

Two Rivers Housing
Annual report and financial statements
for the year ended 31 March 2017

Registered number: 4263691

Two Rivers Housing

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Two Rivers Housing

Company information

EXECUTIVE DIRECTORS

Mr Garry King BA (Hons), DIP Business Admin, DIP Housing Admin. FCIH
(Chief Executive)

Mr Jonathon Coe DMS FCIH (Corporate Director - Operations)

Mr Barry Thompson CIPFA (Corporate Director - Resources)

BOARD MEMBERS

Mr David Powell CIPFA, BA (Hons), Dip Management (Chair)

Mr John Bloxsom MBA, Prince2 FCIH (Vice Chair)

Mr Alan Blundell FMAAT, AAT

Mr Jonathan Richards BA (Hons), CPE

Ms Susan Holmes

Mr Christopher Hillidge BSc, BVetMed, PhD

Mr Neil Sutherland OBE DL, BSc (Eng), MA, CEng, CMgr, FICE, FCMI

Mrs Rita Jones

SECRETARY

Mr Garry King BA (Hons), DIP Business Admin, DIP Housing Admin. FCIH
(Chief Executive)

REGISTERED OFFICE

Rivers Meet
Cleeve Mill Lane
Newent
Gloucestershire
GL18 1DS

REGISTERED UNDER THE COMPANIES ACT 2006

4263691

CHARITY REGISTRATION

1104723

AUDITOR

Mazars LLP
45 Church Street
Birmingham
B3 2RT

FUNDERS

Barclays Bank

SOLICITORS

Anthony Collins Solicitors
Wright Hassall
Trowers & Hamlin

Two Rivers Housing

Chair's Statement

It is true to say that Two Rivers Housing (TRH) would not be a successful social housing business without the skill and commitment of its employees. It is very much about the daily transactions with customers and the passion of staff to deliver a consistently excellent service. To this end TRH puts employee satisfaction very much at the forefront of everything we do which has resulted in an improvement in the Times 100 rating from 46 in 2016 to 23 in 2017. TRH is a value driven organisation, and have built a culture which reflects those values in all our dealings with staff and customers.

The Board continues to put excellence in customer service as a key objective. The Strategic Report (incorporating the Operating and Financial Review) summarises how the business has perform with another year of exceptional performance being achieved.

It is clear that the sector is having to change in order to stay relevant to its customers. In common with other associations TRH's Board has had to develop strategies to ensure that quality services are continued to be delivered as well as houses built at a time income is now reducing, capital subsidy is removed from development and welfare reform changes threaten to reduce income further. TRH has responded to these challenges with continued advancements in the use of IT enabling more sophisticated planning, and an even greater focus on cost management.

Fundamental to enabling continuous delivery is the need to ensure that we deliver value for money for our customers. We have a strong focus on VFM and the Board is committed to making sure we control our costs at a time when resources are being reduced for the sector. For 2016/17 I am pleased that TRH managed to reduce its operating costs by 5.2% at the same time as producing excellent services. This will continue to be a challenge to the board in years to come.

The Board is fully committed to delivering new homes in order to support the housing shortfall in the Forest of Dean and surrounding areas. To this end it is pleasing to note that TRH developed 64 new homes during the year and there are plans to develop 93 homes in 2017/18 as part of a 300 target for the next few years. These homes will include homes for both rent and part ownership.

Finally I would like to thank all my fellow Board members and the Executive team who have all provided much valued leadership support over the last 12 months and I am confident that TRH can meet the challenges that lie ahead and continue to build excellent communities with passion and pride.

David Powell
Chair

Two Rivers Housing

Strategic Report

Principal activities

Two Rivers Housing (TRH) has principal activities which include the development and management of affordable housing in the Forest of Dean and surrounding areas.

The Association's main streams of business consist of the management of housing for people in need of affordable housing both with and without grant from the HCA.

Business and Financial Review

The Board is pleased to report a Group surplus for the year of £5m (2016: £5m) and an Association surplus for the year of £5.2m (2016: £5.4m) in what has been a very successful year.

We have continued to invest in our existing stock in order to maintain homes above Decent Homes Standard. The cost of investment during the year was approximately £5.1m.

During the year we completed 64 new homes.

The support services provided to vulnerable tenants continued during the year with really positive results for our customers.

The Association produces a 30 year financial forecast which is reviewed on an annual basis. The following table sets out a five year picture;

Forecast Financial performance

	2017.18	2018.19	2019.20	2020.21	2021.22
<u>Statement of comprehensive income</u>	£m	£m	£m	£m	£m
Turnover	20.118	20.751	21.202	22.392	23.248
Operating surplus	6.333	8.761	8.649	7.057	7.347
Transfer to reserves	3.609	4.294	3.662	1.667	1.499

Statement of financial position

Total assets less current liabilities	161.586	170.842	175.256	174.478	172.228
Creditors over one year	121.637	126.600	127.352	124.907	121.157
Reserves	38.696	42.989	46.652	48.319	49.818

Two Rivers Housing

Strategic Report

Strategic Performance Indicators

The Association monitors and benchmarks its ongoing performance via the Operations team on a monthly basis and monitors the key performance indicators and reports to the board on a quarterly basis. This enables us to identify areas for improvement and take corrective action where necessary. The following results were achieved in 2016/17;

Indicator	Target	Performance	Top Quartile (Housemark 15/16)	LSVT Sector Average (Global accounts 2016)
Rent collected	99.95%	99.87%	100.16%	N/A
Rent lost	1.00%	0.55%	0.51%	1.7%
Decent homes standard	100%	100%	100%	N/A
Valid gas certificate	100%	100%	100%	N/A
Current tenant rent arrears	1.65%	1.62%	1.75%	4.5%

Objectives and Strategy

Our mission is “creating great homes and supporting communities”.

The achievement of this mission statement is underpinned by four key objectives:

- Our tenants, customers and their homes – to achieve customer satisfaction of greater than 87%
- Our people – to continue to achieve a placement within the Times 100 top 50 best companies list
- Income and growth – to continue to grow through diversification
- Governance and viability- Compliance with early warning indicators

These objectives are delivered through key strategic initiatives and projects monitored by the board as part of its overall Corporate plan.

Risk Management

TRH has a comprehensive system of risk management. During the year, with the support of the External Auditor, the Board appraised its risk appetite position. This resulted in a clear level of risk appetite being assigned to business activities and a set of risk appetite metrics put in place to monitor the position. The highest risks in terms of their impact and probability are discussed by the Audit Committee on a quarterly basis and are reported through to the Board. The report identifies action taken to manage risks as well as new and emerging risks.

Two Rivers Housing

Strategic Report

The latest assessment of the major risks to the successful achievement of the Associations objectives is set out below;

Strategic Risk	Controls and actions
1. Welfare reform The various reforms including the LHA cap will create a risk to increased arrears, bad debts and extra costs of support, rent collection and tenancy failure.	<ul style="list-style-type: none">• Welfare reform action plan• Extra resources allocated• Regular reports to Executive and Board• Good relationships with local authority.
2. Rent Formula uncertainty The introduction of 4 years of -1% rent reductions from April 2016 has reduced the financial plan capacity. However we currently have uncertainty as to what will follow.	<ul style="list-style-type: none">• Revised financial plan to accommodate lower cost base• Reserved list of potential future actions• Financial plan sensitivity analysis• Mitigation plan with assessment of impact.
3. Health and safety obligations Continuing extended legislative requirements.	<ul style="list-style-type: none">• Comprehensive health and safety management system, which monitors risks and actions to control risks• Regular reports to Executive and Board.
4 Loan Covenants Failure to comply with financial loan covenants, leading to potential withdrawal of loan facility.	<ul style="list-style-type: none">• Regular monitoring and projection of all covenants• Early warning breach indications “golden rules”• Mitigation action plans.

Value for Money

Role of the Board

The Board is fully committed to deliver Value for Money (VFM) in support of delivering against the Association’s objectives.

The Board appraises VFM performance throughout the year and quarterly performance reports are scrutinised by the Audit Committee. A full VFM self assessment for 2016/17 was scrutinised by the Audit Committee on 13 July 2017 and approved by the Board at its meeting on 10 August 2017. The approval of the full self assessment will be presented to the HCA as part of the regulatory requirement and is publically made available from the TRH website as follows;

https://www.tworivershousing.org.uk/custom-content/uploads/2017/07/Value_For_Money_Self_Assessment_2016_17.pdf

The Boards VFM Self Assessment explains how TRH complies with the HCA’s VFM Standard and also sets out plans for future improvements. The key messages from the self assessment are set out below;

VFM Savings

VFM is used as a business improvement driver within the Association, facilitating the alignment of resources to the Board’s priorities.

The table below sets out the actual performance for 2016/17

VFM Savings	2016/17
Target	£299,335
Achieved	£320,186

Two Rivers Housing

Strategic Report

Tenant involvement in VFM

The Association's approach to VFM includes a clear role for tenants in scrutinising performance and this is achieved through the work of the Tenant Scrutiny Group.

During the year they have scrutinised Health and Safety, Estate Maintenance, and Responsive Repairs. Their recommendations have contributed to improved VFM in these areas.

Operating costs and HCA Cost Variation Analysis

For 2016/17 operating costs in real terms have reduced by just over 5% compared to 2015/16 as a result of a VFM approach incorporating effective procurement and zero based budgeting. This activity will continue in 2017/18 and reduce costs further.

TRH uses the HCA Global Accounts to compare its costs and performance with the wider sector. The position for TRH is set out below compared to the sector level data (in this case the PlaceShapers peer group) and specifically against local registered providers. TRH's costs per unit are in line with the median results in the group and local associations.

	lower quartile	median	upper quartile	TRH 2015/16	TRH 2014/15
Management costs	740	1,020	1,320	1,178	1,170
Maintenance costs	790	970	1,180	1,310	1,480
Major repairs costs	540	810	1,080	952	980
Other social housing costs	80	210	450	260	-
	3,120	3,570	4,350	3,597	3,830

	RP1	RP2	RP3	RP4	RP5	RP6	RP7
Total costs	2,870	3,630	3,390	3,580	3,390	3,770	3,330

Two Rivers Housing

Strategic Report

Benchmarking and Housemark

The use of benchmarking is an integrated part of the TRH's VFM approach and Housemark is the vehicle for comparing cost and quality of services provided by TRH with the peer group (LSVT's within Southern England) with between 2,500 and 10,000 units.

The latest benchmark exercise, with summarised results provided below, revealed a high number of our costs and quality indicators are better than the average of our peers and the Association actively uses this tool to support business service improvement reviews.

	Benchmark	2015/16	2014/15	2013/14
Overheads/turnover	11.1%	13.2%	14.2%	13.3%
Major and cyclical works	1,482	1,525	1,757	1,902
Responsive repairs	763	1,104	1,065	985
Housing management	458	361	372	347
	2,703	2,990	3,194	3,234

It can be seen from the above the TRH is striving to reduce its costs year on year in real terms to become more efficient.

Return on assets

TRH's approach to asset management is in line with regulatory expectations for development RP's and has been to ensure that we make the most of our assets in support of increasing the supply of new affordable homes. This means healthy returns are very important to the Board and this is measured using a Return on Assets ratio. Using the HCA Global accounts for 2016 and comparing TRH against the PlaceShapers group and some locally comparable associations, show the following results;

Entity	TRH 2016	RP1	RP2	RP3	RP4	RP5	RP6
Headline ratio	7.32%	2.52%	2.26%	1.32%	2.07%	3.96%	1.62%
Place Shapers average	2.62%						

TRH's return on assets compares favourably with the other associations in the PlaceShapers group and against the sector average at 2.1%.

A review of the property portfolio on the basis of understanding their returns has been enhanced by the work carried out on Asset Register. Examples of ways TRH continues to seek to optimise returns on assets include;

- Detailed modelling of returns on individual assets using sector dedicated software
- A disposal strategy targeted at disposing of the worst performing properties as they become void. Proceeds to be used to support future development on a two for one basis
- A garage sites strategy aimed at determining a retain or dispose approach

Looking forwards

The Board recognises the challenges it faces in delivering cost reductions in 2017/18 together with providing excellent services to tenants and delivering a good supply of affordable homes. The Board has identified the following areas it will continue to focus on;

- Continuing to develop IT systems to improve efficiency and customer service
- Continue to drive cost reductions through targeted VFM savings
- Continue to sweat our assets to strengthen our financial plan
- Continue to prepare for welfare reform challenges

Two Rivers Housing

Strategic Report

- Continue to develop more affordable homes.

Two Rivers Housing

Strategic Report

HCA Governance and Financial Viability Standard

On July 13 2017, the Audit Committee considered a report in relation to a self-assessment of TRH's compliance with the Governance and Viability Standard. The Committee concluded that TRH complied with the standard and reported its findings to the Board on 10 August 2017. The Board then formally confirmed TRH's compliance with Governance and Financial Viability Standard.

National Housing Federation Code of Governance

The Board have adopted the National Housing Federation's "Code of Governance: Promoting Board Excellence for Housing Associations (2015 edition)" and confirm that the Group complies fully with the Code.

Statement of Compliance

In preparing this Strategic Report (incorporating Operating and Financial Review) and Board Report, the Board has followed the principles set out in the Housing SORP 2014.

The Strategic Report (incorporating the Operating Financial Review) was approved by the Board on 10 August 2017 and signed on its behalf by;



David Powell
Chair

Two Rivers Housing

Board Report

The Board is pleased to present its report together with the audited financial statements for the year ended 31 March 2017.

Principal activities, Business Review and Future Developments

Details of the Association's principal activities, its performance during the year and future development are contained within the Strategic Report, which precedes this report.

Board Members

The following Board Members have served office from 1 April 2016 to the date of this report unless otherwise stated:

Mr David Powell CIPFA, BA (Hons), Dip Management (Chair)
Mr John Bloxsom MBA, Prince2 FCIH (Vice Chair)
Mrs Gillian Robins (retired 15 December 2016)
Mr Alan Blundell FMAAT, AAT
Mr Patrick Harkness BA (appointed 12 May 2016 and resigned 13 May 2017)
Mr Jonathan Richards BA (Hons), CPE (appointed 12 May 2016)
Ms Susan Holmes (appointed 12 May 2016)
Mr Christopher Hillidge BSc, BVetMed, PhD (appointed 12 May 2016)
Mr Neil Sutherland OBE DL BSc (Eng), MA, CEng, CMgr, FICE, FCMI
Ms Shelley Renwick PG Dip Law, BSc (Hons) (resigned 12 May 2016)
Mr Adrian Birch BA, BSc, MSc (Arch), Dip Proj Man, FRICS (resigned 12 May 2016)
Victor O'Brien PG Dip Housing, M.Soc.Sci., BSc (Hons) (resigned 12 May 2016)
Mrs Rita Jones (appointed 15 December 2016)

Joint development forum

The Company and the Forest of Dean District Council have created a Joint Development Forum (as agreed at transfer) whose role is to consult on the use of money recovered from a VAT sharing agreement and it is primarily concerned with applying these resources to the provision of new affordable housing in the area.

Board members' indemnity

The Board Members have confirmed that the Company does have Members and Officers Insurance in place.

Financial instruments

Neither the Company nor any of its subsidiary undertakings have any abnormal exposure to price, credit, liquidity, and cash flow risks arising from its trading activities. They do not enter into any hedging transactions and no trading in financial instruments is undertaken.

Going Concern

The Association's business activities, its current financial position and future development are set out with the Operating and Financial Review. The Association has adequate resources to finance committed development schemes, along with day to day operations. The Association also has a long term financial plan which shows that it is able to service its debt facility.

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

Two Rivers Housing

Board Report

Internal controls assurance

The purpose of this statement is to enable the Board in turn to give its assurance on the adequacy of those controls. The Board is required to acknowledge its responsibility for:

- Internal controls giving reasonable assurance against material misstatement or loss;
- Procedures in respect of risk management;
- Ensuring arrangements for providing effective internal controls are incorporated into normal governance procedures;
- Information on the process adopted for addressing material control aspects of significant problems disclosed in the annual report and accounts; and
- Confirming that the Board has reviewed the effectiveness of these systems of control.

Two Rivers has policies and procedures in place which cover, and give assurance in respect of all our key activities. These include:

- Accounting and treasury policies;
- Financial regulations;
- Standing orders relating to contracts;
- Annual budgets;
- Fraud Policy;
- 30 year Financial Plan; and
- Risk Map and Plan.

In addition, wherever feasible, segregation and separation of duties has been undertaken to maximise control.

Control is further strengthened by the use of RSM as our internal auditors. The internal auditors prepared a plan which was approved by the Audit Committee and was delivered and monitored by the Committee and Board during the year.

The Group has in place policies in respect of preventing, detecting and investigating fraud and the Board is satisfied that these effectively manage the risk of fraud. There have been no reported cases of fraud during the year and no reported breakdowns of internal control causing significant or material loss to the Group.

The Board has received the Chief Executive's annual report, has conducted its annual review of the effectiveness of the system of internal control and has taken account of any changes needed to maintain the effectiveness of the risk management and control process.

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

NHF Code of Governance

The Association complies with the recommendations of the NHF Code of Governance (2015) and a self-assessment was scrutinised by the Board in November 2015.

Statement of the Board Responsibilities

The Board is required by legislation to prepare financial statements for each financial year, which give a true and fair view of the state of the Association as at the end of the financial year. In preparing these financial statements, suitable accounting policies have been used to the best of the Boards' knowledge and belief, by reference to reasonable judgements and estimates and applied consistently. In doing so, applicable accounting standards have been followed. The Board is also required to indicate where the financial statements are prepared other than on the basis that the association is a going concern.

The Board is responsible for ensuring that arrangements are made for keeping proper books of account with respect to the transactions and assets and liabilities and for maintaining a satisfactory system of control over the books of account and transactions. The Board is also responsible for ensuring that arrangements are made to safeguard the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Two Rivers Housing

Board Report

The Board has reviewed the effectiveness of internal control, and in addition, established a three year internal audit plan based on risk assessment. The board has established a risk strategy and implemented a comprehensive risk management approach.

Disclosure of information to the Auditor

In the case of each of the persons who are Board members of the Association at the date when this report was approved;

- So far as each Board member is aware, there is no relevant audit information of which the Association's auditor is not aware.
- Each of the Board members has taken all steps that they ought to have taken as a Board member to make them aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

The Report of the Board was approved by the Board on 10 August 2017 and signed on its behalf by

A handwritten signature in black ink, appearing to read 'David Powell', with a horizontal line underneath it.

David Powell
Chair

Two Rivers Housing

Independent auditor's report to the members of Two Rivers Housing Group

We have audited the financial statements of Two Rivers Housing Limited for the year ended 31 March 2017 which comprise the Group and the parent association's Statements of Comprehensive Income, the Group and the parent association's Statements of Financial Position, the Group Cash Flow Statement, the Group and the parent association's Statements of Changes in Reserves and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Respective responsibilities of The Board and auditor

As explained more fully in the Statement of the Board's Responsibilities set out on page 12, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report is made solely to the parent association's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and Chapter 4 of Part 2 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the parent association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent association's and the parent association's members as a body for our audit work, for this report, or for the opinions we have formed.

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 the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group and parent association's affairs as at 31 March 2017 and of the Group and parent association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent association and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

Lee Cartwright
(Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
45 Church Street
Birmingham
B3 2RT

Date:

18 September 2017

Two Rivers Housing

Consolidated Statement of Comprehensive Income For the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Turnover	3	21,212	20,952
Operating expenditure	3	<u>(14,631)</u>	<u>(15,374)</u>
Operating surplus	3	6,581	5,578
Surplus on disposal of property, plant and equipment	4	958	1,652
Other finance income	5	8	6
Interest and financing costs	6	<u>(3,259)</u>	<u>(3,464)</u>
Surplus before tax	7	4,288	3,772
Taxation	10	<u>-</u>	<u>(6)</u>
Surplus for the year		4,288	3,766
Actuarial gain in respect of pension scheme	19	<u>685</u>	<u>1,255</u>
Total comprehensive income for the year		<u><u>4,973</u></u>	<u><u>5,021</u></u>

Two Rivers Housing

Association Statement of Comprehensive Income For the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Turnover	3	20,947	20,882
Operating expenditure	3	(14,160)	(14,938)
Operating surplus	3	6,787	5,944
Surplus on disposal of property, plant and equipment	4	958	1,652
Interest receivable	5	8	6
Interest and financing costs	6	(3,253)	(3,464)
Surplus before tax	7	4,500	4,138
Taxation	10	-	-
Surplus for the year		4,500	4,138
Actuarial gain in respect of pension scheme	19	685	1,255
Total comprehensive income for the year		5,185	5,393

Two Rivers Housing

Consolidated Statement of Financial Position

At 31 March 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Housing properties	11	126,298	122,321
Other tangible fixed assets	12	4,160	4,257
Intangible fixed assets	13	65	143
		<u>130,523</u>	<u>126,721</u>
Current assets			
Inventories	15	2,377	6
Debtors	16	875	891
Cash and cash equivalents		3,046	1,798
		<u>6,298</u>	<u>2,695</u>
Creditors: Amounts falling due within one year	17	<u>(33,894)</u>	<u>(31,267)</u>
Net current liabilities		<u>(27,596)</u>	<u>(28,572)</u>
Total assets less current liabilities		<u>102,927</u>	<u>98,149</u>
Creditors: Amounts falling due after more than one year	18	<u>(66,014)</u>	<u>(65,618)</u>
Defined benefit pension liability	19	<u>(663)</u>	<u>(1,254)</u>
Net assets		<u><u>36,250</u></u>	<u><u>31,277</u></u>
Capital and reserves			
Revenue reserve		<u>36,250</u>	<u>31,277</u>
Total reserves		<u><u>36,250</u></u>	<u><u>31,277</u></u>

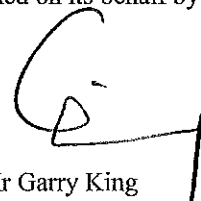
The financial statements were approved by the Board on 10 August 2017 and signed on its behalf by:



Mr David Powell
Chairman



Mr John Bloxsom
Member



Mr Garry King
Chief Executive and Secretary

Register number: 4263691

Two Rivers Housing

Association Statement of Financial Position

At 31 March 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Housing properties	11	126,434	122,494
Other tangible fixed assets	12	4,078	4,167
Intangible assets	13	56	131
		<u>130,568</u>	<u>126,792</u>
Current assets			
Inventories	15	14	6
Debtors	16	4,163	1,692
Cash and cash equivalents		2,701	1,189
		<u>6,878</u>	<u>2,887</u>
Creditors: Amounts falling due within one year	17	<u>(33,915)</u>	<u>(31,138)</u>
Net current liabilities		<u>(27,037)</u>	<u>(28,251)</u>
Total assets less current liabilities		<u>103,531</u>	<u>98,541</u>
Creditors: Amounts falling due after more than one year	18	<u>(66,014)</u>	<u>(65,618)</u>
Defined benefit pension liability	19	<u>(663)</u>	<u>(1,254)</u>
Net assets		<u><u>36,854</u></u>	<u><u>31,669</u></u>
Capital and reserves			
Revenue reserve		<u>36,854</u>	<u>31,669</u>
Total reserves		<u><u>36,854</u></u>	<u><u>31,669</u></u>

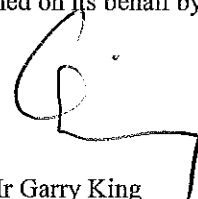
The financial statements were approved by the Board on 10 August 2017 and signed on its behalf by:



Mr David Powell
Chairman



Mr John Bloxson
Member



Mr Garry King
Chief Executive and Secretary

Register number: 4263691

Two Rivers Housing

Consolidated Statement of Changes in Reserves For the year ended 31 March 2017

	Revenue reserve £'000	Total £'000
At 1 April 2015	26,256	26,256
Surplus for the year	3,766	3,766
Actuarial gain in respect of pension schemes	1,255	1,255
At 31 March 2016	<u>31,277</u>	<u>31,277</u>
Surplus for the year	4,288	4,288
Actuarial gain in respect of pension schemes	685	685
At 31 March 2017	<u><u>36,250</u></u>	<u><u>36,250</u></u>

Two Rivers Housing

Association Statement of Changes to Reserves For the year ended 31 March 2017

	Revenue reserve £'000	Total £'000
At 1 April 2015	26,276	26,276
Surplus for the year	4,138	4,138
Actuarial gain in respect of pension schemes	1,255	1,255
At 31 March 2016	31,669	31,669
Surplus for the year	4,500	4,500
Actuarial gain in respect of pension schemes	685	685
At 31 March 2017	36,854	36,854

Two Rivers Housing

Consolidated Statement of Cash Flows

For the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Net cash generated from operating activities	21	9,037	10,098
Cash flows from investing activities			
Purchase of property, plant and equipment		(9,048)	(9,758)
Purchase of intangible assets		(4)	(42)
Proceeds from sale of property, plant and equipment		1,179	2,043
Grants received		833	1,105
Interest received		8	6
Net cash flows from investing activities		(7,032)	(6,646)
Cash flows from financing activities			
Interest paid		(3,259)	(3,464)
New loans		2,593	401
Net cash flows from financing activities		(666)	(3,063)
Net increase in cash and cash equivalents		1,339	389
Cash and cash equivalents at beginning of year	21	1,707	1,318
Cash and cash equivalents at end of year	21	3,046	1,707

Two Rivers Housing

Notes to the financial statements

For the year ended 31 March 2017

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

General information and basis of accounting

Two Rivers Housing Group is a company limited by guarantee and a registered provider of social housing in England. The address of its registered office and principal place of business are as disclosed on page 3 of these financial statements.

The financial statements have been prepared under the historical cost convention, in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and comply with the Statement of Recommended Practice for registered social housing providers 2014 (SORP), the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing 2015. Two Rivers Housing Group is a public benefit entity, as defined in FRS 102 and applies the relevant paragraphs prefixed 'PBE' in FRS 102.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Association and its subsidiary undertakings drawn up to 31 March each year.

Property, plant and equipment - housing properties

Housing properties are stated at cost less depreciation less accumulated depreciation and accumulated impairment losses. Cost includes the cost of acquiring land and buildings, directly attributable development costs and borrowing costs directly attributable to the construction of new housing properties during the development. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

Depreciation is charged so as to write down the net book value of housing properties to their estimated residual value, on a straight line basis, over their useful economic lives. Freehold land is not depreciated.

Major components

Major components of housing properties, which have significantly different patterns of consumption of economic benefits, are treated as separate assets and depreciated over their expected useful economic lives at the following annual rates:

Traditional Housing Structure	60 years
Non-traditional Housing Structure	30 years
Roofs	60 years
Doors and windows	20 years
Kitchens	20 years
Bathrooms	20 years
Heating systems	15 years
Electrics	30 years

Properties held on long leases are depreciated over their estimated useful economic lives or the lease duration if shorter.

Improvements

Where there are improvements to housing properties that are expected to provide incremental future benefits, these are capitalised and added to the carrying amount of the property. Any works to housing properties which do not replace a component or result in an incremental future benefit are charged as expenditure in surplus or deficit in the Statement of Comprehensive Income.

Two Rivers Housing

Notes to the financial statements

For the year ended 31 March 2017

1. Accounting policies (continued)

Leaseholders

Where the rights and obligations for improving a housing property reside with the leaseholder or tenant, any works to improve such properties incurred by the Association is recharged to the leaseholder and recognised in surplus or deficit in the Statement of Comprehensive Income along with the corresponding income from the leaseholder or tenant.

Non-housing property, plant and equipment

Non-housing property, plant and equipment is stated at historic cost less accumulated depreciation and any provision for impairment. Depreciation is provided on all non-housing property, plant and equipment, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold offices	60 years
Furniture, fixtures & fittings	5 years
Vehicles	5 years
Computer equipment	5 years

Intangible assets

Intangible assets are stated at historic cost or valuation, less accumulated amortisation and any provision for impairment. Amortisation is provided on all Intangible assets at rates calculated to write off the cost or valuation of each asset on a straight-line basis over its expected useful life, as follows:

Computer software	5 years
-------------------	---------

Impairment of social housing properties

Properties held for their social benefit are not held solely for the cash inflows they generate and are held for their service potential.

An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in surplus or deficit in the Statement of Comprehensive Income. The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell. Where assets are held for their service potential, value in use is determined by the present value of the asset's remaining service potential plus the net amount expected to be received from its disposal. Depreciated replacement cost is taken as a suitable measurement model.

An impairment loss is reversed if the reasons for the impairment loss have ceased to apply and included in surplus or deficit in the Statement of Comprehensive Income.

Social Housing Grant and other Government grants

Where grants are received from government agencies such as the Homes and Communities Agency, local authorities, devolved government agencies, health authorities and the European Commission which meet the definition of government grants they are recognised when there is reasonable assurance that the conditions attached to them will be complied with and that the grant will be received.

Government grants are recognised using the accrual model and are classified either as a grant relating to revenue or a grant relating to assets. Grants relating to revenue are recognised in income on a systematic basis over the period in which related costs for which the grant is intended to compensate are recognised. Where a grant is receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs, it is recognised as revenue in the period in which it becomes receivable.

Two Rivers Housing

Notes to the financial statements

For the year ended 31 March 2017

1. Accounting policies (continued)

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Grants received for housing properties are recognised in income over the expected useful life of the housing property structure. Where a grant is received specifically for components of a housing property, the grant is recognised in income over the expected useful life of the component.

Grants received from non-government sources are recognised as revenue using the performance model

Recycling of grants

Where there is a requirement to either repay or recycle a grant received for an asset that has been disposed of, a provision is included in the Statement of Financial Position to recognise this obligation as a liability. When approval is received from the funding body to use the grant for a specific development, the amount previously recognised as a provision for the recycling of the grant is reclassified as a creditor in the Statement of Financial Position.

For shared ownership staircasing sales, when full staircasing has not taken place, the recycling of the grant may be deferred if the net sales proceeds are insufficient to meet the grant obligation relating to the disposal and is not be recognised as a provision. On subsequent staircasing sales, the requirement to recycle the grant becomes an obligation if sufficient sales proceeds are generated to meet the obligation and a provision is recognised at this point.

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, any unamortised grant remaining within liabilities in the Statement of Financial Position related to this asset is derecognised as a liability and recognised as revenue in surplus or deficit in the Statement of Comprehensive Income.

Restricted reserves

Where reserves are subject to an external restriction they are separately recognised within reserves as a restricted reserve. Revenue and expenditure is included in surplus or deficit in the Statement of Comprehensive Income and a transfer is made from the general reserve to the restricted reserve.

Leased assets

At inception the Group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases.

Payments under operating leases are charged to surplus or deficit in the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Properties for outright sale

Properties developed for outright sale and land held for sale are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes materials, direct labour and an attributable proportion of overheads based on normal levels of activity.

Interest payable

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are calculated using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument and is determined on the basis of the carrying amount of the financial liability at initial recognition. Under the effective interest method, the amortised cost of a financial liability is the present value of future cash payments discounted at the effective interest rate and the interest expense in a period equals the carrying amount of the financial liability at the beginning of a period multiplied by the effective interest rate for the period

Two Rivers Housing

Notes to the financial statements

For the year ended 31 March 2017

1. Accounting policies (continued)

Taxation

There will be no future liability to Corporation Tax for the Company and Two Rivers Initiatives Limited due to the charitable registration of these Companies.

Two Rivers Developments Limited, Centigen Facilities Management Limited and Centigen TRH Facilities Management Limited are liable to Corporation Tax on their taxable surpluses.

Pensions

Multi-employer defined benefit pension scheme – Social Housing Pension Scheme

The Group participates in an industry wide multi-employer defined benefit pension scheme where the scheme assets and liabilities cannot be separately identified for each employer. This is accounted for as a defined contribution scheme as there is insufficient information available to account for the scheme as defined benefit. For this multi-employer scheme, there is a contractual agreement between the scheme and the Group that determines how the deficit will be funded and a liability is recognised in the Statement of Financial Position and the resulting expense in surplus or deficit in the Statement of Comprehensive Income for the present value of the contributions payable that arise from the agreement to the extent that they relate to the deficit.

Local Government Pension Scheme

The Group participates in a local government pension scheme which is a multi-employer schemes where it is possible for individual employers as admitted bodies to identify their share of the assets and liabilities of the pension scheme. For this scheme the amounts charged to operating surplus are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to revenue and included within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each Statement of Financial Position date.

Defined contribution scheme

The Group participates in a defined contribution scheme where the amount charged to surplus or deficit in the Statement of Comprehensive Income in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

Turnover

Turnover represents rent and service charges receivable (net of rent and service charge losses from voids) and disposal proceeds of current assets such as properties developed for outright sale or shared ownership first tranche sales at completion together with revenue grants from local authorities and the Homes and Communities Agency and charitable fees and donations. Service charge income is recognised when expenditure is incurred as this is considered to be the point at which the service has been performed and the revenue recognition criteria met.

Supported housing and other managing agents

Where the Group has ownership of a supported housing or other scheme but also has an agreement with a third party to manage the scheme (including Supporting People funded schemes or services), where there has been a substantial transfer of the risks and benefits attached to the scheme to the third party, any scheme revenue and expenditure is excluded from these financial statements.

Two Rivers Housing

Notes to the financial statements

For the year ended 31 March 2017

1. Accounting policies (continued)

Shared ownership property sales

Shared ownership properties, including those under construction, are split between non-current assets and current assets. The split is determined by the percentage of the property to be sold under the first tranche disposal which is shown on initial recognition as a current asset, with the remainder classified as a non-current asset within property plant and equipment. Where this would result in a surplus on the disposal of the current asset that would exceed the anticipated overall surplus, the surplus on disposal of the first tranche is limited to the overall surplus by adjusting the costs allocated to current or noncurrent assets.

Proceeds from first tranche disposals are accounted for as turnover in the Statement of Comprehensive Income of the period in which the disposals occur and the cost of sale is transferred from current assets to operating costs. Proceeds from subsequent tranche sales are treated as disposals of fixed assets.

Investments

Investments that are publicly traded or whose fair value can be measured reliably are measured at fair value with changes in fair value recognised in surplus or deficit in the Statement of Comprehensive Income. Other investments are measured at amortised cost less impairment.

Service charge sinking funds and service costs

Unutilised contributions to service charge sinking funds and over-recovery of service costs which are repayable to tenants or leaseholders or are intended to be reflected in reductions to future service charge contributions are recognised as a liability in the Statement of Financial Position. The amount included in liabilities in respect of service charge sinking funds includes interest credited to the fund. Where there has been an under-recovery of leaseholders' or tenants' variable service charges and recovery of the outstanding balance is virtually certain, the balance is recognised in the Statement of Financial Position as a trade receivable. Debit and credit balances on individual schemes are not aggregated as there is no right of set-off.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets carried at amortised cost

Financial assets carried at amortised cost comprise rent arrears, trade and other receivables and cash and cash equivalents. Financial assets are initially recognised at fair value plus directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

If there is objective evidence that there is an impairment loss, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced accordingly.

A financial asset is derecognised when the contractual rights to the cash flows expire, or when the financial asset and all substantial risks and reward are transferred.

If an arrangement constitutes a financing transaction, the financial asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. Financial liabilities carried at amortised cost

Two Rivers Housing

Notes to the financial statements

For the year ended 31 March 2017

1. Accounting policies (continued)

These financial liabilities include trade and other payables and interest bearing loans and borrowings.

Non-current debt instruments which meet the necessary conditions in FRS 102, are initially recognised at fair value adjusted for any directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs in the Statement of Comprehensive Income. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

Two Rivers Housing

Notes to the financial statements

For the year ended 31 March 2017

2. Significant management judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant management judgements

The following are management judgements in applying the accounting policies of the Group that have the most significant effect on the amounts recognised in the financial statements..

Impairment of social housing properties

The Group have to make an assessment as to whether an indicator of impairment exists. In making the judgement, management considered the detailed criteria set out in the SORP.

Estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting 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.

Fair value measurement

Management uses valuation techniques to determine the fair value of assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management base the assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual process that would be achievable in an arm's length transaction at the reporting date.

Provisions

Provision is made for dilapidations and redundancy costs. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

Defined benefit pension scheme

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

Two Rivers Housing

Notes to the financial statements

For the year ended 31 March 2017

3. Particulars of turnover, cost of sales operating costs and operating surplus – Group

	2017		
	Turnover £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings (note 3a)	20,232	(13,814)	6,418
Other social housing activities			
1 st tranche property sales	432	(170)	262
Other activities	87	-	87
Garages	196	(176)	20
	20,947	(14,160)	6,787
Activities other than social housing activities	265	(471)	(206)
Total	21,212	(14,631)	6,581
	2016		
	Turnover £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings (note 3a)	20,127	(14,510)	5,617
Other social housing activities			
1 st tranche property sales	475	(412)	63
Other activities	75	(73)	2
Garages	205	(16)	189
	20,882	(15,011)	5,871
Activities other than social housing activities	70	(363)	(293)
Total	20,952	(15,374)	5,578

Two Rivers Housing

Notes to the financial statements

For the year ended 31 March 2017

3. Particulars of turnover, cost of sales operating costs and operating surplus – Association

	2017		
	Turnover £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings (note 3a)	20,232	(13,814)	6,418
Other social housing activities			
1 st tranche property sales	432	(170)	262
Other activities	87	-	87
Garages	196	(176)	20
Activities other than social housing activities	-	-	-
Total	20,947	(14,160)	6,787
	2016		
	Turnover £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings (note 3a)	20,127	(14,510)	5,617
Other social housing activities			
1 st tranche property sales	475	(412)	63
Other activities	75	-	75
Garages	205	(16)	189
Activities other than social housing activities	-	-	-
Total	20,882	(14,938)	5,944

Two Rivers Housing

Notes to the financial statements

For the year ended 31 March 2017

3a. Particulars of Income and Expenditure from social housing lettings – Group and Association

	General Needs Housing	Supported Housing and housing for older people	2017 Total	2016 Total
	£'000	£'000	£'000	£'000
Income				
Rents receivable	14,751	4,307	19,058	18,995
Service charge income	176	622	798	772
Amortised government grant	339	-	339	326
Other grants	-	37	37	34
Turnover from social housing lettings	15,266	4,966	20,232	20,127
Expenditure				
Service charge costs	102	394	496	516
Management	4,022	26	4,048	4,544
Routine maintenance	1,652	632	2,284	2,505
Planned maintenance	2,129	392	2,521	2,549
Bad debts	108	-	108	309
Abortive development	223	-	223	1
Depreciation of housing properties	4,134		4,134	4,086
Operating costs	12,370	1,444	13,814	14,510
Operating surplus social housing lettings	2,896	3,522	6,418	5,617
<i>Void losses</i>	<i>75</i>	<i>19</i>	<i>94</i>	<i>108</i>

At the financial year end, 337 properties were re-designated as general needs properties from the housing for older people category. The comparatives above have been prepared on the basis that this happened at this financial year end.

Two Rivers Housing

Notes to the financial statements

For the year ended 31 March 2017

4. Surplus on disposal of property, plant and equipment

Group and Association	2017 £'000	2016 £'000
Sale of subsequent tranche shared ownership properties and other properties	1,595	2,145
Costs of sale	(34)	(49)
Disposals at cost	(603)	(444)
Surplus on disposal	<u>958</u>	<u>1,652</u>

5. Other finance income

Group and Association	2017 £'000	2016 £'000
Bank interest receivable	<u>8</u>	<u>6</u>
	<u>8</u>	<u>6</u>

6. Interest and financing costs

	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Bank loans and overdrafts	3,556	3,583	3,550	3,583
Unwinding of discounts on provisions	(134)	(122)	(134)	(122)
Net interest on defined benefit liability (see note 19)	<u>53</u>	<u>76</u>	<u>53</u>	<u>76</u>
	3,475	3,537	3,469	3,537
Interest capitalised	<u>(216)</u>	<u>(73)</u>	<u>(216)</u>	<u>(73)</u>
	<u>3,259</u>	<u>3,464</u>	<u>3,253</u>	<u>3,464</u>

Borrowing costs have been capitalised based on a capitalisation rate of 3.7 per cent (2016: 3.7 per cent) which is the weighted average of rates applicable to the Group's general borrowings outstanding during the year.

Two Rivers Housing

Notes to the financial statements

For the year ended 31 March 2017

7. Surplus on ordinary activities before taxation

Surplus on ordinary activities before taxation is stated after charging/(crediting):

	Group		Association	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Depreciation of housing stock	4,133	4,086	4,133	4,086
Depreciation of property, plant and equipment	212	330	180	301
Amortisation of intangible assets	82	181	79	178
Amortised government grants	(345)	(326)	(345)	(326)
Surplus on disposal of fixed assets	(958)	(1,652)	(958)	(1,652)
Auditors remuneration (excluding VAT)	26	28	15	22
Fees payable to the company's auditors for other services				97
- Other services	2	-	2	2
- Tax compliance services	1	2	-	1
Operating lease rentals	88	170	88	97
Defined contribution pension cost	347	315	343	315

8. Staff costs

	Group		Association	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Wages and salaries	4,128	3,961	3,667	3,554
Social security costs	399	356	363	323
Other pension costs	347	320	343	315
	<u>4,874</u>	<u>4,637</u>	<u>4,373</u>	<u>4,192</u>

The full time equivalent number of staff who received emoluments, excluding pension contribution, in excess of £60,000 were shown below:

	2017 Number	2016 Number
Salary Band (£)		
60,000 – 69,999	-	1
70,000 – 79,999	-	-
80,000 – 89,999	1	1
90,000 – 99,999	1	1
120,000 – 129,999	1	1

Two Rivers Housing

Notes to the financial statements

For the year ended 31 March 2017

8. Staff costs (continued)

The average full time equivalent number of employees was:

	Group		Association	
	2017	2016	2017	2016
	Number	Number	Number	Number
Average monthly number of employees (including executive directors) expressed as full time equivalents:				
Administration	64	60	56	52
Property management	25	15	15	15
Housing for older people and housing management	24	25	24	23
Repairs team	30	42	30	31
Office cleaners	6	1	-	-
	<u>149</u>	<u>143</u>	<u>125</u>	<u>121</u>

The basis of the calculation of the full time equivalents was calculated on 40 hours per week for the Repairs team and 37 hours for all other staff.

Two Rivers Housing

Notes to the financial statements

For the year ended 31 March 2017

9. Directors' remuneration and transactions

Key management personnel remuneration

	2017 £'000	2016 £'000
Directors who are executive staff members		
Wages and salaries	320	318
Social security costs	40	37
Other pension costs	50	48
Board members		
Wages and salaries	-	-
Social security costs	-	-
Other pension costs	-	-
	<u>410</u>	<u>403</u>

Directors are defined as the members of the Board, the Chief Executive and any other person who is a member of the Executive Management Team.

	2017 £'000	2016 £'000
Remuneration of the highest paid director, excluding pension contributions:		
Emoluments	<u>130</u>	<u>128</u>

The Chief Executive is an ordinary member of the pension scheme. The pension is a final salary scheme funded by annual contributions by the employer and employee. No enhanced or special terms apply.

Non-Executive Board Members

The following non-executive board members received the following remuneration during the financial year (2015/16 Nil).

Mr David Powell	£4,000
Mr John Bloxsom	£3,500
Mrs Gillian Robins	£2,250
Mr Alan Blundell	£3,500
Mr Patrick Harkness	£2,659
Mr Jonathan Richards	£2,659
Ms Susan Holmes	£2,659
Mr Christopher Hillidge	£2,659
Mr Neil Sutherland	£2,659
Ms Shelley Renwick	£875

Two Rivers Housing

Notes to the financial statements For the year ended 31 March 2017

10. Taxation

	Group		Association	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Corporation Tax:				
Current tax on surplus for the year	-	11	-	-
Adjustments in respect of previous years	-	(5)	-	-
	-	6	-	-
Deferred Tax	-	-	-	-
Total tax	-	6	-	-
Reconciliation of the total tax charge				
Surplus on ordinary activities before tax	4,288	3,772	4,500	4,138
Tax charged at standard rate of 20% (2016: 20%)	858	754	900	828
Effect of:				
Utilisation of tax losses	-	55	-	-
Surplus arising with charitable status	(860)	(795)	(900)	(828)
Deferred tax not recognised	2	(8)	-	-
	-	6	-	-

Two Rivers Housing

Notes to the financial statements

For the year ended 31 March 2017

11. Tangible fixed assets – housing properties

Group	Completed properties £'000	Under construction £'000	Completed Shared ownership £'000	Shared ownership under construction £'000	Total £'000
Cost					
At 1 April 2016	139,412	6,284	3,677	-	149,373
Additions	-	6,309	-	-	6,309
Components capitalised	2,625	-	-	-	2,625
Disposals	(638)	-	(84)	-	(722)
Transfer to 1 st tranche shared ownership sales	-	(221)	-	-	(221)
Transfers	7,048	(7,236)	188	-	-
At 31 March 2017	148,447	5,136	3,781	-	157,364
Depreciation					
At 1 April 2016	26,451	-	601	-	27,052
Charge for the year	4,044	-	89	-	4,133
Eliminated on disposals	(90)	-	(29)	-	(119)
At 31 March 2017	30,405	-	661	-	31,066
Net book value					
At 31 March 2017	118,042	5,136	3,120	-	126,298
At 31 March 2016	112,961	6,284	3,076	-	122,321

All property is freehold.

Additions in the year include £216k of capitalised interest and £192k of capitalised development overheads.

Freehold land and buildings with a carrying amount of £53m (2016: £85m) have been pledged to secure borrowings of the Association. The Association is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

Two Rivers Housing

Notes to the financial statements

For the year ended 31 March 2017

11. Tangible fixed assets – housing properties (continued)

Association	Completed properties £'000	Under construction £'000	Completed Shared ownership £'000	Shared ownership under construction £'000	Total £'000
Cost					
At 1 April 2016	139,412	6,457	3,677	-	149,546
Additions		6,272			6,272
Components capitalised	2,625				2,625
Disposals	(638)	-	(84)	-	(722)
Transfer to 1 st tranche shared ownership sales		(221)			(221)
Transfers	7,048	(7,236)	188	-	-
At 31 March 2017	148,447	5,272	3,781	-	157,500
Depreciation					
At 1 April 2016	26,451	-	601	-	27,052
Charge for the year	4,044	-	89	-	4,133
Eliminated on disposals	(90)	-	(29)	-	(119)
At 31 March 2017	30,405	-	661	-	31,066
Net book value					
At 31 March 2017	118,042	5,272	3,120	-	126,434
At 31 March 2016	112,961	6,457	3,076	-	122,494

All property is freehold.

Additions in the year include £216k of capitalised interest and £192k of capitalised development overheads.

In the current year Two Rivers Housing entered into a stock transaction with another social landlord. Housing properties with a fair value of £2,017,400 were received in exchange for a £2,017,400 cash payment. This value includes original government grant funding of £811,751 which has an obligation to be recycled in accordance with the original grant funding terms and conditions. Two Rivers Housing is responsible for the recycling of the grant in the event of the housing properties being disposed.

Two Rivers Housing

Notes to the financial statements

For the year ended 31 March 2017

12. Property, plant and equipment - other

Group	Office premises £'000	Vehicles £'000	Computer equipment £'000	Fixtures and fittings £'000	Plant & machinery £'000	Total £'000
Cost						
At 1 April 2016	4,385	21	592	16	136	5,300
Additions	43	4	50		18	115
Disposals	-	(21)	(13)		-	(34)
At 31 March 2017	4,428	4	629	16	154	5,381
Depreciation						
At 1 April 2016	351	21	502	17	42	1,043
Charge for the year	117	1	44	9	31	212
Disposals	-	(21)	(13)		-	(34)
At 31 March 2017	468	1	533	16	73	1,221
Net book value						
At 31 March 2017	3,960	3	96	9	81	4,160
At 31 March 2016	4,034	-	90	9	94	4,257

Two Rivers Housing

Notes to the financial statements

For the year ended 31 March 2017

12. Property, plant and equipment - other (continued)

Association	Office premises £'000	Vehicles £'000	Computer equipment £'000	Fixtures and fittings £'000	Plant & machinery £'000	Total £'000
Cost						
At 1 April 2016	4,385	21	592	158	12	5,168
Additions	43	-	48	-	-	91
Disposals	-	(21)	(13)	-	-	(34)
At 31 March 2017	<u>4,428</u>	<u>-</u>	<u>627</u>	<u>158</u>	<u>12</u>	<u>5,225</u>
Depreciation						
At 1 April 2016	351	21	502	125	2	1,001
Charge for the year	117	-	43	17	3	180
Disposals	-	(21)	(13)	-	-	(34)
At 31 March 2017	<u>468</u>	<u>-</u>	<u>532</u>	<u>142</u>	<u>5</u>	<u>1,147</u>
Net book value						
At 31 March 2017	<u>3,960</u>	<u>-</u>	<u>95</u>	<u>16</u>	<u>7</u>	<u>4,078</u>
At 31 March 2016	<u>4,034</u>	<u>-</u>	<u>90</u>	<u>33</u>	<u>10</u>	<u>4,167</u>

Two Rivers Housing

Notes to the financial statements For the year ended 31 March 2017

13. Intangible fixed assets

Group

	Computer software	Total
	£'000	£'000
Cost		
At 1 April 2016	885	885
Additions	4	4
Disposals	-	-
As at 31 March 2017	889	889
Amortisation		
At 1 April 2016	742	742
Charge for the year	82	82
Eliminated on disposals	-	-
As at 31 March 2017	824	824
Net book value		
As at 31 March 2017	65	65
As at 31 March 2016	143	143

Association

	Computer software	Total
	£'000	£'000
Cost		
At 1 April 2016	870	870
Additions	4	4
Disposals	-	-
As at 31 March 2017	874	874
Amortisation		
At 1 April 2016	739	739
Charge for the year	79	79
Eliminated on disposals	-	-
As at 31 March 2017	818	818
Net book value		
As at 31 March 2017	56	56
As at 31 March 2016	131	131

Two Rivers Housing

Notes to the financial statements

For the year ended 31 March 2017

14. Principal Group investments

The parent Association and the Group have investments in the following subsidiary undertakings, associates and other investments which principally affected the surpluses or net assets of the Group.

Subsidiary undertaking	Legal form	Principal activity	Holding (%)
Two Rivers Developments	Limited company	Developing properties on behalf of Two Rivers Housing	100
Two Rivers Initiatives	Limited company	A charitable organisation whose primary business is the support and funding of community activities and initiatives within the Forest of Dean	100
Centigen TRH Facilities Management Limited	Limited company	Facilities management and grounds maintenance for Two Rivers Housing	100
Centigen Facilities Management Limited	Limited company	Facilities Management and grounds maintenance for external clients	100

15. Inventories

	Group		Association	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Maintenance stock	14	6	14	6
Land for resale	2,363	-	-	-
	<u>2,377</u>	<u>6</u>	<u>14</u>	<u>6</u>

16. Debtors

	Group		Association	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Rent arrears	847	747	847	747
Net present value adjustment	-	-	-	-
Provision for bad debts	(570)	(512)	(570)	(512)
Trade debtors	67	16	-	-
Amounts owed by Group undertakings	-	-	3,391	810
Other debtors	195	401	190	419
Prepayments and accrued income	336	239	305	228
	<u>875</u>	<u>891</u>	<u>4,163</u>	<u>1,692</u>

Two Rivers Housing

Notes to the financial statements

For the year ended 31 March 2017

17. Creditors – amounts falling due within one year

	Group		Association	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Bank loans	29,300	26,600	29,300	26,600
Bank overdraft	1	91	1	91
Rents received in advance	223	204	223	204
Trade creditors	888	649	673	426
Amounts owed to Group undertakings	-	-	303	234
Corporation tax	-	12	-	-
Other taxation and social security	100	94	93	86
Other creditors	1,220	1,335	1,198	1,332
Government grants (see note 18)	338	326	338	326
Accruals and deferred income	1,772	1,906	1,734	1,789
Pension deficit funding liability (see note 19)	52	50	52	50
	<u>33,894</u>	<u>31,267</u>	<u>33,915</u>	<u>31,138</u>

18. Creditors – amounts falling due after more than one year

	Group		Association	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Other creditors				
Bank loans	47,352	47,459	47,352	47,459
Recycled capital grant fund	153	90	153	90
Government grants	18,210	17,734	18,210	17,734
Pension deficit funding liability	299	335	299	335
	<u>66,014</u>	<u>65,618</u>	<u>66,014</u>	<u>65,618</u>

The loans are secured on freehold housing properties. Interest is payable at rates ranging from 1.46% to 6.18%.

The total accumulated amount of capital grant received or receivable at the Statement of Financial Position date is £20,893k.

Two Rivers Housing

Notes to the financial statements

For the year ended 31 March 2017

18. Creditors – amounts falling due after more than one year (continued)

	Group		Association	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Deferred income - Government grants				
At 1 April 2016	18,060	17,281	18,060	17,281
Grants receivable	833	1,105	833	1,105
Amortisation to Statement of Comprehensive Income	(345)	(326)	(345)	(326)
At 31 March 2017	<u>18,548</u>	<u>18,060</u>	<u>18,548</u>	<u>18,060</u>
Due within one year	<u>338</u>	<u>326</u>	<u>338</u>	<u>326</u>
Due after one year	<u>18,210</u>	<u>17,734</u>	<u>18,210</u>	<u>17,734</u>

	Group		Association	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Recycled Capital Grant Fund				
At 1 April 2016	90	88	90	88
Inputs to RCGF	63	62	63	62
Recycling of grant	-	(60)	-	(60)
Interest accrued	-	-	-	-
At 31 March 2017	<u>153</u>	<u>90</u>	<u>153</u>	<u>90</u>

	Group		Association	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Bank loans				
Between one and two years	-	-	-	-
Between two and five years	-	10,000	-	10,000
After five years	<u>47,000</u>	<u>37,000</u>	<u>47,000</u>	<u>37,000</u>
	<u>47,000</u>	<u>47,000</u>	<u>47,000</u>	<u>47,000</u>
Effective interest rate adjustment	970	1,104	970	1,104
Less: Facility arrangement fee	<u>(618)</u>	<u>(645)</u>	<u>(618)</u>	<u>(645)</u>
	<u>47,352</u>	<u>47,459</u>	<u>47,352</u>	<u>47,459</u>

Two Rivers Housing

Notes to the financial statements

For the year ended 31 March 2017

19. Retirement benefit schemes

Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for qualifying employees. The total expense charged to Statement of Comprehensive Income in the year ended 31 March 2017 was £58,848.

Defined benefit schemes

The Group operates defined benefit schemes for qualifying employees. Under the schemes, the employees are entitled to retirement benefits varying between 1% and 2% per cent of final salary on attainment of Normal Pension Age (which varies by scheme but has a minimum age of 65). Both schemes offer some flexibility for earlier or later retirement subject to an actuarial adjustment. No other post-retirement benefits are provided. The schemes are funded schemes.

1) The Gloucestershire County Council Pension Fund which is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme Regulations 1997, as amended.

The most recent actuarial valuations of scheme assets and the present value of the defined benefit obligation were carried out at 31 March 2016 by Douglas Green, Fellow of the Institute and Faculty of Actuaries, from Hymans Robertson LLP. The present value of the defined benefit obligation, the related current service cost and past service cost was measured using the projected unit credit method.

	Valuation at	
	2017	2016
Key assumptions used:		
Discount rate	2.6%	3.5%
Salary Increase rates	2.7%	3.7%
Future pension increases	2.4%	2.2%

Mortality assumptions:

Vita curves with improvements in line with the CMI 2013 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a.. Based on these assumptions the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners:	22.4 years	24.6 years
Future Pensioners:	24.0 years	26.4 years

Historic mortality

Life expectancies for the prior period end are based on the fund's Vita Curves. The allowance for future life expectancies is shown below:

Period Ended	Prospective Pensioners	Pensioners
31 March 2016	CMI 2010 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a.	CMI 2010 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a.

Commutation

An allowance is included for future retirements to elect to take 35% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 68% of the maximum tax-free cash for post-April 2008 service.

Two Rivers Housing

Notes to the financial statements

For the year ended 31 March 2017

19. Retirement benefit schemes (continued)

Amounts recognised in the Statement of Comprehensive Income in respect of these defined benefit schemes are as follows:

	2017 £'000	2016 £'000
Current service cost	269	357
Net interest cost	45	76
Plan introductions, changes, curtailments and settlements	-	-
	<u>314</u>	<u>433</u>
Recognised in other comprehensive income Income (OCI)	<u>685</u>	<u>(1,255)</u>
Total cost relating to defined benefit scheme	<u>999</u>	<u>(822)</u>

The amount included in the Statement of Financial Position arising from the Group's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	2017 £'000	2016 £'000
Present value of defined benefit obligations	(14,546)	(13,151)
Fair value of scheme assets	<u>13,883</u>	<u>11,897</u>
Net liability recognised in the Statement of Financial Position	<u>(663)</u>	<u>(1,254)</u>

Movements in the present value of defined benefit obligations were as follows:

	2017 £'000	2016 £'000
At 1 April	13,151	14,122
Service cost	269	357
Interest cost	462	455
Actuarial (gains) and losses	829	(1,620)
Contributions from scheme participants	87	95
Benefits paid	<u>(252)</u>	<u>(258)</u>
At 31 March	<u>14,546</u>	<u>13,151</u>

Two Rivers Housing

Notes to the financial statements

For the year ended 31 March 2017

19. Retirement benefit schemes (continued)

Movements in the fair value of scheme assets were as follows:

	2017 £'000	2016 £'000
At 1 April	11,897	11,804
Interest income	417	379
Actuarial gains and (losses)	1,514	(365)
Contributions from the employer	220	242
Contributions from scheme participants	87	95
Benefits paid	(252)	(258)
At 31 March	13,883	11,897

The analysis of the scheme assets at the Statement of Financial Position date was as follows:

	Fair value of assets	
	2017 %	2016 %
Equity instruments	71	70
Debt instruments	20	21
Property	7	8
Cash	2	1

Projected Pension Expense for the Year to 31 March 2018

Period Ended 31 March 2018	Assets £(000)	Obligations £(000)	Net (liability)/asset £(000)	% of Pay
Projected Current Service cost	-	(454)	(454)	(40.6)
Total Service Cost	-	(454)	(454)	(40.6)
Interest Income on Plan assets	361	-	361	32.3
Interest Cost in defined Benefit obligation	-	(381)	(381)	(34.1)
Total Net Interest Cost	361	(381)	(20)	(1.8)
Total Included in Statement of comprehensive Income	361	(835)	(474)	(42.4)

The current service cost includes an allowance for administration expenses of 0.5% of payroll. The monetary value is based on a projected payroll of £1,118,000.

The contributions paid by the Employer are set by the Fund Actuary at each triennial valuation (the most recent being as at 31 March 2016), or at any other time as instructed to do so by the Administering Authority. The estimated employer contributions for the period to 31 March 2018 will be approximately £202,000.

Two Rivers Housing

Notes to the financial statements

For the year ended 31 March 2017

19. Retirement benefit schemes (continued)

Sensitivity

The sensitivities regarding the principle assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 31 March 2017	Approximate % increase to Employer Liability	Approximate Monetary amount (£000)
0.5% decrease in Real Discount Rate	11%	1,559
0.5% increase in Salary increase rate	2%	285
0.5% increase in the Pension increase rate	9%	1,248

2) The Pensions Trust – Social Housing Pension Scheme

The Group participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the Group 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, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company 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.

A full actuarial valuation for the scheme was carried out at 30 September 2014. This actuarial valuation was certified on 23 November 2015 and 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, in combination from all employers, to the scheme as follows:

Two Rivers Housing

Notes to the financial statements

For the year ended 31 March 2017

19. Retirement benefit schemes (continued)

Deficit contributions

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 £3,097 and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 and 3 deficit contributions.

Where the scheme is in deficit and where the Group has agreed to a deficit funding arrangement, the Group recognises 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

	31 March 2017 £000's	31 March 2016 £'000	31 March 2015 £'000
Present value of provision	351	384	316

Two Rivers Housing

Notes to the financial statements

For the year ended 31 March 2017

19. Retirement benefit schemes (continued)

Reconciliation of opening and closing provisions

	2017 £'000	2016 £'000
Provision at start of period	384	316
Unwinding of the discount factor (interest expense)	8	6
Deficit contribution paid	(50)	(38)
Re-measurements - impact of any change in assumptions	9	(3)
Re-measurements - amendments to the contribution schedule	-	103
Provision at end of period	351	384

Statement of Comprehensive Income (SOCl) impact

	2017 £'000	2016 £'000
Interest expense	8	6
Re-measurements - impact of any change in assumptions	9	(3)
Re-measurements - amendments to the contribution schedule	-	103
Costs recognised in the SOCl	109	84

Assumptions

	31 March 2017 % per annum	31 March 2016 % per annum	31 March 2015 % per annum
Rate of discount	1.33	2.06	1.92

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.

Two Rivers Housing

Notes to the financial statements

For the year ended 31 March 2017

20. Financial instruments

The carrying values of the Group and Association's financial assets and liabilities are summarised by category below:

	Group		Association	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Financial assets				
Measured at undiscounted amount receivable				
- Rent arrears and other debtors (see note 16)	277	235	277	235
- Amounts due from related undertakings (see note 16)	-	-	3,391	810
- Trade debtors (see note 16)	-	16	-	-
- Cash and cash equivalents	3,046	1,798	2,705	1,189
	<u>3,323</u>	<u>2,049</u>	<u>6,373</u>	<u>2,234</u>
Financial liabilities				
Measured at amortised cost				
- Loans payable (see note 17 and 18)	76,652	74,059	76,652	74,059
- Pension deficit funding liability (see note 19)	351	385	351	385
Measured at undiscounted amount payable				
- Bank overdraft (see note 17)	1	91	1	91
- Rent received in advance (see note 17)	223	204	223	204
- Trade creditors (see note 17)	888	649	673	426
- Corporation tax (see note 17)	-	12	-	-
- Amounts owed to related undertakings (see note 17)	-	-	303	234
- Other taxation and social security (see note 17)	100	94	93	86
- Other creditors (see note 17)	1,219	1,335	1,198	1,332
	<u>79,434</u>	<u>76,829</u>	<u>79,494</u>	<u>76,817</u>

The Group's income, expense, gains and losses in respect of financial instruments are summarised below:

	Group and Association	
	2017	2016
	£'000	£'000
Interest income and expense		
Total interest income for financial assets at undiscounted amount	8	6
Total interest expense for financial liabilities at amortised cost	(3,259)	(3,464)

Two Rivers Housing

Notes to the financial statements

For the year ended 31 March 2017

21. Statement of Cash Flows

	2017 £'000	2016 £'000
Cash flow from operating activities		
Surplus for the year	4,288	3,766
Adjustment for non-cash items:		
Depreciation of property, plant and equipment	4,225	4,359
Amortisation of intangible assets	82	181
Decrease/(increase) in inventories	(2,371)	-
Decrease/(increase) in debtors	16	392
Increase/(decrease) in creditors	33	(821)
Carrying amount of property, plant & equipment disposals	722	527
Corporation tax	-	6
Adjustments relating to pension scheme	94	191
Adjustments for investing or financing activities:		
Proceeds from the sale of property, plant and equipment	(958)	(1,652)
Government grants utilised in the year	(345)	(326)
Interest payable	3,259	3,464
Interest received	(8)	(6)
Taxation	-	17
Cash generated by operations	<u>9,037</u>	<u>10,098</u>
Cash and cash equivalents		
Cash at bank and in hand	3,047	1,798
Bank overdrafts (see note 17)	(1)	(91)
Cash and cash equivalents	<u>3,046</u>	<u>1,707</u>

22. Financial commitments

Capital commitments are as follows:

	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Contracted for but not provided for	21,425	7,611	21,425	7,611
Approved by the directors but not contracted for	-	-	-	-
	<u>21,425</u>	<u>7,611</u>	<u>21,425</u>	<u>7,611</u>

Two Rivers Housing

Notes to the financial statements

For the year ended 31 March 2017

22. Financial commitments (continued)

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Payments due:-				
- within one year	155	171	94	103
- between one and five years	201	337	155	259
- after five years	-	-	-	-
	<u>356</u>	<u>508</u>	<u>249</u>	<u>362</u>

Future financial commitments will be met from operating surpluses and from the outstanding capacity that exists within our funding agreement with Barclays Plc.

23. Housing stock

Capital commitments are as follows:

	Group		Association	
	2017 Units	2016 Units	2017 Units	2016 Units
Owned and managed				
General needs housing accommodation	2,913	2,604	2,913	2,604
Housing accommodation at affordable rent	289	230	289	230
Housing accommodation at intermediate rent	15	16	15	16
Housing for older people accommodation	594	931	594	931
Shared ownership accommodation	83	77	83	77
Total	<u>3,894</u>	<u>3,858</u>	<u>3,894</u>	<u>3,858</u>

24. Related party transactions

Tenant representative board members who have served during the year rent properties from the Company under the same terms and conditions as all tenants in similar properties. They are Mrs Gillian Robins and Mr Christopher Hillidge.

The aggregate amount of rent and service charges received from tenant board members in the year was £9,415(2016: £10,760). The value of rent arrears at year-end from tenant board members was £nil (2016: £nil).

Two Rivers Housing which is registered in England and Wales is the ultimate parent undertaking of:

- Two Rivers Initiatives Limited – a registered charity in England and Wales
- Two Rivers Developments Limited – a company limited by shares and registered in England and Wales
- Centigen Facilities Management Limited – a company limited by shares and registered in England and Wales
- Centigen TRH Facilities Management Limited – a company limited by shares and registered in England and Wales

Two Rivers Housing

Notes to the financial statements

For the year ended 31 March 2017

24. Related party transactions (continued)

Non-regulated subsidiary	Transfers	Cost in year £'000	Income in year £'000	Balance at year end £'000
Two Rivers Developments Limited	Recharge of development staff and admin costs from Two Rivers Housing. Provision of design and build Services from Two Developments To Two Rivers Housing in accordance with contract fees.	3,573	156	-
	Intercompany debtor	-	-	2,185
Centigen TRH Facilities Management Limited	Recharge of admin and set up costs to Centigen. Provision of facilities management and cleaning to Two Rivers Housing.	578	62	-
	Intercompany debtor	-	-	284
Centigen Facilities Management Limited	Recharge of minor set up costs for Centigen Facilities Management Ltd	-	129	-
	Intercompany debtor	-	-	618

Two Rivers Housing has taken the exemption in section 33.1A of Financial Reporting Standard 102 not to disclose any further transactions with other Group members aside from those disclosed above in accordance with the Accounting Direction for Private Registered Providers of Social Housing 2015.

