 5 years. Operating margin has grown from 21.1% in 2015 to 22.0% in 2016. 2012-2014 are pre FRS 102 numbers,

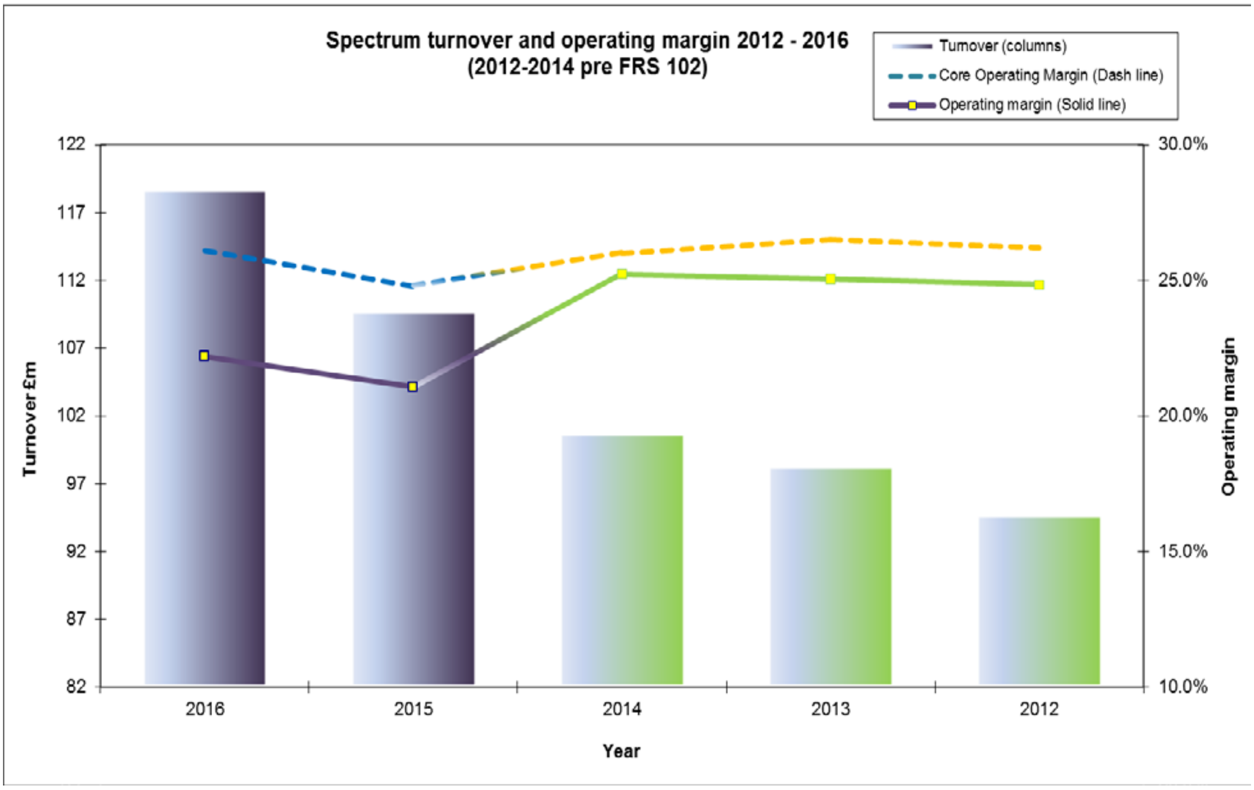
The operating margin demonstrates positive movement towards the challenging Corporate Plan target to achieve a core operating margin of 30% by 2018. The latest financial projections demonstrate that we are on target to achieve this.

Group financial results: Five year summary (2015 restated)

	FRS 102		2012-2014 pre FRS 102		
	2016	**2015**	**2014**	**2013**	**2012**
	£m	£m	£m	£m	£m
Statement of comprehensive income					
Turnover	118.6	109.7	100.6	98.2	94.6
Operating costs and cost of sales	(92.5)	(86.6)	(75.2)	(73.6)	(71.1)
Operating surplus	26.1	23.1	25.4	24.6	23.5
Operating margin	22.0%	21.1%	25.2%	25.1%	24.8%
Net interest	(23.2)	(17.7)	(16.9)	(17.0)	(17.1)
Fair value gain on revaluation Inv Asset	0.8	1.8			
Surplus on disposal of assets	(1.5)	1.0	2.0	28.2	(0.6)
Taxation	(0.3)	(0.7)	0.6	0.4	(0.4)
Surplus after tax	1.9	7.5	11.1	36.2	5.4
Other comprehensive income	2.3	(3.2)			
Total comprehensive income for the year	4.2	4.3	11.1	36.2	5.4
Statement of financial position					
Housing properties - cost	871.3	869.9	873.4	862.2	863.0
Housing properties - depreciation	(105.6)	(99.0)	(68.3)	(63.9)	(63.8)
	765.7	770.9	805.1	798.3	799.2
Other tangible fixed assets and investments	14.6	14.8	11.3	11.8	12.1
Investment in JV	(0.6)	(0.1)	-	-	-
Net current assets/(liabilities)	9.9	7.8	7.3	19.8	(0.6)
Loans due after one year	(403.6)	(400.7)	(372.2)	(399.8)	(396.2)
Social Housing and other grants	(256.8)	(265.9)	(333.6)	(322.8)	(340.8)
Other long term liabilities	(12.6)	(14.4)	(10.4)	(12.2)	(10.3)
	116.6	112.4	107.5	95.1	63.4
Income and expenditure reserve	116.6	112.4	107.5	95.1	63.4
	116.6	112.4	107.5	95.1	63.4

Strategic and Directors' Report *(continued)*

Financial results *(continued)*



Principal risks and uncertainties

The main risks that may prevent the Group achieving its objectives are considered and reviewed at least quarterly by the Group Audit & Risk Committee and quarterly, as part of the Performance Framework, by the Group Board. This also forms part of our Annual Assurance Framework, which is reviewed annually by both the Audit & Risk Committee (ARC) and the Group Board. The risks are recorded and assessed in terms of their impact and probability.

During 2015/16 we have continued to monitor the progress against our Risk Maturity Model. Group Board have delegated responsibility for the oversight of this plan to the ARC. This is also reviewed quarterly by the Executive Team.

The Audit & Risk Clinic takes place directly prior to each Audit & Risk Committee; the Clinic includes membership from the Executive Management Team, the Governance, Risk & Compliance Director and the Group Risk Manager. All strategic risks that score 8 or more, presenting the greatest possible threat to the Group, are reviewed at this meeting, as well as new and emerging risks being identified and discussed. These risks, together with an assessment of the key controls to manage them, are then reported to each meeting of the ARC.

Key risks may also be identified for individual projects or arising from departmental operational risk registers.

Strategic and Directors' Report *(continued)*

Principal risks and uncertainties *(continued)*

Key risks from the Group's risk register include:

- New homes for sale and rent do not achieve planned growth or revenue levels
- Poor or mis-managed Development programme leading to breaches of the financial standards
- SPC failure to meet stretching business plan targets
- Adverse impact of Welfare Reforms Legislation
- Emerging Government Policies, such as Right to Buy and Pay to Stay, leading to adverse impacts on the Business Plan

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.

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/values.

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;
- Effective management of treasury related risk with priority given to
  - 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.

Spectrum's fundamental position in respect of treasury management is risk averse. The combination of these principles is therefore 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.

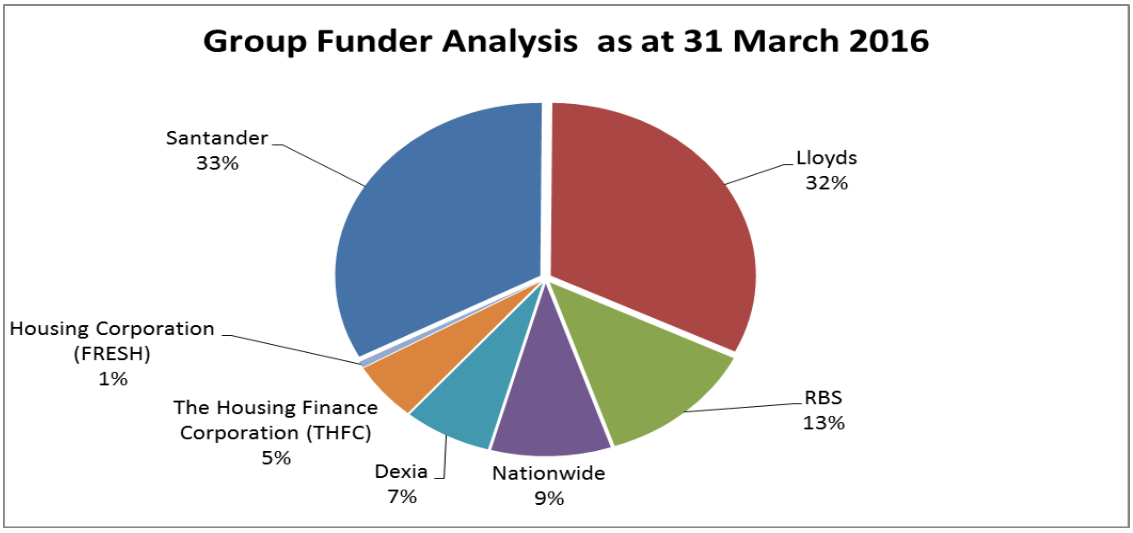
The Treasury Committee responsible for the review of the Group's treasury activities. This includes responsibility for the detailed review, and recommendation to the Group Board, of the Group Treasury Policy, the annual update to the Funding Strategy and the related Action Plan, and the Group's Financial Standards. The committee receives quarterly monitoring reports on the performance of treasury activity and compliance with Financial Standards and loan covenants. The Committee holds delegated authority to consider, and approve new facilities that are within the overall Funding Strategy.

The £20.5m *(2015: £21.3m)* loan held by Signpost Homes Limited with Lloyds Bank, with an average rate of 4.86% *(2015: 4.99%)* was fully repaid in February 2016 as that entity was sold. No other subsidiary entities hold external debt.

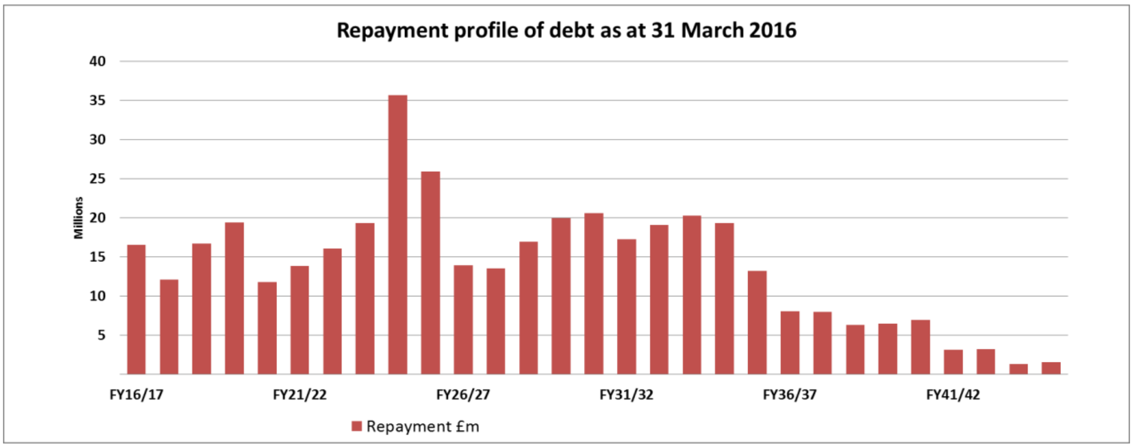
At 31 March total debt within Spectrum Housing Group Limited was £406.6m *(2015:£402.6m)* with an average cost of funds (including margin and costs) of 3.14% pa *(2015: 3.97%).* At the year end the Group held £65m of cash and secured undrawn facilities *(2015:£48m).*

Strategic and Directors' Report *(continued)*

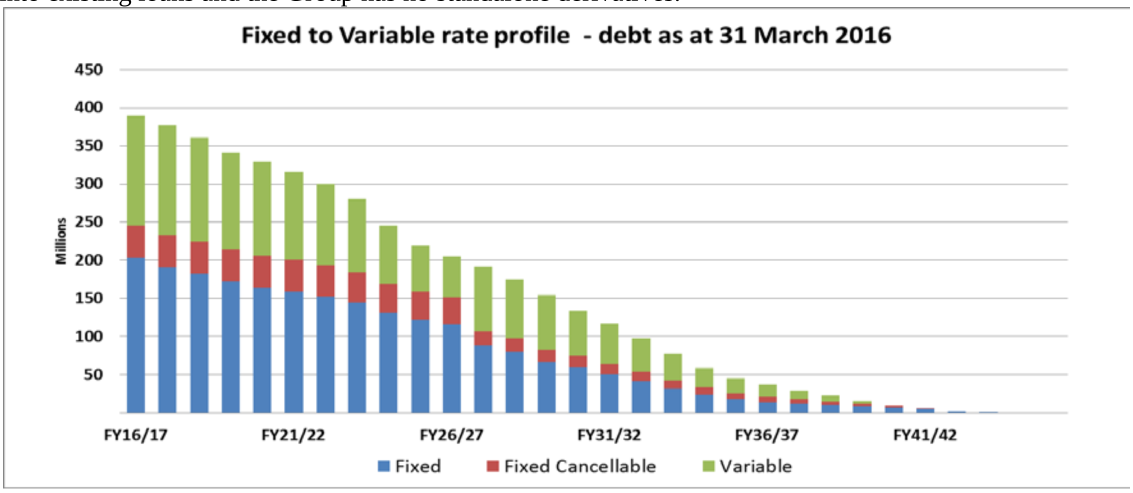
Treasury management *(Continued)*



Debt is repayable on an amortising profile which lowers the Group's exposure to refinancing risk.



The interest rate management policy is to have a minimum of 50% of loans at fixed rates of interest. The very low rates in the market in early 2016 meant Spectrum was able to take the opportunity to fix £18m of debt at advantageous rates. As at 31 March 2016 62.4% *(2015: 63.5%)* of the Group's debt was on a fixed rate. All fixings are embedded into existing loans and the Group has no standalone derivatives.



Strategic and Directors' Report *(continued)*

Treasury management *(Continued)*

During 2015/16 work progressed to put in place additional facilities to support the on going development programme. In April 2015 a new five year £50m revolving credit facility was signed and in March 2016 credit approval was received for a £55m facility with Affordable Housing Finance Limited.

In 2014 SPV was positioned as a funding vehicle to allow it to allocate its available funding between SPH and the Sherford Joint Venture, as the various build phases for open market sales within each of those entities progress. As at 31 March 2016 SPV held £4m issued share capital in addition to a loan facility from Spectrum Housing Group Limited of £20m with £8.5m on lent to SPH and £9.0m on lent to the JV. Both the Treasury Committee and SPV Board monitor the forecast on lending of these funds on a regular basis.

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
- Planning for and delivering continuous improvement
- Putting residents at the heart of our business 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

2015/16 has been a successful year with achievements that have included:

- Made substantial progress in moving towards our key target of achieving a 30% operating margin by 2018. We now expect to deliver this by 2017.
- Generated cost and efficiency savings in year so that our operational outturn is circa £2.8m better than budget.
- Set a budget for 2016-17 with a further £5m of efficiency savings.
- Credit rating – we successfully achieved an independent credit assessment giving us the flexibility to approach the capital markets to fund our future growth.
- Procurement – we delivered 14 significant procurements generating £544k of annualised savings.
- New homes - we have continued to meet housing need, completing a programme of 321 new homes across mixed tenures.
- Spectrum Property Care (SPC) profit – in spite of reduced sales following the July 2015 Budget SPC generated a surplus of £692k available to be reinvested in our core business.
- 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 four years of analysis. The resulting information has been incorporated into our decision making process for recent stock rationalisation and disposals.
- Geographic stock rationalisation – we continued 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.
- Sale of our student accommodation – we completed the final phase of the disposal of our student portfolio releasing £10 million for investment in new homes as part of our growth strategy.

Strategic and Directors' Report *(continued)*

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

- Customer satisfaction – satisfaction with our overall service increased to 81.9% (from 74.6% in the previous STAR survey). Our Net Promoter Score, which assesses customer loyalty, increased to just over 10 and the proportion of residents that would recommend Spectrum to family and friends increased 5.5% to meet our 2016 interim target and remain on track to meet the 2018 target of 80%.

- Digital strategy – we launched a new web site and 'My Spectrum' – our secure online resident account - enabling more residents to engage with us online. At the end of March 2016 64.4% of Spectrum households were transacting with us digitally, significantly ahead of our target.

- Digital working – we have successfully implemented mobile working systems that have helped increase average housing officer patch sizes by 10%, and achieve budget savings of £150k.

- TPAS Quality Assured Scrutiny Accreditation – we achieved this accreditation in 2015 demonstrating excellence in tenant-led scrutiny.

- "Smarter Working" – we successfully completed service reviews of finance reporting and forecasting and responsive repairs as part of our cultural change programme applying Lean thinking to streamline processes and reduce waste.

- Customer service training – just under 500 members of staff received training relating to our Customer Service Pledge.

Looking forward, we have specific plans to improve our value for money in 2016-17. The environment we operate in is changing and so are the expectations of our customers and wider stakeholders. We want to meet the challenges of that change to be a better and stronger organisation.

We continue to develop and strengthen our approach to value for money, providing foundations for further achievements in future years. We continue to invest in technology to make our own processes more efficient and to support our residents to interact confidently in an increasingly digital world. We are also engaging with our staff, providing them with a more formal methodology to review and challenge processes that don't add value and more opportunities to develop their own skills. Measurement of this is critical in considering how we add value to the communities we work in and to understand how our physical assets perform. We continue to focus on strengthening this.

2016/17 will be a challenging year and we have plans that are well underway to deliver further value for money improvements including:

- Merger – we are working towards merging with Sovereign Housing Association with a target date of November 2016. This will help deliver our key corporate objectives to grow, be more efficient and increase our strength and resilience. The business case includes estimated savings of circa £9.5m a year in the medium term

- Deliver £5m savings in the 2016/17 budget

- Budget savings – we plan to find an additional £2 million savings as part of the 2017/18 budget round in response to the Government's reduction in our rents.

- Credit rating – we will seek to maintain our current credit rating to enable us to approach the capital markets to fund our future growth.

Asset management - using the data from various sources 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 budgeting.

Strategic and Directors’ Report *(continued)*

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

- Spectrum Premier Homes, our open market sales business, will generate £2m of gift aid to support further affordable housing.
- Communities and Neighbourhood Strategy – we are working to increase resident satisfaction with their neihbourhood to within the top quartile by 2018.
- Spectrum Property Care growth – profit from our maintenance business is budgeted at circa £660k for 2016/17 enabling an estimated Gift Aid payment of £400k to be reinvested in our core business.
- Customer service – we will work towards UK Customer Satisfaction Index (UKCSI) accreditation and aim that at least 72% of residents would recommend Spectrum to their family and friends by March 2017.
- Digital strategy – continuing to extend the digital channels through which our residents can access and feedback on Spectrum’s services so that the number of households transacting with us digitally is increased to 70% by the end of 2016/17.
- Procurement - undertaking planned procurements to deliver £500k of savings and efficiency gains as well as direct savings to residents though service charges and other non-cashable benefits.
- Apprenticeships – SPC will be offering a further five new apprenticeships as part of our Corporate Plan commitment to create 30 apprenticeships by 2018.

Our detailed self assessment can be found by clicking on the following link http://www.spectrumhousing.co.uk/about-us/how-we-run/corporate-publications

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 service level agreements, which sets out the relationship between the Group parent and subsidiaries. The Group is the sole shareholder or sole member of its subsidiaries depending on their legal form. 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; progress against which is regularly reported to the Group.

The Group Board is supported by three Group sub-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 its terms of reference and best practice guidance.

Strategic and Directors' Report *(continued)*

Governance & co-regulation *(Continued)*

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 Committee also reviews its effectiveness in accordance with its terms of reference.

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 Homes and Communities Agency (formerly the TSA), the body that regulates social housing. The idea was that housing associations like Spectrum are managed through a partnership between boards, staff and residents providing residents with opportunities to shape the services they receive and how these are delivered and to hold responsible boards to account. Residents, Board members and staff need to trust and respect each other for Co-regulation to work well, as a high degree of cooperation and understanding is required. Spectrum achieves this through the Spectrum Residents Group (SRG) and 5 local community forums which are spread across the geography of Spectrum's stock. The co-regulation structure provides the Group Board with the assurance that the consumer standards are being met following regular review of performance and the provision of an annual assurance statement.

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.

Regulatory performance

The HCA published its revised regulatory framework in April 2015. The new framework has standards which are split between economic and consumer focussed standards.

The HCA published a revised regulatory judgement in March 2016 confirming unchanged governance and financial viability assessments of G1 and V1. This confirmed that the Group meets the requirements on viability set out in the Governance and Financial Viability standards and maintained 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.

Strategic and Directors' Report *(continued)*

Equality and 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 by a new Group Diversity Board with membership from a wide representation across the organisation. The Group monitors its performance on a routine basis and the Board receives an annual report on progress. 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. The Diversity Board annually reviews the EDI Audits undertaken by each function and the associated action plans and also considers compliance issues arising from changes in legislation, policy and best practice.

We meet the requirements of the Chartered Institute of Housing – Equality and Diversity Charter and in 2015 achieved the Social Housing Equality Framework Developing Standard. We also participated in the Stonewall Equality Index and are developing an action plan to raise awareness of lesbian, gay, bi-sexual and transgender (LGBT) issues. We carried out a full Equal Pay Audit, in 2014 which confirmed our pay structures are fair and free of inequality. We have been awarded the Disability Two Ticks accreditation again as we continue to interview all disabled applicants who meet the minimum job criteria.

Other achievements include –

- ✓ Increased disabled staff from 5% to 6.34 %.
- ✓ Implemented new Legal Update EDI training for managers (65 have attended to date)
- ✓ A new and up to date EDI e-learning course was launched in 2015 and has been completed by 97% of our staff.
- ✓ Developed an equality impact assessment tool.
- ✓ Developed a Religion and Belief policy.

The new Customer Charter was launched in June 2015 and to date 60% of staff have had training which explores the 'Spectrum Way' in provision of Customer Service Excellence - with the key theme of how do we maintain the same standard of customer service to a diverse customer base.

Resources

Staff

All staff benefit from an annual Performance and Development Review (PDR) 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. In 2015 100% of staff received a PDR and regular one–to–ones. From June 2015 there is a clear linkage between employee remuneration and behaviours through the PDR assessment process and its link to the payment of an individual Performance Related Bonus. Working practices are flexible, involving job share, home working and maternity/paternity leave. The Group maintains a structured training plan through which all staff receive an average of four days training per annum. The Corporate Plan is explicit in that all managers will engage with our Institute of Learning and Management (ILM) accredited programme.

Consultation with staff is well established. A Staff Forum is in place with representatives from across the Group. This continues to improve communication and facilitate consultation with staff. This group played a key role in providing input during the changes that were required as a result of the Summer Budget i.e. the headcount reduction programme, closure of the Final Salary Pension Scheme and changes to terms and conditions of employment that were implemented.

Strategic and Directors' Report *(continued)*

Resources *(Continued)*

As a result of the July Budget all departments were required to reduce their headcount against budget by at least 10% and this resulted in the withdrawal of 62 posts. Through careful planning the final number of staff made compulsorily redundant was almost half this amount. Other measures were taken to achieve efficiencies including increasing working hours and closing the final salary pension scheme.

Within the Corporate Plan there is a target for 80% employees to recommend Spectrum as an employer to friends and family by 2018. A survey which was undertaken in January 2016 indicated that 62% of employees would recommend Spectrum. Whilst this figure is lower than the previous year it was not unexpected given the significant changes that had taken place since the Summer Budget. Employee engagement remains high on the business agenda and we will continue to focus on this as we move forward.

IT systems

We see IT as a key enabler in the delivery of our Corporate Plan and have continued to invest in our infrastructure and systems to improve customer service. We continue to invest in technology to make our own processes more efficient and to support our residents to interact confidently in an increasingly digital world.

Cost saving projects included mobile working technology for the Neighbourhoods and Asset Management teams, as well as a significant migration to digital media channels. 2016 also resulted in the successful completion of a complex and challenging two year project to deploy a structured and integrated Service Charges system across Spectrum, enhancing information available to both management and residents. IT serviced an external company with systems during the sale of Signpost Homes Limited, and managed the data shared for the stock swap with Magna in September 2015.

Year 2 of Spectrum's Digital Strategy contained many highlights for IT including going live with improved online services for residents. Information and services provided to residents from within their online accounts will be further enhanced in the next year and is set to make this the next most significant service channel, after telephony.

Systems, in support of SPC's growth targets, were upgraded to provide new functionality to staff and clients, including the development of an interface suite for the Poole Housing Partnership and for a number of new clients.

High IT governance standards have been maintained; with IT infrastructure projects completed that either enhanced IT security, IT resilience or increased IT systems capacity. IT operational service levels, which includes end-user support, systems availability and disaster recovery, exceeded target.

Compliance with the 2014 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 2014.

Compliance with the Homes and Communities Agency Governance & Viability Standard

The Board of Spectrum Housing Group has carefully considered the requirements of the regulatory standards and has robustly assessed and tested the Group's compliance with them. The Board certifies that Spectrum Housing Group has fully complied with the HCA's regulatory standards for the reporting period ended 31 March 2016.

Typesigned

C McKenna
Company Secretary

Report of the Board of Management

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

Principal activities

Spectrum Housing Group Limited ("SHGL") is a not-for-profit registered provider administered by a Board of Management. Spectrum Housing Group 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 £69.2m *(2015: £45.6m)* of which £25.2m related to stock transfers with another housing association *(2015: 0.8m)* (see note 13) on the acquisition and development of housing properties. The number of units owned or in management is 16,380 (*2015: 17,473)*.

Housing properties

The net book value of the Group's housing properties at the reporting date was £765.7m *(2015: £770.9m)* representing costs / valuation of £871.3m less £105.6m (*2015: 869.9m less £99.0m)* grant and depreciation.

Other fixed assets

The movement in other fixed assets is set out in Note 14.

Members of the Board

Details of the Board members who served during the period are set out on page 2.

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 year the Group made no political donations *(2015: £0)* and no charitable contributions *(2015: £0)* 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 Gold 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. Bigger news (face to face meetings) are held once a quarter for all staff.

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.

Report of the Board of Management *(continued)*

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

The revised code of governance "Excellence in Governance", issued by the National Housing Federation in 2015 to reflect the changes in the regulatory standards, has been adopted by the Group. A gap analysis was undertaken in May 2015 and an action plan to address any gaps was put in place and monitored by the Remuneration and Nominations Committee throughout the year. The concluding report was presented to the Committee in March declaring full compliance. An internal audit was then carried out which also confirmed that the Group had no material departures from the code for the period under review. These were presented to the Group Board in May 2016.

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 for the period ended 31 March 2016, BDO LLP, 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 systems 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;

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.

Report of the Board of Management *(continued)*

Internal control *(continued)*

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 year ended 31 March 2016 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 26 July 2016 and signed on its behalf by:

Typesigned

R Organ
Chairman

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

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

Co-operative and Community Benefit Act 2014 requires the Board of Management to prepare financial statements for each reporting period. Under those regulations the Board of Management have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under Co-operative and Community Benefit legislation the directors must not approve the group and parent association financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent association and of the surplus or deficit of the group and parent association for that period.

In preparing each of the group and parent company financial statements, the Board of Management is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- the strategic and directors' report includes a fair review of the development and performance of the business, together with a description of the principal risks and uncertainties that are faced;
- 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 of Management 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 2015. The Board of Management have 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 of Management is responsible for the maintenance and integrity of the corporate and financial information included on the group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

KPMG

KPMG LLP
Tollgate
Chandler's Ford
Eastleigh
Hampshire
SO53 3TG
United Kingdom

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

We have audited the financial statements of Spectrum Housing Group Limited for the year ended 31 March 2016 set out on pages 24 to 82. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.
This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it 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 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 21, 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 31 March 2016 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 2015.

Matters on which we are required to report by exception

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

- 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
Gateway House
Tollgate
Chandlers Ford
SO53 3TG

29 July 2016

Consolidated statement of comprehensive income

for the year ended 31 March 2016

	Note	**Continuing operations 2016 £000**	**Discontinued operations 2016 £000**	**Total 2016 £000**	Continuing operations 2015 £000	Discontinued operations 2015 £000	Total 2015 £000
Turnover	*5*				Restated	Restated	Restated
- Group		**115,999**	**2,608**	**118,607**	106,352	3,313	109,665
		115,999	**2,608**	**118,607**	106,352	3,313	109,665
Cost of sales	*5*						
- Group		**(16,075)**	**-**	**(16,075)**	(12,916)	-	(12,916)
		(16,075)	**-**	**(16,075)**	(12,916)	-	(12,916)
Operating expenditure	*5*	**(74,363)**	**(2,013)**	**(76,376)**	(70,458)	(3,179)	(73,637)
Operating surplus on ordinary activities	*5*	**25,561**	**595**	**26,156**	22,978	134	23,112
Fair value (loss)/gain on revaluation of fixed asset investment properties		**802**		**802**	(725)	2,478	1,753
Surplus on sale of housing properties		**(687)**	**(599)**	**(1,286)**	953	-	953
Loss on disposal of subsidiary			**(254)**	**(254)**			
Share of operating surplus in jointly controlled entity							
Surplus on ordinary activities before interest and taxation	*10/11*	**25,676**	**(258)**	**25,418**	23,206	2,612	25,818
Interest receivable	*8*	**397**	**3**	**400**	113	4	117
Interest and financing costs	*9*						
Group		**(15,600)**	**(7,404)**	**(23,004)**	(15,955)	(1,042)	(16,997)
Jointly controlled entity		**(621)**		**(621)**	(114)	-	(114)
Other financing costs		**-**	**-**	**-**	(672)	-	(672)
Surplus (Loss) on sale of discontinued operations			**-**			-	-
Surplus on ordinary activities before taxation		**9,852**	**(7,659)**	**2,193**	6,578	1,574	8,152
Tax on surplus on ordinary activities	*12*	**(255)**		**(255)**	(654)	-	(654)
Surplus for the reporting period		**9,597**	**(7,659)**	**1,938**	5,924	1,574	7,498
Other comprehensive income							
Remeasurements of net defined benefit obligation	*24*			**2,288**			(3,159)
Other comprehensive income for the year				**2,288**			(3,159)
Total comprehensive income for the year				**4,226**			4,339

The notes on pages 30 to 82 form an integral part of these financial statements.

Association statement of comprehensive income

for the year ended 31 March 2016

	Note	**Total 2016 £000**	Total 2015 £000
Turnover	*5*	100,022	93,575
Cost of sales	*5*	(6,868)	(4,814)
Operating expenditure	*5*	(68,733)	(65,968)
Operating surplus on ordinary activities	*5*	**24,421**	22,793
Fair value gain/(loss) on the revaluation of investment properties		802	966
Surplus on sale of housing properties		(328)	953
Gift Aid receipts		1,149	350
Interest receivable	*8*	612	313
Interest and financing costs	*9*	(15,981)	(16,627)
Surplus on ordinary activities before taxation	*10*	**10,675**	8,748
Tax on surplus on ordinary activities	*12*	-	-
Surplus for the reporting period		10,675	8,748
Other comprehensive income			
Remeasurements of net defined benefit obligation	*24*	2,288	(3,159)
Deferred taxation on actuarial gain/loss			-
Other comprehensive income for the year		2,288	(3,159)
Total comprehensive income for the year		12,963	5,589

The notes on pages 30 to 82 form an integral part of these financial statements.

Group and Association Statement of Financial Position

at 31 March 2016

		Group		Association	
	Note	**2016**	2015	**2016**	2015
		£000	£000	**£000**	£000
Fixed assets					
Tangible fixed assets - Housing	*13*	**765,695**	770,894	**769,470**	743,100
Tangible fixed assets – Property, plant and Equipment	*14*	**12,495**	12,570	**11,409**	11,964
Investments	*15*	**1**	1	**6,282**	8,107
Homebuy loans receivable		**2,082**	2,246	**2,082**	2,246
Investments in joint ventures		**(621)**	(114)	**-**	-
		779,652	785,597	**789,243**	765,417
Current assets					
Inventories	*17*	**16,421**	15,976	**6,264**	5,668
Debtors	*18*	**21,516**	21,985	**21,601**	21,421
Cash		**14,413**	9,061	**12,696**	7,345
		52,350	47,022	**40,561**	34,434
Creditors: amounts falling due within one year	*19*	**(42,433)**	(39,276)	**(40,119)**	(35,771)
Net current assets/liabilities		9,917	7,746	**442**	(1,337)
Total assets less current liabilities		**789,569**	793,343	**789,685**	764,080
Creditors: amounts falling due after more than one year	*20*	**(403,537)**	(400,664)	**(402,855)**	(379,314)
Accruals and deferred income					
Deferred housing grants	*21*	**(256,845)**	(265,877)	**(256,845)**	(265,877)
Provisions for liabilities and charges	*23*	**(12,541)**	(14,382)	**(12,515)**	(14,382)
Total net assets		**116,646**	112,420	**117,470**	104,507
Reserves					
Income and expenditure reserve	*27*	**116,646**	112,420	**117,470**	104,507
Total reserves		**116,646**	112,420	**117,470**	104,507

These financial statements were approved by the Board on 26th July 2016 and were signed on its behalf by:

Typesigned

R Organ	**R Hill**	**C McKenna**
Chairman	*Group Chief Executive*	*Company Secretary*

The notes on pages 30 to 82 form an integral part of these financial statements.

Consolidated and Association statement of changes in reserves

for the year ended 31 March 2016

Group

	Note	**2016**	2015
		Income and expenditure reserve £000	Income and expenditure reserve £000
At 1 April (restated)	*32*	112,420	108,081
Surplus for the year		1,938	7,498
Other comprehensive income for the year		2,288	(3,159)
Total comprehensive income for the year		4,226	4,339
At 31March		116,646	112,420

Association

		2016	2015
		Income and expenditure reserve £000	Income and expenditure reserve £000
At 1 April	*32*	104,507	98,918
Surplus for the year		10,675	8,748
Other comprehensive income for the year		2,288	(3,159)
Total comprehensive income for the year		12,963	5,589
At 31 March		117,470	104,507

Included within the income and expenditure reserve is an amount of £2,550,000 for the Group and £2,550,000 for the Association *(2015: £6,439,000 – Group and £1,369,000 - Association)* which represents unrealised gains on investment properties held at the reporting date. These amounts are not available for distribution.

The notes on pages 30 to 82 form an integral part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 March 2016

	Note	**2016** **£000**	2015 £000
Net cash inflow from operating activities	*I*	**30,277**	21,190
Investing activities			
Investment in the Jointly Controlled Entity		**(3,093)**	(5,878)
Acquisition and construction of housing properties		**(59,548)**	(34,992)
Purchase of other property, plant & equipment		**(1,553)**	(2,265)
Receipts from sale of housing properties		**54,889**	6,726
Receipts from sale of other property, plant & equipment		**-**	21
Interest received		**128**	117
Sale of subsidiary undertaking		**2,184**	-
Net cash outflow from investing activities		**(6,993)**	(36,271)
Financing activities			
Issue costs on new housing loans		**(113)**	(374)
New housing loans		**38,000**	34,000
Net finance cost		**(23,064)**	(16,811)
Receipt of social housing grant		**3,213**	3,278
Repayment of housing grant		**(1,622)**	-
Repayment of housing loans		**(34,332)**	(11,931)
Capital element of finance leases		**29**	31
Net cash flow from financing activities		**(17,889)**	8,193
(Decrease)/increase in cash and cash equivalents		**5,395**	(6,888)
Cash and cash equivalents at 1 April		**9,018**	15,906
Cash and cash equivalents at 31 March	*II*	**14,413**	9,018

The notes on pages 30 to 82 form an integral part of these financial statements.

Notes to the consolidated statement of cash flows

I Reconciliation of surplus to net cash flow from operating activities

	2016	2015
	£000	£000
Group surplus for the year	**3,061**	8,044
Adjustments to reconcile surplus for the year to net cash flow from operating activities:		
Depreciation (incl. loss on disposal of components)	**14,133**	12,060
Capitalised major repairs	**(7,624)**	(9,324)
Capitalised development costs	**(807)**	(838)
Impairment	**-**	1,827
Gain on fair value movement on investment properties	**(802)**	(1,753)
Carrying amount of property, plant & equipment disposed	**38,290**	5,794
Non cash movements – transfer from housing property to stock	**327**	2,583
Share of operating profit in jointly controlled entity	**-**	-
Deferred social housing grants released	**(2,749)**	(2,743)
Pension costs less contributions payable	**(670)**	(318)
Increase in provision for impairment	**132**	(38)
(Increase)/Decrease in inventories	**(445)**	(10,695)
(Increase)/Decrease in trade and other receivables	**2,111**	(2,936)
Increase/(Decrease) in trade and other payables	**(457)**	5,044
(Decrease)/Increase in provisions	**-**	3,487
Corporation tax	**255**	10
Adjustments for investing or financing activities:		
Interest received	**(400)**	(117)
Net finance costs	**22,672**	17,850
Proceeds from the sale of tangible fixed assets	**(36,750)**	(6,747)
Net cash (outflow)/inflow from operating activities	**30,277**	21,190

II Cash and cash equivalents

Cash and cash equivalents comprise the following:

	Note	Group		Association	
		31 March 2016 £000	31 March 2015 £000	**31 March 2016 £000**	31 March 2015 £000
Cash		14,413	9,061	12,696	7,345
Short term deposits		-	-	-	-
Bank overdrafts	19	-	(43)	-	-
Cash and cash equivalents		14,413	9,018	12,696	7,345

The notes on pages 30 to 82 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Company information

Spectrum Housing Group Limited ("the Association") is a not-for-profit Registered Provider of social housing. The Association is incorporated and domiciled in the United Kingdom. The address of its registered office is Spectrum House, Grange Road, Christchurch, Dorset BH23 4GE.

The Association was formed on 25 August 1999 and is registered with the Homes and Communities Agency. It was incorporated under the Industrial and Provident Societies Act 1965 in England, now registered under the Cooperative and Community Benefit Society 2014.

2 Compliance with accounting standards

The Group and Association financial statements of Spectrum Housing Group Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

This is the first year in which the financial statements have been prepared under FRS 102. The date of transition is 1 April 2014. The transition to FRS 102 has resulted in a small number of changes in accounting policies to those used previously. The nature of these changes and their impact on the opening reserves and profit for the comparative period are explained in note 31

The financial statements are also prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2015, the Statement of Recommended Practice Accounting by Registered Social Housing Providers (2014) and under historical cost accounting rules, as modified by the revaluation of investment properties.

The financial statements are presented in Sterling (£) and rounded to the nearest £000.

3 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 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 2016.

The financial statements are prepared under the merger accounting rules detailed in Section 19 of FRS102 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 31 March 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.

Notes *(continued)*

3 Accounting policies *(continued)*

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 believes that the Group is well placed to manage its business risks successfully despite the uncertain economic outlook. The Group is expected to continue to generate positive cash flows through 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.

A merged business plan has also been prepared for the proposed merger with Sovereign and demonstrates positive cash flows through the 30 year period, with the merged entity being able to meet loan repayments and other financial commitments as they fall due.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions which have been complied with, including notification of and no objection to, the use of exemptions by the Association's shareholders.

The Association has taken advantage of the exemption to prepare a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Association's cash flows.

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.

Where the consideration receivable in cash or cash equivalents is deferred, and the arrangement constitutes a financing transaction, the fair value of the consideration is measured as the present value of all future receipts using the imputed rate of interest.

Retirement benefits

The Group and Association participate 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 and Association's share of the Pensions Trust scheme (Social Housing Pension Scheme) assets and liabilities cannot be separated out, the Group and Association account for this scheme as if it were a defined contribution scheme in accordance with the multi-employer provisions of paragraph 28.40 and 28.40A of FRS102. The scheme is in deficit and the Group and Association participate in a deficit funding arrangement, and as such, recognise a liability for this obligation. The amount recognised is the net present value of the contributions payable under the agreement that relate to the deficit. This amount is expensed in the income statement and the unwinding of the discount is recognised as a finance cost. The Dorset County Council and Isle of Wight schemes are accounted for as defined benefit schemes and the full disclosures as required by FRS 102 are set out in Note 24.

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

Notes *(continued)*

3 Accounting policies *(continued)*

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 statement.

Joint Ventures

Joint ventures are contractual arrangements where two or more parties enter into an economic activity that they jointly control. The group has the following type of joint venture:

- Jointly controlled entities – these are joint ventures that involve the establishment of a corporation, partnership or other entity in which each venturer has an interest. They are accounted for using the equity method.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bring the asset to its working condition for its intended use, and borrowing costs capitalised.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

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 net present value of future cash flows on shared ownership properties.

Depreciation of housing properties
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 to allocate the cost to their residual values over the estimated useful economic lives of component categories. Useful economic lives for identified components are as follows:

Bathrooms	25-30 years
Boilers	15 years
Electrical Wiring	30 years
Heating Systems	30-40 years
Kitchens	23-25 years
Roofs	50-60 years
Windows and Doors	29-30 years
Structure	100 years

Notes *(continued)*

3 Accounting policies *(continued)*

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 statement 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.

Leasehold properties

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 Section 27 of FRS 102.

Property, plant and equipment *(continued)*

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

Stock swap transactions

Where housing properties are acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets, the cost of the acquired asset is measured at fair value.

Where there is a government grant associated with the housing properties being swapped, no additional value is attributed to this asset on the basis that this has already been taken into account within the fair value of the properties.

Impairments

Impairment reviews of social housing stock are carried out in line with the requirements of FRS102.

Investment properties

Freehold and long leasehold investment properties are held for long-term investment and are included in the statement of financial position at their fair values. In the year of sale, a surplus or deficit is recognised in the year's income statement based upon the difference between net sale proceeds and the property valuation at the previous reporting date. Depreciation is not provided in respect of freehold and long leasehold investment properties. Investment properties held on a short term lease are reported at fair value and depreciated over the remaining life of the lease.

Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised within the income statement. The Group engaged independent valuation specialists to determine fair value at 31 March 2016. The valuation method is further described in note 13 together with the valuation of the property at the reporting date.

Notes *(continued)*

3 Accounting policies *(continued)*

Investments in subsidiaries
Investments in subsidiaries are stated at historic cost less accumulated impairment losses.

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

HomeBuy and Starter Home Initiative Loans
The group operates the HomeBuy Scheme lending a proportion of the cost of a house purchase to tenants who wish to own their own home. This loan is secured on the title and on the sale of the property, the same proportion of the sale proceeds will be payable to the group. The loans are financed by SHG from the HCA. On repayment, the SHG is recycled and the group keeps any surplus. In the event of a loss, the SHG is written off and expensed through cost of sales. The loan to the purchaser is treated as a fixed asset investment made by the group and carried on the balance sheet at amortised cost. The grant from the HCA is deferred until redemption of the loan, at which point it is accounted for in accordance with the Group's accounting policy for Social Housing Grants.

Inventories
Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell.

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

Provision for liabilities

Holiday pay accrual
A liability is recognised to the extent of any unused holiday entitlement which has accrued at the reporting date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the reporting date.

Contingencies
Contingent liabilities are not recognised, including those relating to grants transferred with stock swap properties. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Group's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.
Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

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 therefore matched with the expenditure to which it relates. The Statement of Recommended Practice – Accounting by Registered Social Landlords (update 2014) requires that a social landlord which accounts for its housing properties at cost must recognise government grants using the accruals model, as permitted by FRS 102 paragraphs 24.5C to 24.5F. SHG related to expenditure on property, plant and equipment is recognised in the income statement on a systematic basis over the expected useful life of the asset. The deferred element of SHG is disclosed as deferred income and is not deducted from the carrying value of the asset.

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 structure or structure and components of a housing property.

Notes *(continued)*

3 Accounting policies *(continued)*

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 statement 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 off-set against the gross proceeds of the loan. Loans are accounted for in the statement of financial position at transaction price and subsequently at amortised cost using the effective interest method.

Lease commitments

Finance leased assets
Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Assets held under finance leases and hire purchase arrangements and the related lease obligations are recorded in the statement of financial position at the fair value of the respective leased asset at the inception of the lease, or if lower, the present value of the minimum lease payments calculated using the interest rate implicit in 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.
Assets are depreciated over the shorter of the lease terms and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

Operating leased assets
Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Rentals paid under operating leases are charged to the income statement on the accruals basis.

Lease incentives
Lease incentives are recognised over the lease term on a straight line basis.

Property for sale
Unsold shared ownership first tranche properties and shared ownership properties under construction are valued at the lower of cost and estimated selling prices less costs to complete and sell. Cost comprises materials, direct labour, and direct development overheads and also takes account of the net present value of the estimated future cash flows of the shared ownership properties.

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.

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

Notes *(continued)*

3 Accounting policies *(continued)*

Deferred taxation

Deferred tax arises from timing differences that are differences between taxable surpluses and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable surpluses.
Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Financial instruments

All loans, investments and short term deposits help by the Group are classified as basic financial instruments as defined in Section 11 of FRS 102. These instruments are initially recorded at the transaction price less any transaction costs; FRS 102 requires that basic financial instruments are subsequently measured at amortised cost.

Trade and other debtors and creditors are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, in which case the present value of the future receipts discounted at ta market rate of interest is used.

The group and association have not adopted hedge accounting for the financial instruments.

4 Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The resulting estimates will, by definition seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Impairments

From 1 April 2016, Spectrum has reduced social housing rents by one percent per annum and will continue to do so in each year until 2019/20 in accordance with the Housing and Planning Act 2016. Despite cost efficiency savings and other changes to the business, compliance with the new rent regime has resulted in a loss of net income for certain social housing property. This is a trigger for impairment.

As a result, we estimated the recoverable amount of our General Needs housing properties as follows:

a) Determined the level at which the recoverable amount should be assessed (cash generating unit (CGU) level)
b) Calculated the recoverable amount of the CGU
c) Calculated the carrying value of the CGU
d) Compared the carrying amount to the recoverable amount to determine if an impairment loss has occurred

Based on this assessment, we calculated the Depreciated Replacement Cost (DRC) of each social housing property scheme, using appropriate construction costs and land prices, analysing that against market values for completeness. This was compared to the carrying amount of each scheme and an impairment charge was made where the carrying value was greater than the DRC.

Impairment of trade and other account receivables

The Group makes an estimate of the recoverable value of trade and other account receivables. When assessing the impairment of trade and other account receivables, management considers factors including the current credit rating of the account, the ageing profile of accounts receivable and historical experience. See note 18 for the net carrying amount of the debtors and associated impairment provision.

Notes *(continued)*

4 Significant judgements and estimates *(continued)*

Pension benefits

The costs of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. Further details of the valuation method and underlying assumptions are described in note 25.

Key management personnel

The directors consider that all directors and certain senior employees who have authority and responsibility for the planning; directing and controlling of activities of the Group are considered to be key management personnel.

Critical accounting judgements in applying the Company's accounting policies

There are no such judgements in either the current or prior year.

Notes *(continued)*

5 Group turnover, cost of sales, operating costs, other income and operating surplus

	2016 Turnover	2016 Cost of Sales	2016 Operating Costs	2016 Operating surplus	2015 Turnover	2015 Cost of Sales	2015 Operating Costs	2015 Operating surplus
	£000	£000	£000	£000	£000	£000	£000	£000
Continuing activities:								
Social housing lettings *(note 5a)*	**86,712**	**-**	**(56,221)**	**30,491**	83,550	-	(57,954)	25,596
Other social housing activities								
First tranche low cost home ownership sales	**7,202**	**(6,868)**	**-**	**334**	4,864	(4,460)	-	404
Charges for Support Services	**496**	**-**	**-**	**496**	601	-	-	601
Other	**1,820**	**-**	**(9,014)**	**(7,194)**	2,112	2	(6,205)	(4,091)
	9,518	**(6,868)**	**(9,014)**	**(6,364)**	7,577	(4,458)	(6,205)	(3,086)
Activities other than Social Housing	**19,769**	**(9,207)**	**(9,128)**	**1,434**	15,225	(8,458)	(6,299)	468
	115,999	**(16,075)**	**(74,363)**	**25,561**	106,352	(12,916)	(70,458)	22,978

	2016 Turnover	2016 Cost of Sales	2016 Operating Costs	2016 Operating surplus	2015 Turnover	2015 Cost of Sales	2015 Operating Costs	2015 Operating surplus
	£000	£000	£000	£000	£000	£000	£000	£000
Discontinued activities:								
Activities other than Social Housing	**2,608**	**-**	**(2,013)**	**595**	3,313	-	(3,179)	134
	2,608	**-**	**(2,013)**	**595**	3,313	-	(3,179)	134

Notes (*continued*)

5a Group & Association - Particulars of income and expenditure from social housing lettings

	General Needs Housing	**Supported Housing and Housing for Older People**	**Other**	**2016 Total**	2015 Total
	£000	**£000**	**£000**	**£000**	£000
Income					
Rent receivable net of identifiable service charges	**58,306**	**8,926**	**8,964**	**76,196**	72,778
Service Charge Income	**1,914**	**2,323**	**2,975**	**7,212**	6,831
Amortised government grants	**1,860**	**508**	**309**	**2,677**	3,066
Government grants taken to income	**-**	**-**	**-**	**-**	-
Other Grants	**76**	**-**	**-**	**76**	92
Other Income	**57**	**226**	**268**	**551**	783
Turnover from Social Housing Lettings	**62,213**	**11,983**	**12,516**	**86,712**	83,550
Operating expenditure					
Management	**(8,056)**	**(2,214)**	**(2,201)**	**(12,471)**	(13,078)
Service Charge Costs	**(2,397)**	**(2,875)**	**(3,747)**	**(9,019)**	(9,458)
Routine maintenance	**(9,105)**	**(2,182)**	**(817)**	**(12,104)**	(12,113)
Planned maintenance	**(1,189)**	**(394)**	**(89)**	**(1,672)**	(1,329)
Major repairs expenditure	**(5,295)**	**(811)**	**(562)**	**(6,668)**	(5,938)
Bad debts	**(178)**	**(35)**	**(33)**	**(246)**	(496)
Depreciation of housing properties	**(9,454)**	**(1,553)**	**(1,218)**	**(12,225)**	(12,631)
Other costs	**(1,096)**	**(267)**	**(453)**	**(1,816)**	(2,911)
Operating expenditure on Social Housing Lettings	**(36,770)**	**(10,331)**	**(9,120)**	**(56,221)**	(57,954)
Operating surplus on Social Housing Lettings	**25,443**	**1,652**	**3,396**	**30,491**	25,596
Void Losses	**577**	**333**	**1,307**	**2,217**	2,280

Notes (*continued*)

5 Association turnover, cost of sales, operating costs, other income and operating surplus *(continued)*

	2016 Turnover	**2016 Cost of Sales**	**2016 Operating Costs**	**2016 Operating surplus**	2015 Turnover	2015 Cost of Sales	2015 Operating Costs	2015 Operating surplus
	£000	**£000**	**£000**	**£000**	£000	£000	£000	£000
Social housing lettings *(note 5a)*	**86,712**	**-**	**(56,221)**	**30,491**	83,550	-	(57,954)	25,596
Other social housing activities								
First Tranche low cost home ownership sales	**7,202**	**(6,868)**	**-**	**334**	4,864	(4,460)	-	404
Charges for Support Services	**496**	**-**		**496**	601	-	-	601
Other	**1,820**	**-**	**(9,014)**	**(7,194)**	2,112	2	(6,205)	(4,091)
	9,518	**(6,868)**	**(9,014)**	**(6,364)**	7,577	(4,458)	(6,205)	(3,086)
Activities other than Social Housing Activities	**3,792**	**-**	**(3,498)**	**294**	2,448	(356)	(1,809)	283
	100,022	**(6,868)**	**(68,733)**	**24,421**	93,575	(4,814)	(65,968)	22,793

Notes (*continued*)

6 Directors' & Senior Staff emoluments – Group

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

	Group 2016 £000	Group 2015 £000
Emoluments (including pension contributions and estimated monetary value of benefits in kind)	**1,037**	1,033
Emoluments (excluding pension contributions but including estimated monetary value of benefits in kind) paid to the Chief Executive (highest paid)	**181**	177

Directors are considered to be key management personnel.

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 2016 £**	Total 2015 £
Richard Hill	179,854	1,312	181,166	177,306
Martin Lucas	127,887	1,425	129,312	126,553
Jitinder Takhar	116,243	1,306	117,549	123,875
Rob Webber	123,505	2,158	125,663	122,643
Paul Bryan	127,309	1,337	128,646	125,050
Anne Wildeman	110,784	1,744	112,528	110,631

The Group Chief Executive, Richard Hill, is a member of the Social Housing Pension Scheme (see note 19). There was a contribution of £17,082 during the financial period *(2015: £16,830).*

Notes *(continued)*

6 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:	**2016 No.**	2015 No.
£60,000 to £70,000	13	8
£70,001 to £80,000	6	9
£80,001 to £90,000	4	2
£90,001 to £100,000	1	-
£100,001 to £110,000	1	1
£110,001 to £120,000	2	3
£120,001 to £130,000	2	1
£130,001 to £140,000	-	-
£140,001 to £150,000	-	-
£150,001 to £160,000	-	-
£160,001 to £170,000	-	1
£170,001 to £180,000	1	-
	30	25

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel. Total compensation in respect of these individuals is included above in salary bandings exceeding £100,000 *(2015: £100,000).*

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

	2016			2015		
	Fees £	**Expenses £**	**Total £**	Fees £	Expenses £	Total £
R Organ *(chair)*	**17,000**	**3,476**	**20,476**	17,000	3,550	20,550
I Baker	**6,492**	**1,204**	**7,696**	-	-	-
S Lindley	**14,182**	**2,432**	**16,614**	14,000	2,611	16,611
L McArthur	**3,500**	**412**	**3,912**	7,000	971	7,971
B Neaves	**-**	**167**	**167**	8,000	1,020	9,020
S Rastrick	**10,000**	**462**	**10,462**	10,000	303	10,303
M Robinson	**7,000**	**966**	**7,966**	7,000	1,059	8,059
H Rose	**7,000**	**1,323**	**8,323**	7,000	1,547	8,547
F Rhodes	**11,833**	**1,903**	**13,736**	10,000	860	10,860
E Sabey	**7,000**	**76**	**7,076**	7,000	231	7,231
C Turner	**13,000**	**3,169**	**16,169**	13,000	2,594	15,594
	97,007	**15,590**	**112,597**	100,000	14,746	114,746

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

Notes *(continued*

6 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:

	2016			2015		
	Fees £	**Expenses £**	**Total £**	Fees £	Expenses £	Total £
R Avon	**7,000**	**189**	**7,189**	7,000	70	7,070
R Barton	**3,246**	**753**	**3,999**	-	-	-
M Chapman-Kelly	**-**	**-**	**-**	2,333	817	3,150
L Cousins	**4,000**	**-**	**4,000**	4,000	-	4,000
R Davies	**4,000**	**125**	**4,125**	4,000	267	4,267
P Dean	**4,850**	**599**	**5,449**	5,000	460	5,460
N Dyer	**1,333**	**86**	**1,419**	4,000	615	4,615
J Earley	**8,182**	**218**	**8,400**	8,000	194	8,194
C Garland	**12,000**	**-**	**12,000**	12,000	-	12,000
G Kemp	**-**	**-**	**-**	1,000	-	1,000
M Lawton	**3,246**	**691**	**3,937**	-	-	-
R Morrissey	**4,000**	**-**	**4,000**	4,000	562	4,562
N Morrow	**4,000**	**326**	**4,326**	2,549	362	2,911
S Murray	**-**	**-**	**-**	2,667	-	2,667
C O'Shaughnessy	**3,246**	**355**	**3,601**	-	-	-
T Peters	**-**	**-**	**-**	4,583	268	4,851
D Singleton	**2,000**	**50**	**2,050**	2,000	96	2,096
J Templeton	**4,000**	**252**	**4,252**	2,549	139	2,688
D Todd	**3,246**	**441**	**3,687**	-	-	-
D Ward	**2,000**	**246**	**2,246**	2,000	140	2,140
G Welsh	**2,000**	**645**	**2,645**	1,433	-	1,433
	72,349	4,976	**77,325**	69,114	3,990	73,104

7 Employee information

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

	Group 2016 No.	Group 2015 No.	**Association 2016 No.**	Association 2015 No.
Average number of employees expressed in full time equivalents	**834**	827	**834**	827

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 and recharged to the subsidiaries.

Notes *(continued)*

7 Employee information *(continued)*

Staff costs were as follows:

	Group 2016 £000	Group 2015 £000	**Association 2016 £000**	Association 2015 £000
Wages and salaries	**24,391**	22,784	**26,325**	24,428
Social security costs	**3,533**	3,238	**2,325**	2,130
Other pension costs	**5,136**	2,936	**4,472**	2,370
Termination payments	**578**	200	**479**	200
Health insurance premiums	**38**	49	**38**	49
	33,676	29,207	**33,639**	29,177

8 Interest receivable

	Group 2016 £000	Group 2015 £000	**Association 2016 £000**	Association 2015 £000
Bank interest receivable	**23**	42	**15**	33
Sundry interest receivable	**377**	75	**597**	280
	400	117	**612**	313

9 Interest and financing costs

	Group 2016 £000	Group 2015 £000	**Association 2016 £000**	Association 2015 £000
Finance Leases	**251**	248	**251**	248
Defined benefit pension charge	**950**	1,944	**950**	1,944
Loans and bank overdrafts	**23,738**	15,856	**15,714**	14,700
Other interest payable	**7**	6	6	6
	24,946	18,054	**16,921**	16,898
Less capitalised interest	**(1,321)**	(271)	**(940)**	(271)
	23,625	17,783	**15,981**	16,627

The average rate of interest applied to capitalise interest was 3.44% *(2015: 3.97%)*

Notes *(continued)*

10 Operating surplus on ordinary activities

The operating surplus on ordinary activities is stated after charging/(crediting):

	Group 2016 £000	Group 2015 £000	**Association 2016 £000**	Association 2015 £000
Depreciation on housing properties	**10,890**	10,535	**10,890**	10,535
Depreciation on other property, plant & equipment	**1,544**	1,525	**1,359**	1,420
Amortisation of social housing grant received	**(2,749)**	(2,743)	**(2,749)**	(2,743)
Impairment of housing properties	**-**	1,827	**-**	583
Amounts payable under operating leases	**1,217**	975	**189**	144
Auditors' remuneration (excluding VAT)				
Fees to the external auditor for the audit of the Group's annual accounts	**54**	58	**42**	42
Other services relating to taxation	**10**	11	**5**	-
Other fees payable to external auditor	**12**	11	**12**	11

11 Operating (deficit)/surplus from discontinued operations

	2016 £000	2015 £000
Turnover	**2,608**	3,313
Operating costs	**(2,013)**	(3,179)
Operating (deficit)/surplus	**595**	134

Discontinued operations represent the activities of Signpost Homes Limited following its sale on 15 February 2016 (see note 15).

Notes *(continued)*

12 Taxation

Taxation

	Group		Association	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Tax on surplus on ordinary activities				
Current tax				
Corporation tax charge at 20% *(2015: 21 %)*	**333**	148	-	-
Overprovision in respect of prior years	**(31)**	(49)	-	-
Total current tax	**302**	99	-	-
Deferred tax				
Utilisation of capital allowances	**-**	-	-	-
Origination and reversal of timing differences	**27**	1	-	-
Revaluation of investment properties under FRS 102		496		
Tax charge	**-**	-	-	-
Adjustment in respect of prior years	**(74)**	58	-	-
Impact of change in tax rate	**-**	-	-	-
Total deferred tax	**(47)**	555	-	-
Tax credit on surplus on ordinary activities	255	654	-	-
Group current tax	**302**	99	-	-
Group deferred tax	**(47)**	555	-	-
Group tax credit on surplus on ordinary activities	255	654	-	-

Notes *(continued)*

12 Taxation *(continued)*

Reconciliation of tax charge

Tax assessed for the year is lower *(2015: lower)* than the standard rate of corporation tax in the UK for the year ended 31 March 2016 of 20% *(2015: 21%)*. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 March 2016 has been calculated based on these rates. The differences are explained below:

	Group		Association	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Surplus on ordinary activities before tax	**2,193**	8,152	10,675	8,748
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% *(2015: 21%)*	**439**	1,712	2,135	1,837
Expenses not deductible for tax purposes	**4**	309	-	-
Profits not within scope of taxation due to charitable status	**(84)**	(682)	(2,135)	(1,837)
Depreciation for the year in excess of capital allowances	**4**	(59)	-	-
Fixed Asset difference	**-**	(100)	-	-
Other timing differences	**(3)**	60	-	-
Utilisation of tax losses and other deductions	**-**	(78)	-	-
Deferred tax arising on fair value gains on investment properties	**-**	(520)	-	-
Group relief surrendered	**-**	80	-	-
Group relief claimed	**-**	(78)	-	-
Prior year adjustment	**(31)**	10	-	-
Adjustment to tax charge in respect of previous periods – deferred tax	**(74)**	-	-	-
Adjust closing deferred tax to average rate 20%				
Deferred tax not recognised				
Tax charge for the year	**255**	654	-	-

The total deferred tax provision is analysed as follows:

	Group			Association	
	2016	**2016**	2015	2016	2015
	£000	**£000**	£000	**£000**	£000
	Unrecognised	**Recognised**	Recognised		
Accelerated capital allowances	**-**	**28**	-	-	-
Other timing differences	**-**	**(2)**	(74)	-	-
Unutilised losses carried forward	**(169)**	**-**	-	-	-
Capital gains/(losses)	**-**	**-**	-	-	-
At 31 March 2016	**(169)**	**26**	(74)	-	-

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

Notes *(continued)*

13 Housing properties – Group

	Housing properties held for Investment (valuation) £000	Housing properties held for letting £000	Investment and housing properties under construction £000	Total £000
Cost/Valuation:				
As previously reported	55,734	811,093	4,328	871,155
Schemes completed in the year		14,850	(14,850)	
Additions	28	35,730	33,495	69,253
Transfer to current assets				
Revaluations	802			802
Disposals	(44,190)	(25,722)		(69,912)
Impairment				
As at 31 March 2016	**12,374**	**835,951**	**22,973**	**871,298**
Depreciation and Impairment:				
Restated at beginning of the year	1,244	99,017	-	100,261
Charge for the year	-	10,890	-	10.890
Reversal of impairment	-		-	-
Impairment	-		-	-
Transfer to current assets	-	(71)	-	(71)
Disposals	(1,244)	(4,233)	-	(5,477)
As at 31 March 2016	**-**	**105,603**	**-**	**105,603**
Net Book Value				
As at 31 March 2016	**12,374**	**730,348**	**22,973**	**765,695**
As at 31 March 2015	54,490	712,076	4,328	770,894

Notes *(continued)*

13 Housing properties – Association

	Housing properties held for Investment (valuation) £000	Completed Schemes £000	Schemes under Construction £000	Total £000
Cost/Valuation:				
Restated at beginning of the year	24,466	812,161	5,490	842,117
Schemes completed in the year	-	14,850	(14,850)	-
Additions	28	34,852	33,960	68,840
Transfer from/(to) current assets	-	(398)	-	(398)
Disposals	(10,566)	(25,722)	-	(36,288)
Revaluation	802	-	-	802
As at 31 March 2016	**14,730**	**835,743**	**24,600**	**875,073**
Depreciation and Impairment:				
Restated at beginning of the year	-	99,017	-	99,017
Charge for the year	-	10,890	-	10,890
Impairment	-	-	-	-
Transfer to current assets	-	(71)	-	(71)
Disposals	-	(4,233)	-	(4,233)
As at 31 March 2016	**-**	**105,603**	**-**	**105,603**
Net Book Value				
As at 31 March 2016	**14,730**	**730,140**	**24,600**	**769,470**
As at 31 March 2015	24,466	713,144	5,490	743,100

The total net book value of housing properties comprises:	**Group 2016 £000**	Group 2015 £000	**Association 2016 £000**	Association 2015 £000
Freehold land and buildings	**718,312**	711,160	**722,087**	691,366
Long leasehold land and buildings	**45,809**	57,946	**45,809**	49,946
Short leasehold land and buildings	**1,574**	1,788	**1,574**	1,788
	765,695	770,894	**769,470**	743,100

Notes *(continued)*

13 Housing properties – Group and Association *(continued)*

Capitalised expenditure on existing properties in the year was £13,281,000 *(2015: £10,662,000)*, of which £5,657,000 (*2015:£1,338,000)* 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 £7,624,000 *(2015: £9,324,000),* with a further £21,167,000 (*2015: £20,362,000*), of major repairs and routine maintenance being accounted for in the income statement.

Capitalised interest amounting to £7,639,000 *(2015: £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:

	2016	2015
	£000	£000
Capitalised interest	**1,321**	452
Capitalised administration costs	**807**	838

Included in the net book value of completed schemes are shared ownership properties with a net book value of £65,475,000*(2015: £59,335,000).* Included in the net book value of schemes in the course of construction are shared ownership properties with a net book value of £3,890,566 (*2015: £787,059).*

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

	Total	Total
	2016	2015
	£000	£000
Other Private Finance Initiative properties	**6,579**	6,701
Market rented	**8,143**	7,461
Key worker	**4,740**	4,610
Student accommodation	**-**	46,419
Other non-social housing	**-**	188
	19,462	65,379

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 2016 by Jones Lang LaSalle, Chartered Surveyors, on a fair value basis. The valuations were carried out in accordance with the Statements of Assets Valuation Practise and Guidance Notes published by the Royal Institution of Chartered Surveyors. An amount of £802,000 has been credited (*2015: £3,444,000 credited)* to the income statement.

The Group's completed housing properties were valued at 1 April 2016 on the basis of existing use value – social housing at £761.5m *(2015: £839.8m).* The reduction in value is lower due to the 1% reduction in rent, for 4 years, imposed following the Government's summer budget.

In the current year, Spectrum Housing Group Limited entered into a stock swap transaction with Magna Housing Association Limited. Housing properties with a fair value of £13.879m were received in exchange for housing properties with a fair value of £14.96m and a £1.081m cash receipt from Magna Housing Association Limited. This value includes unamortised government grant of £8.3m which has an obligation to be recycled in accordance with the original grant funding terms and conditions. Spectrum Housing Group Limited is responsible for the recycling of the grant in the event of the housing properties being disposed. The value of social housing grant transferred with the above properties is disclosed in Note 29.

Notes *(continued)*

13 Housing properties – Group and Association *(continued)*

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

	Group	
	2016	2015
Social Housing	**No**	No
- Social	10,277	10,528
- Affordable	746	348
Supported Housing (inc. Hostels)	556	592
Sheltered housing	1,270	1,303
Low cost home ownership	1,209	1,170
NHS and other Private Finance Initiative contracts	1,522	1,649
Total Social Housing	**15,580**	15,590
Non Social Housing		
Home ownership accommodation:		
Shared ownership and Owner Occupiers	309	315
Leasehold schemes for the elderly	27	28
Market Rent & Leasehold Management	62	62
NHS and other Private Finance Initiative contracts	121	791
Total Non Social Housing	**519**	1,196

Leased to Others / Managed by Others	**2016**	2015
	No	No
General Needs housing		
- Social	43	236
- Affordable	-	-
Supported housing	150	150
NHS and other Private Finance Initiative contracts	88	82
Student accommodation		219
Total leases to others/managed by others	281	687
Total	16,380	17,473
Accommodation in development at the year end	399	323

Notes *(continued)*

14 Other plant, property & equipment – 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 the year	4,848	1,528	11,557	11,160	1,437	30,530
Additions	13	267	963	109	200	1,552
Disposals	-	(66)	(533)	(585)	(55)	(1,239)
As at 31 March 2016	**4,861**	**1,729**	**11,987**	**10,684**	**1,582**	**30,843**
Depreciation:						
At beginning of the year	678	230	9,024	7,050	978	17,960
Charge for the year	87	57	795	438	167	1,544
Disposals	-	(66)	(529)	(506)	(55)	(1,156)
As at 31 March 2016	**765**	**221**	**9,290**	**6,982**	**1,090**	**18,348**
Net book value:						
As at 31 March 2016	**4,096**	**1,508**	**2,697**	**3,702**	**492**	**12,495**
As at 31 March 2015	4,170	1,298	2,533	4,110	459	12,570

Other plant, property & equipment – 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	1,528	10,777	11,160	844	29,157
Additions	13	267	495	109	-	884
Disposals	-	(66)	(516)	(585)	(47)	(1,214)
As at 31 March 2016	**4,861**	**1,729**	**10,756**	**10,684**	**797**	**28,827**
Depreciation:						
At beginning of year	678	230	8,556	7,050	679	17,193
Charge for the year	87	57	702	438	75	1,359
Disposals	-	(66)	(515)	(506)	(47)	(1,134)
As at 31 March 2016	**765**	**221**	**8,743**	**6,982**	**707**	**17,418**
Net book value:						
As at 31 March 2016	**4,096**	**1,508**	**2,013**	**3,702**	**90**	**11,409**
As at 31 March 2015	4,170	1,298	2,221	4,110	165	11,964

Notes *(continued)*

15 Investments – Group

	Investment in shares £000
Cost	
As at 31 March 2016 and 31 March 2015	**1**

Investments – Association

	2016 £000	2015 £000
Cost and net book value		
At 1 April	**8,107**	8,107
Less: disposal of subsidiary company	**(1,825)**	-
At 31 March	**6,282**	8,107

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

Subsidiary undertakings	Legal status	Principal activities
Spectrum Property Care Limited	Limited company	Property maintenance contractor
Spectrum Premier Homes Limited	Limited company (by guarantee)	Construction design & build services and residential property development
Spectrum Property Ventures Limited	Limited company	Funding vehicle for the Group
Signpost Homes Limited	Disposed	Property management

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

The above entities are considered to be subsidiaries 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 Ventures Limited was a dormant company until it commenced trading on 8 December 2014.

Signpost Homes Limited was a 100% owned subsidiary and was disposed of on 15th February 2016.

Notes *(continued)*

15 Investments – Group *(continued)*

Disposal of subsidiary

On 15th February 2016, the group completed the sale of Signpost Homes Limited. The disposal is analysed as follows:

	2016
	£000
Net assets disposed of:	
SHL Net assets disposed	**(2,438)**
SHGL Cash receipt on disposal	**2,184**
Loss on disposal	**(254)**

16 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; Spectrum Property Ventures Limited, a company which acts as a funding vehicle for the Group's commercial development activity 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, Spectrum Premier Homes Limited and Spectrum Property Ventures Limited. These costs are apportioned to the subsidiaries which directly drive 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:

	2016	2015
	£000	£000
Signpost Homes Limited	**300**	164
Spectrum Property Care Limited	**1,200**	1,139
Spectrum Premier Homes Limited	**634**	334
Spectrum Property Ventures Limited	**75**	-
	2,209	1,637

Notes *(continued)*

17 Intra Group Transactions *(continued)*

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:

	2016	2015
	£000	£000
Signpost Homes Limited	**180**	225
Spectrum Housing Group Limited	**23,690**	27,689
	23,870	27,914

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

The totals for the year:

	2016	2015
	£000	£000
Spectrum Housing Group Limited	**23,810**	19,894

Intra Group Loans

Spectrum Housing Group Limited

On 5 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. During the year this facility increased to £28m.

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

	2016	2015
	£000	£000
Loan Balance	**13,601**	10,080
Interest Charged	**492**	98

Notes *(continued)*

17 Inventories

	Group 2016 £000	Group 2015 £000	**Association 2016 £000**	Association 2015 £000
Shared ownership properties – completed	**3,605**	4,542	**3,605**	4,542
Residential properties for sale	**339**	516	**339**	516
Shared ownership properties – under construction	**2,320**	610	**2,320**	610
Development sites	**9,586**	9,757	**-**	-
Raw materials and consumables	**571**	551	**-**	-
	16,421	15,976	**6,264**	5,668

18 Debtors

	Group 2016 £000	Group (Restated) 2015 £000	**Association 2016 £000**	Association 2015 £000
Rental receivables	**4,589**	4,645	**4,589**	4,548
Net present value adjustment where repayment agreements in place	**(200)**	(196)	**(200)**	(208)
Less: provision for impairment	**(1,974)**	(2,106)	**(1,974)**	(2,011)
	2,415	2,343	**2,415**	2,329
Trade receivables	**2,712**	2,437	**422**	282
Other receivables	**485**	3,082	**359**	2,459
Other tax and social security	**209**	95	**-**	-
Social housing grant receivable	**2,684**	4,377	**2,684**	4,377
Prepayments and accrued income	**4,040**	3,773	**2,075**	1,473
Amounts owed by group undertakings	**-**	-	**13,646**	10,501
Loan to Limited Liability Partnership	**8,971**	5,878	**-**	-
	21,516	21,985	**21,601**	21,421

Amounts owed by group entities are trading balances repayable on demand and non-interest bearing.

The loan to the limited liability partnership is secured by a fixed and floating charge over the property of Linden Homes (Sherford) LLP. Interest is charged at a rate of 3.5% above the Bank of England base rate per annum.

Included in the balances above is an amount of £8,970,683(Group) which is due after more than one year *(2015: £5,877,198Group and Association).*

Notes *(continued)*

19 Creditors: amounts falling due within one year

	Group	Group (Restated)	**Association**	Association
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Housing loans (see note 20)	**16,199**	12,313	**16,199**	12,313
Bank overdraft (unsecured)	**-**	43	**-**	-
Trade payables	**4,660**	4,152	**2,375**	1,653
Rent received in advance	**1,401**	1,254	**1,401**	1,254
Social housing grant payable to other Registered Providers	**2,551**	2,793	**2,551**	2,793
Recycled capital grant	**953**	616	**953**	616
Disposals Proceeds Fund	**28**	54	**28**	54
Other taxes and social security	**543**	390	**484**	334
Other payables/SHG in advance	**938**	1,121	**938**	1,121
Accruals and deferred income	**11,799**	13,836	**6,289**	7,038
Finance lease creditor	**229**	222	**229**	222
Amounts owed to group undertakings	**-**	-	**5,873**	6,113
Resident and contract sinking funds	**1,496**	1,288	**1,496**	1,288
SHPS deficit contributions	**1,303**	972	**1,303**	972
Corporation tax	**333**	222	**-**	-
	42,433	39,276	**40,119**	35,771

Social housing grant payable to other Registered Providers of £2,551,000 as at 31 March 2016 *(2015: £2,793,000)* represented grant that is receivable by the Group from the Homes and Communities Agency at the reporting date that was due to other members of the Source Development Consortium.

Amounts owed to group entities are trading balances repayable on demand and non-interest bearing.

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

	2016	2015
	£000	£000
Housing loans (secured)	**388,816**	388,628
Non housing loans	**50**	50
Finance Lease	**2,432**	2,410
Recycled capital grant fund	**1,879**	1,893
Disposals Proceeds fund	**342**	29
Accrued retentions	**671**	473
Deferred tax falling due after more than one year	**-**	74
Deferred Income	**11**	-
SHPS deficit contributions	**9,336**	7,107
	403,537	400,664

Notes *(continued)*

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

Movement in Recycled Capital Grant and Disposal Proceeds Funds

Funds pertaining to activities within areas covered by Homes and Communities Agency	**2016 Recycled Capital Grant Fund £000**	**2016 Disposal Proceeds Fund £000**	2015 Recycled Capital Grant Fund £000	2015 Disposal Proceeds Fund £000
Opening balance	**2,509**	**83**	2,144	83
Grants recycled	**1,623**	**314**	872	-
Interest Accrued	**1**	**-**		-
Withdrawals	**(1,301)**	**(27)**	(507)	
At 31 March 2016	**2,832**	**370**	2,509	83
Amounts 3 years old or older where repayment may be required	1,760	-	102	-

Withdrawals from the recycled capital grant fund were used for the purchase and development of new housing schemes for letting and for approved works to existing properties.

Debt Analysis

The Group has accrued, against the relevant loans, 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 statement represents the prudent accrual of interest incurred but not paid, to 31 March 2016. 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:

	2016 £000	2015 £000
Within one year or on demand	**16,199**	12,313
One year or more but less than two years	**11,973**	16,199
Two years or more but less than five years	**47,492**	28,401
Five years or more	**329,401**	344,028
	405,065	400,941

Future minimum lease payments due under finance leases and hire purchase agreements are as follows:

	2016 £000	2015 £000
Within one year	**229**	222
In the second to fifth years	**987**	959
Over five years	**5,672**	5,929
	6,888	7,110
Less future finance charges	**(4,227)**	(4,478)
	2,661	2,632

Notes *(continued)*

20 Creditors: amounts falling due after more than one year – Association

Association

	2016 **£000**	2015 £000
Housing loans (secured)	**388,816**	367,480
Non housing loans	**50**	50
Finance Lease	**2,432**	2,410
Amounts owed to group undertakings	**-**	345
Recycled capital grant fund	**1,879**	1,893
Disposals Proceeds fund	**342**	29
Accrued retentions	**-**	-
SHPS deficit contributions	**9,336**	7,107
	402,855	379,314

Movement in Recycled Capital Grant and Disposal Proceeds Funds

Funds pertaining to activities within areas covered by Homes and Communities Agency	**2016 Recycled Capital Grant Fund £000**	**2016 Disposal Proceeds Fund £000**	2015 Recycled Capital Grant Fund £000	2015 Disposal Proceeds Fund £000
Opening balance	**2,509**	**83**	2,144	83
Grants recycled	**1,623**	**314**	872	-
Interest Accrued	**1**			-
Withdrawals	**(1,301)**	**(27)**	(507)	
At 31 March 2016	**2,832**	**370**	2,509	83
Amounts 3 years old or older where repayment may be required	**1,760**	-	102	-

Withdrawals from the recycled capital grant fund were used for the purchase and development of new housing schemes for letting and for approved works to existing properties.

Debt Analysis

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 statement represents the prudent accrual of interest incurred but not paid, to 31 March 2016. 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:

	2016 **£000**	2015 £000
Within one year or on demand	**16,199**	12,313
One year or more but less than two years	**11,973**	16,199
Two years or more but less than five years	**47,492**	28,401
Five years or more	**329,401**	344,028
	405,065	400,941

Notes *(continued)*

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

Future minimum lease payments due under finance leases and hire purchase agreements are as follows:

	2016 £000	2015 £000
Within one year	**229**	222
In the second to fifth years	**987**	959
Over five years	**5,672**	5,929
	6,888	7,110
Less future finance charges	**(4,227)**	(4,478)
	2,661	2,632

21 Deferred housing grants

Group and Association	**Housing properties held for letting £000**	**Investment and housing properties under construction £000**	**HomeBuy and Starter Home Initiative Grant £000**	**Total £000**
Grant received:	(restated)			
At 1 April	295,910	2,802	2,246	300,958
Schemes completed in the year	4,265	(4,265)		-
Additions	1,344	3,197		4,541
Transfer to other Registered Providers	(8,108)	-		(8,108)
Recycled on disposals and attributable to revenue	(1,814)	-	(171)	(1,985)
Released to income in the year	(233)	-		(233)
Other	(290)	347	7	64
Repaid to HCA in year	(1,151)	(471)		(1,622)
As at 31 March 2016	289,923	1,610	2,082	293,615
Amortisation				
At 1 April	32,404	-	-	32,404
Amortised in year	2,749	-	-	2,749
Transfers to other RPs	(909)	-	-	(909)
Recycled on disposals	(65)	-	-	(65)
Other	(184)	-	-	(184)
	33,995	-	-	33,995
Net Book Value				
At 31 March 2016	**255,928**	**1,610**	**2,082**	**259,620**
At 31 March 2015	263,506	2,802	2,246	268,554

Notes *(continued)*

21 Deferred housing grants *(continued)*

	Group 2016	Group 2015	**Association 2016**	Association 2015
	£000	£000	**£000**	£000
Amounts falling due within one year	2,775	2,677	2,775	2,677
Amounts falling due after more than one year	256,845	265,877	256,845	265,877
	259,620	268,554	259,620	268,554

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.

22 Financial instruments – Group and Association

The Group and Association have the following financial instruments:

	Note	**Group 2016 £000**	Group 2015 £000	**Association 2016 £000**	Association 2015 £000
Financial assets at fair value through income statement					
Rental receivables		**2,415**	2,343	**2,415**	2,329
Financial assets that are debt instruments measured at amortised cost					
Trade receivables	*18*	**2,712**	2,437	**422**	282
Amounts owed by group undertakings	*18*	**-**	-	**13,646**	10,501
Other receivables	*18*	**485**	3,082	**359**	2,459
		3,197	5,519	**14,427**	13,242
Financial liabilities measured at amortised cost					
Bank loans and overdrafts	*19/21*	**405,065**	400,941	**405,065**	400,941
Trade payables	*19*	**4,660**	4,146	**2,375**	1,653
Amounts owed to group undertakings	*19/20*	**-**	-	**5,873**	6,113
Other payables	*19*	**938**	1,121	**938**	1,121
Finance leases	*20*	**2,661**	2,632	**2,661**	2,632
		413,324	408,840	**416,912**	412,460

Notes *(continued)*

23 Provisions for liabilities and charges

Group and Association	Pension liability (see note 25)	Holiday Accrual
	£000	**£000**
At 1 April 2015	22,264	476
Defined Benefit cost recognised in Profit or (Loss)	1,123	-
Remeasurement recognised in Other Comprehensive Income	966	-
Deficit\Employers contributions paid	**(1,636)**	-
Movement in year	-	(39)
As at 31 March 2016	**22,717**	**437**
Included within creditors < 1 year	1,303	
Included within creditors > 1 year	9,336	
Balance	**12,078**	

24 Pensions – Group and Association

The Group and Association 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 and Association participate 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:

	2016	2015	2014
RPI Price Increases	**3.3%**	3.2%	3.6%
CPI Price Increases	**2.4%**	2.4%	2.8%
Rate of increase in salaries	**3.9%**	3.9%	4.3%
Rate of increase in pensions in payment/inflation	**2.4%**	2.4%	2.8%
Discount rate	**3.7%**	3.3%	4.5%

These assumptions are set with reference to market conditions at 31 March 2016.

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

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 FRS 102 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 Price 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 3.3% 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 0.9% 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 difference calculation methods.

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

Notes *(continued)*

25 Pensions – Group and Association *(continued)*

The assumptions relating to longevity underlying the pension liabilities at the reporting 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)		**2016**	2015
Retiring Today			
	Males	**22.9 years**	22.8 years
	Females	**25.3 years**	25.2 years
Retiring in 20 years			
	Males	**25.2 years**	25.1 years
	Females	**27.7 years**	27.6 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 2016 is estimated to be 1%. The estimated asset allocation as at 31 March 2016 is as follows:

Whole Fund Assets – Bid Value	**2016**		2015	
	£000	**%**	£000	%
Equities	**6,234**	**56**	6,487	57
Gilts	**1,078**	**10**	1,337	12
Other Bonds	**1,391**	**13**	1,405	12
Property	**1,221**	**11**	1,078	10
Cash	**459**	**4**	290	3
Other	**683**	**6**	720	6
Total	**11,066**	**100**	11,317	100

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

Net interest cost

For accounting years beginning on or after 1 January 2015, the expected return and the interest cost has been replaced with a single net interest cost, which effectively sets out the expected return equal to the discount rate. Therefore no expected return assumption has been disclosed for the year ended 31 March 2016.

Notes *(continued)*

25 Pensions – Group and Association *(continued)*

Dorset Local Government Pension Scheme *(continued)*

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

Unfunded Benefits

In the year to 31 March 2016 an estimated £4,000 *(2015 £4,000)* of unfunded pensions were paid.

Net Pension Liability - Spectrum Housing Group

Statement of Financial Position:	**2016 £000**	2015 £000	2014 £000
Present Value of Funded Obligation	**(20,378)**	(21,398)	(18,009)
Fair Value of Scheme Assets (bid value)	**11,066**	11,317	10,454
Net Liability	**(9,312)**	(10,081)	(7,555)
Present Value of Unfunded Obligation	**(70)**	(74)	(46)
Net Deficit	**(9,382)**	(10,155)	(7,601)
Related Deferred Tax Asset	-	-	-
Net Liability in Statement of Financial Position	**(9,382)**	(10,155)	(7,601)

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.

Statement of comprehensive income - Spectrum Housing Group

The amounts recognised in the statement of comprehensive income are:	**2016 £000**	2015 £000
Amounts recognised in operating costs:		
Service cost	**230**	164
Amounts recognised in finance costs:		
Net interest on the defined benefit liability	**331**	341
Administration expenses	**8**	8
Total	**569**	513

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

	2016 £000	2015 £000
Opening defined benefit obligation	**21,472**	18,055
Current service cost	**230**	164
Interest cost	**702**	807
Change in financial assumptions	**(1,550)**	2,867
Experience loss/(gain) on defined benefit obligation		25
Estimated benefits paid net of transfers in	**(458)**	(494)
Past service costs. Including curtailments		
Contributions by Scheme participants	**56**	52
Unfunded pension payments	**(4)**	(4)
Total	**20,448**	21,472

Notes *(continued)*

25 Pensions – Group and Association *(continued)*

Dorset Local Government Pension Scheme *(continued)*

Asset and benefit obligation reconciliation for the year to 31 March 2016

Re-measurements in other comprehensive income	2016 £000	2015 £000
Return on Scheme assets in excess of interest	**(477)**	597
Other actuarial gains/(losses) on assets		
Change in financial assumptions	**1,550**	(2,867)
Experience gain/(loss) on defined benefit obligation		(25)
Remeasurement of the net assets/(defined liability)	**1,073**	(2,295)

Reconciliation of Fair Value of Scheme Assets - Spectrum Housing Group

Reconciliation of opening & closing balances of the fair value of Scheme assets	2016 £000	2015 £000
Opening fair value of Scheme assets	**11,317**	10,454
Estimated benefits paid (net of transfers in)	**(462)**	(498)
Contributions by employer	**269**	254
Contributions by Scheme participants	**56**	52
Interest on assets	**371**	466
Return on assets less interest	**(477)**	597
Administration expenses	**(8)**	(8)
Fair value of Scheme assets at end of year	**11,066**	11,317

Reconciliation of Opening and Closing Deficit - Spectrum Housing Group

Reconciliation of opening & closing surplus	2016 £000	2015 £000
Deficit at beginning of the year	**(10,155)**	(7,601)
Current Service Cost	**(230)**	(164)
Employer contributions	**265**	250
Past Service Cost		
Interest cost		
Other finance costs	**(339)**	(349)
Benefits paid		
Unfunded pension payments	**4**	4
Settlements or curtailments		
Remeasurement of the net assets/(defined liability)	**1,073**	(2,295)
Deficit at end of the year	**(9,382)**	(10,155)

The remeasurement of the net assets/(defined liability) in other comprehensive income is a net asset of £1,073,000 *(2015: defined liability of £2,295,000)*.

Notes *(continued)*

25 Pensions – Group and Association *(continued)*

Dorset Local Government Pension Scheme *(continued)*
Sensitivity Analysis

	£000	£000	£000
Adjustment to discount rate	**+0.1%**	**0%**	**-0.1%**
Present Value of Total Obligations	20,082	20,448	20,821
Projected Service Cost	197	202	207
Adjustment to long term salary increase			
Present Value of Total Obligations	20,483	20,448	20,414
Projected Service Cost	202	202	202
Adjustment to pension increases and deferred revaluation			
Present Value of Total Obligations	20,791	20,448	20,112
Projected Service Cost	207	202	197
Adjustment to mortality age rating assumption	**+1 year**	**None**	**-1 year**
Present Value of Total Obligations	21,080	20,448	19,835
Projected Service Cost	207	202	197

Amounts for the Current and Previous Periods - Spectrum Housing Group

Amounts for the current and previous four periods	**2016**	2015	2014	2013	2012
	£000	£000	£000	£000	£000
Defined Benefit Obligation	**(20,448)**	(21,472)	(18,055)	(17,182)	(15,586)
Scheme assets	**11,066**	11,317	10,454	10,085	8,983
Deficit	**(9,382)**	(10,155)	(7,601)	(7,097)	(6,603)

Projected Pension Expense for the year to 31 March 2017	**Year to 31 March 2017**
	£000
Service cost	202
Net interest on the defined liability (asset)	342
Administration expenses	8
Total loss (profit)	552
Employer Contributions	271

Notes *(continued)*

25 Pensions – Group and Association *(continued)*

Isle of Wight Local Government Pension Scheme

The Group and Association also participate 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 102 purposes at 31 March 2016 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.

	2016	2015
	£000	£000
Present value of funded defined benefit obligations	**(11,057)**	(11,751)
Fair value of plan assets	**8,361**	8,000
Net liability	**(2,696)**	(3,751)

Movements in present value of defined benefit obligation

	2016	2015
	£000	£000
At 1 April	**11,751**	9,625
Current service cost	**426**	335
Past service cost (including curtailments)	**7**	-
Interest cost	**381**	417
Actuarial (gain)/loss	**(1,357)**	1,549
Contributions by members	**86**	86
Benefits paid	**(237)**	(261)
At 31 March	**11,057**	11,751

Movements in fair value of plan assets

	2016	2015
	£000	£000
At 1 April	**8,000**	6,807
Expected return on plan assets	**260**	404
Actuarial gains	**(142)**	584
Contributions by employer	**394**	380
Contributions by members	**86**	86
Benefits paid	**(237)**	(261)
At 31 March	**8,361**	8,000

Expense recognised in the statement of comprehensive income

	2016	2015
	£000	£000
Amounts recognised in operating costs;		
Current service cost	**426**	335
Amounts recognised in finance costs;		
Interest on defined benefit pension plan obligation	**381**	417
Expected return on defined benefit pension plan assets	**(260)**	(404)
Total	**547**	348

The total remeasurement recognised in other comprehensive income is a net asset of £1,215,000 (*2015: net liability of £864,000)*

Notes *(continued)*

25 Pensions – Group and Association *(continued)*

Isle of Wight Local Government Pension Scheme *(continued)*

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

	2016 Fair value £000	2015 Fair value £000
Equities	**5,518**	5,360
Bonds	**2,341**	2,240
Cash	**-**	-
Property	**502**	400
	8,361	8,000

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

	2016 %	2015 %
Discount rate	**3.5%**	3.2%
Future salary increases	**4.2%**	4.3%
Other material assumptions (e.g., future pension increases, inflation)	**2.2%**	2.4%

The assumptions relating to longevity underlying the pension liabilities at the reporting 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:

Current pensioner aged 65: 22.4 years (male), 24.5 years (female).

Future retiree upon reaching 65: 23.8 years (male), 26.7 years (female).

History of plans

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

Statement of Financial Position

	2016 £000	2015 £000	2014 £000	2013 £000	2012 £000
Fair value of scheme assets	**8,361**	8,000	6,807	6,188	5,059
Present value of scheme liabilities	**(11,057)**	(11,751)	(9,625)	(9,210)	(7,622)
Deficit	**(2,696)**	(3,751)	(2,818)	(3,022)	(2,563)

Projected Pension Expense for the year to 31 March 2017	**Year to 31 March 2017 £000**
Service cost	**(359)**
Interest cost	**(391)**
Return of assets	**297**
Total included in Profit and Loss	**(453)**

Notes *(continued)*

25 Pensions – Group and Association *(continued)*

Social Housing Pension Scheme

Spectrum Housing Group Limited also participates in the Social Housing Pension Scheme (SHPS), a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK.

The Association is the sponsoring employer of the SHPS pension scheme and has legal responsibility for the plan. There is no contractual arrangement or stated policy for charging the net defined benefit cost of the plan as a whole to individual group entities and therefore the Association has recognised the entire net defined benefit cost and the relevant net defined benefit liability of the SHPS scheme in its individual financial statements.

It is not possible for the Group or Association to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

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

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 last full actuarial valuation for the scheme was carried out at 30 September 2014 by a professionally qualified actuary using the projected unit credit method. This actuarial valuation showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the scheme as follows:

Deficit contributions – Group and Association

Tier 1: From 1 April 2016 to 30 September 2020:	£40.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)
Tier 2: From 1 April 2016 to 30 September 2023:	£28.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)
Tier 3: From 1 April 2016 to 30 September 2026:	£32.7m per annum (payable monthly and increasing by 3.0% each year on 1st April)
Tier 4: From 1 April 2016 to 30 September 2026:	£31.7m per annum (payable monthly and increasing by 3.0% each year on 1st April)

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

Notes *(continued)*

25 Pensions – Group and Association *(continued)*

Social Housing Pension Scheme *(continued)*

Where the scheme is in deficit and where the Group and Association have agreed to a deficit funding arrangement the Group and Association recognise a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

Present values of provision

Group and Association	**31 March 2016 £000**	31 March 2015 £000	31 March 2014 £000
Present value of provision	10,639	8,079	8,873

Reconciliation of opening and closing provisions

Group and Association	**Year ending 31 March 2016 £000**	Year ending 31 March 2015 £000
Provision at the start of the year	**8,079**	8,873
Unwinding of the discount factor (interest expense)	**205**	209
Deficit contribution paid	**(972)**	(933)
Remeasurement – impact of any change in assumptions	**285**	(70)
Remeasurements – amendments to the contribution schedule	**3,042**	-
Provision at the end of the year	**10,639**	8,079

Income and expenditure impact

Group and Association	**Year ending 31 March 2016 £000**	Year ending 31 March 2015 £000
Interest expense	**205**	209
Remeasurement – impact of any change in assumptions	**285**	(70)
remeasurement – amendments to the contribution schedule	**3,042**	-

Assumptions

Group and Association	**31 March 2016 % per annum**	31 March 2015 % per annum	31 March 2014 % per annum
Rate of discount	**2.06**	2.70	2.50

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

Notes *(continued)*

25 Pensions – Group and Association *(continued)*

Social Housing Pension Scheme *(continued)*

The Group and Association must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income statement i.e. the unwinding of the discount rate as a finance cost in the period in which it arises.

It is these contributions that have been used to derive the Group's and Association's liability included within the statement of financial position.

Consolidated group Pension Schemes

Pension schemes liability

	2016	**2016**	2015	2015
	£000	**£000**	£000	£000
Market value of assets:-				
Dorset Local Government Pension Scheme	**11,066**		11,317	
Isle of Wight Government Pension Scheme	**8,361**		8,000	
		19,427		19,317
Present value of scheme liabilities:-				
Dorset Local Government Pension Scheme	**(20,448)**		(21,472)	
Isle of Wight Government Pension Scheme	**(11,057)**		(11,751)	
		(31,505)		(33,223)
Net pension liability		**(12,078)**		(13,906)
Pension schemes liability		**(12,078)**		(13,906)

26 Non equity share capital - Association

	Shares No	**Shares £**
At 1 April 2015	33	33
Issued during the year	-	-
Cancelled during the year	(3)	(3)
As at 31 March 2016	30	30

The shares have limited rights. They carry no entitlement to dividend, they are not repayable and they 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.

27 Reserves

Group and Association

Income and expenditure reserve - represents all current and prior period accumulated surpluses and deficits, including unrealised gains or losses on the remeasurements of investment properties

Notes *(continued)*

28 Capital commitments

	Group 2016 £000	Group 2015 £000	**Association 2016 £000**	Association 2015 £000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**87,938**	67,826	**61,734**	33,722
Capital expenditure approved by directors which has not been contracted for	**28,573**	192,668	**29,131**	73,350
	116,511	260,494	**90,865**	107,072

As at 31st March 2016 it is proposed that the current capital commitments will be funded by existing loan agreements.

29 Contingent liabilities

As at 31 March 2016, the Group and Association held £49,841k *(2015: £38,033k)* in relation to grants transferred on stock swap transactions from other Registered Providers.

30 Operating leases

The total future minimum lease payments due under non-cancellable operating leases are as follows:

	Group				**Association**			
	Land and Buildings		**Motor vehicles**		**Land and Buildings**		**Motor Vehicles**	
	2016 £000	2015 £000	**2016 £000**	2015 £000	**2016 £000**	2015 £000	**2016 £000**	2015 £000
Not later than one year	**-**	-	**92**	62	**-**	-	**6**	-
Later than one year and not later than five years	**1,077**	872	**1,483**	1,532	**502**	512	**8**	-
Later than five years		-		-		-		-
	1,077	872	**1,575**	1,594	**502**	512	**14**	-

31 Transition to FRS 102

These financial statements for the year ended 31 March 2016 are the first financial statements of Spectrum Housing Group Limited Group and Association that comply with FRS 102. The date of transition to FRS 102 is 1 April 2014.

The transition to FRS 102 has resulted in a small number of changes in accounting policies compared to those used previously.

The following note to the financial statements describes the differences between reserves and surplus or deficit presented previously, and the amounts as restated to comply with the accounting policies selected in accordance with FRS 102 for the reporting period ended 31 March 2015 (i.e. comparative information), as well as equity presented in the opening statement of financial position (i.e. at 1 April 2014). It also describes all the required changes in accounting policies made on first-time adoption of FRS 102.

Notes *(continued)*

32 Transition to FRS 102

Reconciliations of reserves and surplus or deficit

Reconciliation of reserves at 1 April 2014	***Notes***	**Group**				
		As previously stated	**Correction of prior period material errors**	**Restated under previous UK GAAP**	**Effect of transition**	**FRS 102 (as restated)**
		£000	£000	£000	£000	£000
Tangible assets						
Housing properties – cost and valuation	*a*	873,508	1,370	874,878	(37,808)	837,070
Less: Housing Grant	*b*	(333,615)	-	(333,615)	333,615	-
Less: Depreciation and impairment	*b*	(68,318)	-	(68,318)	(22,594)	(90,912)
		471,575	1,370	472,945	273,213	746,158
Other tangible fixed assets		11,287	-	11,287	-	11,287
Investments		1	-	1	-	1
HomeBuy and Starter Home Initiative Loan		2,476	-	2,476	-	2,476
HomeBuy and Starter Home Initiative Grant	*b*	(2,476)	-	(2,476)	2,476	-
		482,863	1,370	484,233	275,689	759,922
Current assets						
Stocks		6,852	-	6,852	-	6,852
Debtors	*b*	14,142	-	14,142	(192)	13,950
Cash at bank and in hand		15,915	-	15,915	-	15,915
		36,909	-	36,909	(192)	36,717
Creditors: amounts falling due within one year	*b*	(29,656)	-	(29,656)	(1,772)	(31,428)
Net current assets		7,253	-	7,253	(1,964)	5,289
Total assets less current liabilities		490,116	1,370	491,486	273,725	765,211
Creditors: amounts falling due after more than one year		(372,214)	-	(372,214)	(8,154)	(380,368)
Accruals and deferred income						
Deferred social housing grants	*a*	-	-	-	(266,343)	(266,343)
Provisions for liabilities and charges	*d/e*	(10,419)	-	(10,419)	-	(10,419)
Total net assets		107,483	1,370	108,853	(772)	108,081
Revaluation reserve	*e*	4,687	-	4,687	(4,687)	-
Income and expenditure account		102,796	1,370	104,166	3,915	108,081
Total reserves		107,483	1,370	108,853	(772)	108,081

Notes *(continued)*

32 Transition to FRS 102 *(continued)*

Reconciliation of reserves at 1 April 2014	***Notes***	**As previously stated**	**Association Effect of transition**	**FRS 102 (as restated)**
		£000	£000	£000
Tangible assets				
Housing properties – cost and valuation	*a*	844,681	(37,808)	806,873
Less: Housing Grant	*b*	(333,615)	333,615	-
Less: Depreciation and impairment	*b*	(68,318)	(22,594)	(90,912)
		442,748	273,213	715,961
Other tangible fixed assets		11,024	-	11,024
Investments		2,107	-	2,107
HomeBuy and Starter Home Initiative Loan		2,476	-	2,476
HomeBuy and Starter Home Initiative Grant	*a*	(2,476)	2,476	-
		455,879	275,689	731,568
Current assets				
Stocks		3,154	-	3,154
Debtors	*c*	19,252	(192)	19,060
Cash at bank and in hand		15,317	-	15,317
		37,723	(192)	37,531
Creditors: amounts falling due within one year	*c*	(31,266)	(1,983)	(33,249)
Net current assets		6,457	(2,175)	4,282
Total assets less current liabilities		462,336	273,514	735,850
Creditors: amounts falling due after more than one year	*c*	(352,012)	(8,158)	(360,170)
Accruals and deferred income				
Deferred social housing grants	*a*	-	(266,343)	(266,343)
Provisions for liabilities and charges	*d/f*	(2,818)	(7,601)	(10,419)
Total net assets		107,506	(8,588)	98,918
Revaluation reserve	*e*	2,094	(2,094)	-
Income and expenditure account		105,412	(6,494)	98,918
Total reserves		107,506	(8,588)	98,918

Notes *(continued)*

32 Transition to FRS 102 *(continued)*

Reconciliation of reserves at 31 March 2015	***Notes***			**Group**		
		As previously stated	**Correction of prior period material errors**	**Restated under previous UK GAAP**	**Effect of transition**	**FRS 102 (as restated)**
		£000	£000	£000	£000	£000
Tangible assets						
Housing properties – cost and valuation	*0*	909,514	(323)	909,191	(38,036)	871,155
Less: Housing Grant	*b*	(336,239)	-	(336,239)	336,239	-
Less: Depreciation and impairment	*b*	(76,151)	-	(76,151)	(24,110)	(100,261)
		497,124	(323)	496,801	274,093	770,894
Other tangible fixed assets		12,570	-	12,570	-	12,570
Investments		1	-	1	-	1
Investment in Jointly Controlled Entity						
Share of ~~gross~~ net assets		44,992	-	44,992	(45,106)	(114)
Share of gross liabilities		(45,106)	-	(45,106)	45,106	-
HomeBuy and Starter Home Initiative Loan		2,246	-	2,246	-	2,246
HomeBuy and Starter Home Initiative Grant	*a*	(2,246)	-	(2,246)	2,246	-
		509,581	(323)	509,258	276,339	785,597
Current assets						
Stocks	*b*	16,045	-	16,045	(69)	15,976
Debtors	*c*	23,902	(1,721)	22,181	(196)	21,985
Cash at bank and in hand		9,061	-	9,061	-	9,061
		49,008	(1,721)	47,287	(265)	47,022
Creditors: amounts falling due within one year	*c*	(37,603)	475	(37, 128)	(2,148)	(39,276)
Net current assets		11,405	(1,246)	10,159	(2,413)	7,746
Total assets less current liabilities		520,986	(1,569)	519,417	273,926	793,343
Creditors: amounts falling due after more than one year		(391,750)	(473)	(392,223)	(8,441)	(400,664)
Accruals and deferred income						
Deferred social housing grants	*a*	-	-	-	(265,877)	(265,877)
Provisions for liabilities and charges	*d/f*	(13,906)	-	(13,906)	(476)	(14,382)
		115,330	(2,042)	113,288	(868)	112,420
Revaluation reserve	*e*	6,439	-	6,439	(6,439)	-
Income and expenditure account		108,891	(2,042)	106,849	5,571	112,420
		115,330	(2,042)	113,288	(868)	112,420

Notes *(continued)*

32 Transition to FRS 102 *(continued)*

Reconciliation of reserves at 31 March 2015	***Notes***	**As previously stated**	**Correction of prior period material errors**	**Association Restated under previous UK GAAP**	**Effect of transition**	**FRS 102 (as restated)**
		£000	£000	£000	£000	£000
Tangible assets						
Housing properties – cost and valuation	*0*	878,462	1,691	880,153	(38,036)	842,117
Less: Housing Grant	*b*	(336,239)	-	(336,239)	336,239	-
Less: Depreciation and impairment	*b*	(74,907)	-	(74,907)	(24,110)	(99,017)
		467,316	1,691	469,007	274,093	743,100
Other tangible fixed assets		11,964	-	11,964	-	11,964
Investments		8,107	-	8,107	-	8,107
HomeBuy and Starter Home Initiative Loan		2,246	-	2,246	-	2,246
HomeBuy and Starter Home Initiative Grant	*a*	(2,246)	-	(2,246)	2,246	-
		487,387	1,691	489,078	276,339	765,417
Current assets						
Stocks		5,736		5,736	(68)	5,668
Debtors	*c*	21,629		21,629	(208)	21,421
Cash at bank and in hand		7,345		7,345	-	7,345
		34,710	-	34,710	(276)	34,434
Creditors: amounts falling due within one year	*c*	(33,823)	-	(33,823)	(1,948)	(35,771)
Net current assets		887	-	887	(2,224)	(1,337)
Total assets less current liabilities		488,274	1,691	489,965	274,115	764,080
Creditors: amounts falling due after more than one year	*c*	(370,873)	-	-	(8,441)	(379,314)
Accruals and deferred income						
Deferred social housing grants	*a*	-	-	-	(265,877)	(265,877)
Provisions for liabilities and charges	*d/f*	(3,751)	-	-	(10,631)	(14,382)
		113,650	1,691	115,341	(10,834)	104,507
Revaluation reserve	*e*	1,369	-	1,369	(1,369)	-
Income and expenditure account		112,281	1,691	113,972	(9,465)	104,507
		113,650	1,691	115,341	(10,834)	104,507

Notes *(continued)*

32 Transition to FRS 102 *(continued)*

Reconciliation of surplus for the year ended 31 March 2015	***Notes***	**Group**				
		As previously stated	**Correction of prior period material errors**	**Restated under previous UK GAAP**	**Effect of transition**	**FRS 102 (as restated)**
		£000	£000	£000	£000	£000
Turnover		107,110	-	107,110	2,555	109,665
Cost of sales		(12,560)	-	(12,560)	(356)	(12,916)
Operating costs	*b/c/d*	(72,039)	-	(72,039)	(1,598)	(73,637)
Operating surplus		22,511	-	22,511	601	23,112
Fair value gains/(losses) on the revaluation of investment properties	*e*	-	1,621	1,621	132	1,753
Surplus on sale of housing properties		953	-	953	-	953
Interest receivable and similar income						
Group	*c*	117	-	117	-	117
Interest payable and similar charges						
Group	*c*	(16,190)	-	(16,190)	(807)	(16,997)
Jointly Controlled Entity		(111)	(3)	(114)	-	(114)
Other finance costs		(179)	-	(179)	(493)	(672)
Surplus on ordinary activities before taxation		7,098	1,621	8,719	(567)	8,152
Tax on surplus on ordinary activities		(41)	-	(41)	(613)	(654)
Surplus for the financial year		7,057	1,621	8,678	(1,180)	7,498
Other comprehensive income:						
Remeasurements of net defined benefit obligation	*f*	(965)	(2,478)	(3,443)	284	(3,159)
Other comprehensive income for the year		(965)	(2,478)	(3,443)	284	(3,159)
Total comprehensive income for the year		6,092	(857)	5,235	(896)	4,339

Notes *(continued)*

32 Transition to FRS 102 *(continued)*

Reconciliation of surplus for the year ended 31 March 2015	*Notes*	Association				
		As previously stated	Correction of prior period material errors	Restated under previous UK GAAP	Effect of transition	FRS 102 (as restated)
		£000			£000	£000
Turnover		91,020	-	91,020	2,555	93,575
Cost of sales		(4,458)	-	(4,458)	(356)	(4,814)
Operating costs	*b/c/d*	(65,178)	-	(65,178)	(790)	(65,968)
Operating surplus		21,384	-	21,384	1,409	22,793
Fair value gains/(losses) on the revaluation of investment properties	*e*	-	1,691	1,691	(725)	966
Surplus on sale of housing properties		953	-	953	-	953
Gift Aid receipts		350	-	350	-	350
Interest receivable and similar income		313	-	313	-	313
Interest payable and similar charges	*c*	(15,153)	-	(15,153)	(802)	(15,955)
Other finance costs		(13)	-	(13)	(659)	(672)
Surplus on ordinary activities before taxation		7,834	1,691	9,525	(777)	8,748
Tax on surplus on ordinary activities		-			-	-
Surplus for the financial year		7,834	1,691	9,525	(777)	8,748
Other comprehensive income:						
Remeasurements of net defined benefit obligation	*f*	(965)	-	(965)	(2,194)	(3,159)
Other comprehensive income for the year		(965)	-	(965)	(2,194)	(3,159)
Total comprehensive income for the year		6,869	1,691	8,560	(2,971)	5,589

Notes *(continued)*

32 Transition to FRS 102 *(continued)*

Reconciliation of statement of changes in equity for the year ended 31 March 2015

	Group				
	As previously stated	**Correction of prior period material errors**	**Restated under previous UK GAAP**	**Effect of transition**	**FRS 102 (as restated)**
	£000			£000	£000
Balance as at 1 April 2014 as previously reported	107,483	1,370	108,853	(772)	108,081
Surplus for the year	7,060	1,618	8,678	(1,180)	7,498
Other comprehensive income for the year	(965)	(2,478)	(3,443)	284	(3,159)
	6,095	(860)	5,235	(896)	4,339
Changes to revaluation reserve	1,752		1,752	(1,752)	-
Balance as at 31 March 2015	115,330	510	115,840	(3,420)	112,420

Reconciliation of statement of changes in equity for the year ended 31 March 2015

	Association				
	As previously stated	**Correction of prior period material errors**	**Restated under previous UK GAAP**	**Effect of transition**	**FRS 102 (as restated)**
	£000	£000	£000	£000	£000
Balance as at 1 April 2014 as previously reported	107,506	-	107,506	(8,588)	98,918
Surplus for the year	7,834	1,691	9,525	(777)	8,748
Other comprehensive income for the year	(965)		(965)	(2,194)	(3,159)
	6,869	1,691	8,560	(2,971)	3,898
Changes to revaluation reserve	(725)		(725)	725	-
Balance as at 31 March 2015	113,650	1,691	115,341	(10,834)	104,507

Notes *(continued)*

32 Transition to FRS 102 *(continued)*

a. Social housing grants

Under previous UK GAAP, the deferred element of social housing grants was deducted from the cost of the housing properties to which they related. Using the accruals method permitted by FRS 102, the deferred element of these grants is included in creditors as deferred income and not deducted from the carrying value of the relevant asset. The result of this change has been to increase the carrying value of these assets and hence, the amount of depreciation charged to the income statement. Accumulated depreciation at 31 March 2015 and 1 April 2014 increased by £24,110k and £22,594k respectively for the Group and the Association. Grants received are amortised at the same rate as the depreciation on the assets to which they relate; cumulative amortisation at 31 March 2015 and 1 April 2014 was £32,404k and £29,727k respectively for the Group and the Association.

b. Stock swap assets

Under previous UK GAAP, assets acquired under a stock swap transaction were held at fair value, where the cost of the property was grossed up by the grant amount and an equivalent grant liability recorded. Under FRS 102, where there is grant attached to a stock swap property, then the obligation to repay or recycle the grant is already taken into account in the fair value and no additional value is applied to the grant transferred. The grant transferred is disclosed within the notes to the accounts as a contingent liability (see note 29).

c. Financial instruments

Under FRS 102, basic financial instruments are stated at fair value and subsequently at amortised cost using the effective interest method. Financial instrument debtors have been restated at fair value at 31 March 2015 and 1 April 2014 with a reduction of £208k and £192k respectively being debited to the income statement at the reporting date. Loan balances have been recalculated using the effective interest method and adjustments in values have been charged to opening reserves; at 31 March 2015 and 1 April 2014 loan balances were decreased by £1,032k and £218k respectively.

d. Holiday pay accrual

Under previous UK GAAP, the Group did not make provision for holiday pay that was earned but not taken prior to the reporting date. FRS 102 requires the cost of short-term compensated absences to be recognised as holiday entitlement earned but not taken at the date of the statement of financial position. Consequently an accrual of £441k for the Group and Association at 1 April 2014 has been made to reflect this. The additional provision at 31 March 2015 is £35k for the Group and the Association.

e. Treatment of investment properties and reclassification of revaluation reserve

Under previous UK GAAP, investment properties were revalued at the reporting date and movements in the carrying value of these assets were recorded in the Statement of Total Recognised Gains and Losses. Under FRS 102, investment properties are required to be held at fair value and changes in the fair value of these assets are recorded in the income statement. The revaluation reserve has been removed on transition. Any unrealised gains or losses on the fair value of investment properties are accumulated within the income and expenditure reserve. In the year ended 31 March 2015 the fair value movements on revaluation of investment properties taken to the income statement were £1,753k gain for the Group and £725k loss for the Association; in the year ended 1 April 2014 the balances on the revaluation reserve transferred to the opening income and expenditure reserve were £4,687k for the Group and £2,094k for the Association.

f. Defined benefit pension scheme

The Association is a member of a group defined benefit pension plan that shares risks between entities under common control (Social Housing Pension Scheme). Under FRS 102 this scheme continues to be accounted for as a defined contribution plan, with a contractual agreement in place between SHPS and Spectrum Housing Group to determine the funding of the deficit on the plan. The liability for the contributions payable that arise from the agreement in relation to the deficit has now been included in the Statement of Financial Position. The total liability at 31 March 2015 is £8,079k and at 1 April 2014 is £8,873k for the Group and the Association.

Notes *(continued)*

32 Transition to FRS 102 *(continued)*

f. Defined benefit pension scheme (continued)

Under previous UK GAAP the Dorset County Council pension scheme was accounted for within the consolidated results of the Spectrum Housing Group only. Under FRS 102, as the sponsoring employer, the Association is deemed to be legally responsible for the scheme and therefore has recognised the scheme in its individual financial statements. At 31 March 2015 and 1 April 2014, the net deficit of the plan was £10,155k and £7,601k respectively.

g. Deferred tax

Under FRS 102, deferred tax is recognised on a timing difference plus approach, whereas previous UK GAAP required a timing difference approach. Consequently deferred tax must now be recognised on all fair value remeasurement. There are no adjustments required on business combinations arising prior to transition.

Deferred tax has been recognised on the revaluation of investment properties. Under previous UK GAAP the Group was not required to provide for taxation on revaluations, unless the Group had entered into a binding sale agreement and recognised the gain or loss expected to arise. Under FRS 102 deferred taxation is provided on the temporary difference arising from the revaluation.

In addition to the transition adjustments identified above which affect the surplus for the financial year, the following adjustments have arisen which have had no effect on net equity or retained earnings but which have affected the presentation of these items in the financial statements. The main items are:

Statement of cash flows

The Group's statement of cash flows reflects the presentation requirements of FRS 102, which is different to that prepared under FRS 1. In addition the statement of cash flows reconciles to cash and cash equivalents whereas under previous UK GAAP the cash flow statement reconciled to cash. Cash and cash equivalents are defined in FRS 102 as 'cash on hand and demand deposits and short term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value', whereas cash is defined in FRS 1 as 'cash in hand and deposits repayable on demand with any qualifying institution, less overdrafts from any qualifying institution repayable on demand.' The FRS 102 definition is less restrictive.

Investment in Jointly Controlled Entity

Under previous UK GAAP, the Group was required to disclose its share of gross assets and gross liabilities in relation to interests in jointly controlled entities, within the Statement of Financial Position. Under FRS 102, this is disclosed net and an adjustment made to the presentation in the income statement. Conversely, under previous UK GAAP, the Group was required to disclose its net share of profit within the income statement, but under FRS 102, this is disclosed gross.

Defined benefit pension scheme

Under FRS 102, net interest on the net defined benefit pension liability is presented in the income statement using the liability discount rate. Under previous UK GAAP the interest on the expected return on net assets was calculated using an expected asset return discount rate. This has had no impact on accumulated reserves on transition, but there was a decrease in surplus arising from this adjustment which was offset by a corresponding increase in other comprehensive income.

Transitional relief

Investment in subsidiaries

The Association has elected to treat the carrying amount of investments in subsidiaries under previous UK GAAP at the date of transition as historic cost on transition to FRS 102.

Notes *(continued)*

32 Transition to FRS 102 *(continued)*

Transitional relief *(continued)*

Lease incentives

The Group and Association have not applied paragraphs 20.15A or 20.25A to lease incentives where the lease commenced before the date of transition to FRS 102. They have continued to recognise any residual benefit or cost associated with these lease incentives on the same basis that applied prior to transition to FRS 102.

33 Transactions with related parties

Spectrum Housing Group Limited has a Board member who is a leasehold owner of a Spectrum property and as a result pays Spectrum Housing Group Limited service charges. Any income received from any Board member is a related party transaction, but is treated under the same terms and conditions as other tenants of the Group.

Total service charges charged to tenant Board members during the year was £1,089*(2015: £1,024)* and the value of tenant Board members' arrears at the reporting date was £0 *(2015: £0).*

Transactions with subsidiary companies are detailed at note 16.

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 year ended 31 March 2016 Sherford LLP made a loss of £1,242,000 *(period ended 31 March 2015: loss £227,783)* and distributed £nil *(2015: £nil)* to its shareholders. The share appropriate to SPH Limited is 50% of the result for the year as follows:

	2016	2015
	£000	£000
Share of joint venture's profit/(loss) before interest and taxation	(3)	(3)
Share of joint venture's interest	(618)	(111)
Share of joint venture's taxation	-	-
	(621)	(114)

There have been further transactions with Linden Homes Limited outside of the Partnership agreement for SPH development. Total purchases of £1,119,401 were made during the year (2015: £nil).

In the period ended 31 March 2016, a loan of £2,821,296 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.

34 Group companies

At 31 March 2016 Spectrum Housing Group Limited was a parent undertaking with three subsidiaries and a jointly controlled entity. Spectrum Housing Group Limited is a Registered Provider and a Co-operative and Communities Benefit Society. Subsidiaries within the Group are as follows:

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

Spectrum Housing Group Limited has a jointly controlled entity:

- Linden Homes (Sherford) LLP