

The background of the top two-thirds of the page is a complex, repeating geometric pattern in various shades of teal and green. The pattern consists of interlocking, angular shapes that create a sense of depth and movement, resembling a stylized, abstract landscape or a complex architectural facade.

CO-OP

H O M E S

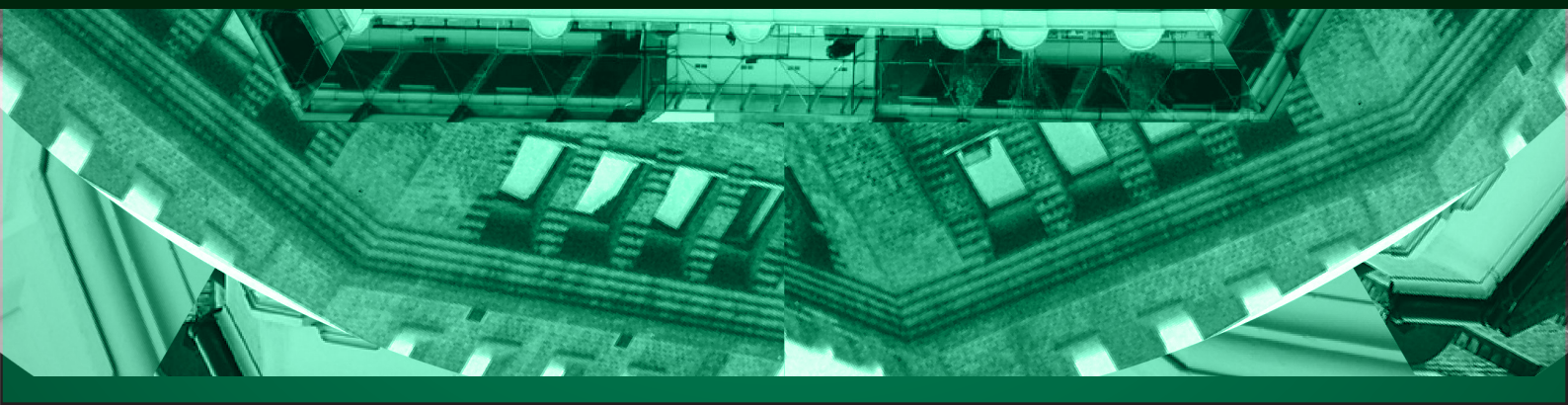
ANNUAL REPORT & FINANCIAL STATEMENTS

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EXECUTIVE AND ADVISORS

Board	<p>Brian Rose Derrick Turner Pat Rushton William McManus Dan Taubman Toby D'Olier Nicholas Leggett Ben Brousson Mike Usher Paul Stewart Virginia Phillips Naila Mir Joy Kite Karen Marlow Kenneth Campbell</p>	<p>Chair Treasurer from 24 September 2015 Treasurer to 24 September 2015 Vice Chair RHP appointee Resigned 1 June 2015 Resigned 25 June 2015 Resigned 16 May 2015 Resigned 29 April 2015 Resigned 8 May 2015 Resigned 25 June 2015 Retired 19 September 2015</p>
Managing Director	Sue Philpott	
Secretary and Registered Office	<p>Sue Philpott 8 Waldegrave Road Teddington Middlesex TW11 8GT</p>	
Auditors	<p>Grant Thornton UK LLP Grant Thornton House Melton Street Euston Square London NW1 2EP</p>	
Bankers	<p>The Co-operative Bank 14 New Broadway Ealing London W5 2LX</p>	<p>Lloyds Bank PLC City Office PO Box 72 Bailey Drive Gillingham Business Park Kent ME8 0LS</p>
Co-operative & Community Benefit Society Registered Number	25197R	
Homes & Communities Agency	C3675	

REPORT OF THE BOARD

The Board present their report together with the audited financial statements for the year ended 31 March 2016.

Principal activity

The principal activity of the company (Co-op Homes) is to secure good quality, affordable, tenant controlled housing for people in housing need.

The core business activity is, and will continue to be, to provide a range of services which meet the needs of our customers, both individual and corporate, principally:

- the provision of housing, both short-life and permanent, for our own tenants and for affiliated organisations;
- the management and maintenance of such housing; and
- the provision of support services to affiliated organisations.

Review of results

Co-op Homes has adopted Financial Reporting Standard 102 (FRS102) for the 2015/16 financial statements and this has given rise to changes to the presentation and composition of the financial statements. The figures for 2014/15 have been restated under this new basis because of the new framework.

Co-op Homes made a surplus for the year of £859,290 (2015 restated: £776,533). The operating surplus was £937,215 (2015 restated: £863,786). Under FRS102, the present value of future deficit contributions to the Social Housing Pension Scheme (SHPS) has to be recorded as a liability in the Balance Sheet. As further detailed in Note 15 an actuarial valuation of the SHPS scheme as at 30 September 2014 identified a further increase in the funding deficit. The increased funding obligations as a result of this have given rise an additional charge of £205,000 to the Income and Expenditure account for 2015/16.

The main areas of operation are West London, Reading and Slough and other areas that can be managed from our offices in West London. Co-op Homes continues to manage 296 units (2015, 296) of owned accommodation in these areas.

Short life activity continues to reduce as leases come to an end. At 31 March 2016 Co-op Homes had 6 short life units remaining (2016, 6). This includes 4 units in East Anglia which Co-op Homes currently intends to manage for several years to reduce the level of grant obligation on the schemes.

Co-op Homes provided management and other services to 22 (2015, 20) Housing Co-ops during the year, generating revenue of £634,068 (2015, £484,455) an increase of 31% over the prior year. As shown in Note 3 the loss on this business activity has increased from £34,895 for 2014/15 to £119,792 in the year ended 31 March 2016. This increase is entirely due to an allocation of £100,113 from the increased pension cost noted above. Without this charge this business activity would have been close to break even. Co-op Homes intends to continue increasing the revenue in this business stream in order to eliminate these operating losses within the current financial year.

Co-op Homes has continued to invest in its IT Systems and introduced an on-going programme of staff training and development. During 2015/16 Co-op Homes has continued to upgrade its website giving tenants access to up to date information and the ability to pay their rent online.

Over the course of the year the number of units in management increased from 1,008 to 1,061 as additional housing co-operative properties came into management.

Value for money

Co-op Homes, in conjunction with its parent, Richmond Housing Partnership is committed to on-going improvements in operating efficiency and value for money.

In developing the Association's business plan, VFM was an essential element in the delivery of the three business development objectives:

- Drive growth of the agency managed services, delivering additional income so that it becomes self-sufficient.
- Broaden the development of additional and more flexible service strands for existing and new corporate customers.
- Maintain excellent customer relations by focusing on the continuous improvement of core services and value for money to existing and new customers, driving up customer satisfaction.

Over 2015-16, the Co-op Homes Board considered the opportunity cost of investment decisions. It looked at Co-op Homes' capacity to take on new agency managed business, the cost of delivering services to widely differing customers over a large number of boroughs across London and surrounding counties. It balanced this with the competing priorities of improving service delivery and customer satisfaction; whilst also being engaged in on-going planned investment in its homes and the procurement of the responsive repairs contract; illustrating how the organisation has integrated VFM into its strategic planning, directing resources at the most important activities with an understanding of the cost implications for doing so.

Since the Government's emergency budget announcements over the summer of 2015, there have been fundamental changes within the social housing sector's operating environment which have far reaching implications for Co-op Homes and its co-operative customers, including their future shape, role, functions and contribution. With the Housing and Planning and Welfare Reform and Work acts achieving royal assent, the details have become clearer. Co-op Homes' business plan continues to be refreshed to reflect these proposals e.g. the 1% reduction in rents for the next four years and the anticipated impact of the voluntary extension of the 'Right to Buy' for housing association tenants.

VFM achieved in the year

Co-op Homes has responded quickly and positively to these challenges. It has embraced the Group principles of providing better, faster and lower cost services and has modelled its finances to achieve a minimum of a 5% reduction in operating costs to mitigate the loss of income caused by a reduction in rents (£1.1M over four years and circa £4M over 10 years). By making these savings the Co-op Homes Board is confident that it will be able to maintain the operating surplus at approximately 30%.

Focus on improving customer service as well as efficient core service delivery remains a key priority. Over the last year we grew the turnover for the agency managed business by 31% and now provide services to 706 housing co-operative homes, whilst reducing the service's operating deficit by 33% (before FRS 102 adjustments).

With the FRS 102 adjustments, the deficit on this activity increased from £34,895 to £119,792 due entirely to the additional charge of £205,000 resulting from increased pension underfunding contributions.

In addition, core service performance has been good: rent arrears have continued to be maintained at 3.5% - well below

target of 5%, despite the growing impact of the welfare reforms; void turnaround remains well within upper quartile performance at 9.7 days; and there has been good progress in signing up customers for MyTenancy (our web based delivery of services) and greater use of electronic customer communication which has helped with improving our 'ease of doing business' by 2% to 80%.

Together these improvements have led to significant increase from 48% to 60% in the level of customers very satisfied with our services whilst maintaining the overall level of satisfaction at 88%.

Satisfaction with the repairs service has improved from 84% with 56% in 2014/15 to 86% and 60% respectively in 2015/16. This has been achieved whilst realising a reduction of £7k (4.0%) in the works cost of the responsive repairs service – continuing the year -on -year reduction in the costs of the responsive repairs service from a high of £291k in 2011/12 to £167k in 2015/16 and the maintaining an efficient ratio (79:21) of planned and cyclical maintenance expenditure to that for responsive repairs.

Co-op Homes is also performing well in terms of being an excellent employer with 73% very satisfied employees compared with 69% in 2014/15, on-going low employee turnover and a short-term sickness absence of just 0.2% compared to 0.9% in the previous year.

How does Co-op Homes compare to its peers?

An analysis of the comparative financial performance of the organisation's chief competitors has clearly shown that in 2015 Co-op Homes performed in most circumstances, more strongly than its peers:

Overall operating results	CHS	Peer 1	Peer 2	Peer 3
Turnover (£k)	2,532	5,536	7,791	1,964
Operating Surplus (£k)	808	609	1,811	209
Operating Margin (%)	31.9%	11.0%	23.2%	10.6%
Surplus for the year (£k)	734	1,020	1,069	259
% of turnover	30.6%	18.5%	14.8%	13.2%
Turnover per FTE (£k)	166	146	61	95
Operating cost per unit managed – own stock	1,916	1,389	NK	NK
Other data				
Losses from bad debts (%)	0.2%	0.2%	NK	NK
Voids (%)	0.3%	0.4%	NK	NK
Management cost per unit - managed for others (£)	1,118	1,019	NK	NK
Routine repairs per unit – own stock (£)	816	849	NK	NK
Investment per unit – own stock (£)	2,295	1,943	NK	NK

Focus for 2016/17

The focus for 2016/17 is to continue to:

- improve core services and satisfaction levels for both Co-op Homes' residents and customers using the agency managed service; and
- grow the agency managed service through targeted marketing and a robust business development campaign.

Co-op Homes received external re-accreditation as a quality service provider in 2016 and this is a key enabler to growing the agency managed business. Co-op Homes has used, and will continue to use

improvements in its operational management and greater customer insight to ensure that it provides services that the customers want, to the quality they expect and at a price that they consider offers value for money. As the agency managed service customer base grows, further economies of scale are anticipated that will in turn, push down the Association's cost per unit managed and thus the fees charged.

The other main driver of value for money remains: delivering an Asset Management Plan that continues to yield a ratio of circa 80:20 planned to responsive repairs, using the contract procurement process to market test both quality and price competitiveness.

STATEMENT OF RESPONSIBILITIES OF THE BOARD FOR THE REPORT & FINANCIAL STATEMENTS

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

The Co-operative and Community Benefit Societies Act 2014 and registered social landlord legislation requires the Board to prepare financial statements for each financial year. Under that law the Board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under the Co-operative and Community Benefit Societies legislation the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the organisation for that period. In preparing those financial statements, the Board is required to:

- select suitable accounting policies and then apply these consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS102) and, that the financial statements have been prepared in accordance with housing SORP : 2014 Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the organisation will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of Co-op Homes and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014.

It is also responsible for safeguarding the assets of Co-op Homes and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Board is aware:

- there is no relevant audit information of which Co-op Homes' auditors are unaware; and
- the Board have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

Internal controls assurance

The Board acknowledges its overall responsibility for monitoring the effectiveness of the internal control system for the organisation. It is supported by two group-wide committees, the Group Audit Committee and Group Finance Committee and one member of the Board is a member of both committees.

The Group Audit Committee is responsible for overseeing internal and external audit, and for providing advice to the Co-op Homes Board on the effectiveness of the systems of internal controls, any major failures in the control assurance framework, and the arrangements for the management of risk.

The Group Finance Committee is responsible for the detailed scrutiny of CHS' financial planning and treasury management, reporting any areas of concern to both boards.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable assurance against material misstatement or loss. The process for identifying, evaluating and managing the significant risks faced by Co-op Homes is on-going and has been in place throughout the period commencing 1 April 2015 up to the date of approval of the report and financial statements.

Key elements in the control framework include:

- Board approved terms of reference and delegated authorities.
- Clearly defined management responsibilities for the identification, evaluation and control of significant risks.
- Robust strategic and business planning processes, with detailed financial budgets and forecasts.
- Formal recruitment, retention, training and development policies for all employees.
- Established authorisation and appraisal procedures for significant new initiatives and commitments.
- A robust approach to treasury management which is subject to external review each year.
- Regular reporting to both the Co-op Homes and RHP boards on key business objectives, targets and outcomes.
- Group-wide board approved whistle-blowing and anti-theft and corruption policies.
- Group-wide board approved fraud policies covering prevention, detection and reporting and recoverability of assets.
- Regular monitoring of loan covenants and requirements for new loan facilities.

The Co-op Homes Board 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 Co-op Homes' has on-going processes for identifying, evaluating and managing significant risks faced by the company. This process has been in place throughout the year under review and up to the date these accounts have been approved.

The Board has approved an annual management plan for 2016/17, covering internal controls, service delivery and financial performance.

The plan sets out key targets in each area and performance is monitored regularly by the Co-op Homes and RHP boards.

The Board and executive officers

The Board and executive officers of Co-op Homes are listed on page 1.

Going concern

After making enquiries, the Board has a reasonable expectation that the organisation 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 the Board continues to adopt the going concern basis in the financial statements.

External auditors

A resolution to reappoint Grant Thornton UK LLP as auditors of the company will be proposed at the forthcoming Annual General Meeting.

By order of the Board



Brian Rose
Chair
30 June 2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CO-OP HOMES (SOUTH) LIMITED

We have audited the financial statements of Co-op Homes (South) Limited for the year ended 31 March 2016, which comprise the statement of comprehensive income, the statement of changes in reserves, the statement of financial position, the statement of cash flows 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 FRS102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the organisation's members, as a body, in accordance with regulations made under sections 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the organisation's members those matters we are required to state to them in an auditors' 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 organisation and the organisation's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the board and auditors

As explained more fully in the Statement of Responsibilities of the Board (set out on pages 5 & 6), 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 (APB'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 of the state of the organisation's affairs as at 31 March 2016 and of its income for the year then ended; and
- have been properly prepared in accordance with the requirements of 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.

Matters on which we are required to report by exception

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

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

Grant Thornton UK LLP

Grant Thornton UK LLP
Chartered Accountants and Registered Auditors
London
14 July 2016

STATEMENT OF COMPREHENSIVE INCOME

	Note	2016 (£)	2015 (£)
Turnover	3	2,849,158	2,665,337
Operating costs	3	(1,911,943)	(1,801,551)
Operating surplus	3 & 8	937,215	863,786
Bank interest receivable		934	2,650
Interest payable and similar charges	7	(78,859)	(89,903)
Surplus on ordinary activities before taxation		859,290	776,533
Taxation	9	-	-
Surplus for the year after taxation		859,290	776,533

The notes on pages 11 to 23 form part of these financial statements.

All amounts relate to continuing activities.



Brian Rose
Chair & Board Member



Derrick Turner
Treasurer & Board Member



Sue Philpott
Company Secretary

Date of approval: 30 June 2016

STATEMENT OF CHANGES IN RESERVES

	2016 (£)	2015 (£)
Income and expenditure account reserve at 1 April	3,794,723	3,018,190
Total comprehensive income for the year	859,290	776,533
Income and expenditure account at 31 March	4,654,013	3,794,723

The notes on pages 11 to 23 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	Note	2016(£)	2015 (£)
Tangible fixed assets			
Housing properties	10	20,124,369	20,002,002
Other tangible fixed assets	11	10,405	23,053
		20,134,774	20,025,055
Current assets			
Debtors	12	257,374	172,643
Current asset investments		-	-
Cash at bank and in hand		406,499	363,015
		663,873	535,658
Creditors: amounts falling due within one year	13	(826,076)	(894,500)
Net current (liabilities) / assets		(162,203)	(358,842)
Total assets less current liabilities		19,972,571	19,666,213
Creditors: amounts falling due after more than one year	14	14,591,910	15,231,746
Provision for liabilities			
SHPS Past Service Provision	15	620,000	461,000
Other Provisions	16	106,473	178,559
		726,473	639,559
Capital and reserves			
Non equity share capital	18	175	185
Income & expenditure reserve		4,654,013	3,794,723
		4,654,188	3,794,908
		19,972,571	19,666,213

In view of the constitution of the company all shareholdings relate to non-equity interests, as disclosed in note 18.

These financial statements were authorised and approved by the Board and signed on its behalf by:



Brian Rose
Chair & Board Member



Derrick Turner
Treasurer & Board Member



Sue Philpott
Company Secretary

Date of approval: 30 June 2016

STATEMENT OF CASH FLOWS

	Note	2016 (£)	2015 (£)
Net cash inflow from operating activities	20	1,206,011	1,089,651
Cash flow from investing activities			
Acquisition and construction of housing properties		(568,260)	(631,158)
Purchase of other tangible fixed assets		(2,573)	(2,837)
Interest received		934	2,650
		636,112	458,306
Cash flow from financing activities			
Interest paid		(70,859)	(76,903)
Housing loans repaid		(503,304)	(430,040)
Bank overdraft repaid		(18,495)	18,495
Shares issued		30	5
Net change in cash and cash equivalents		43,484	(30,137)
Cash and cash equivalents at beginning of the year		363,015	393,152
Cash and cash equivalents at the end of the year		406,499	363,015

The notes on pages 11 to 23 form part of these financial statements.

NOTES ON THE FINANCIAL STATEMENTS

1. LEGAL STATUS

Co-op Homes is registered under the Co-operative and Community Benefit Societies Act 2014 and is a registered housing provider.

2. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS102) and the housing SORP : 2014 Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

This is the first year in which the financial statements have been prepared under FRS102. Refer to Note 19 for an explanation of the transition.

Going Concern

Co-op Homes has in place long term debt facilities which, along with its strong operational cash flow provide adequate resources to finance the committed re-investment programmes as well as its day to day operations. Co-op Homes also has a long term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

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

Significant judgements and estimates

The following are the significant management judgements made in applying the organisations accounting policies that have the most significant effect on the financial statements.

Useful lives of depreciable assets

Co-op Homes reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to changes to decent homes standards and regulatory requirements which may require more frequent replacement of key components. Accumulated depreciation at 31 March 2016 was £3,025,001.

Provision for liabilities – Pension past service provision

Co-op Homes provides for the net present value of the payments due under its funding agreement with the SHPS as a liability in the financial statements. The discount rate used is a critical factor in determining the amount of the liability. At 31 March 2016 the liability was £620,000 and the discount rate used was 2.06%.

Loans with National Westminster Bank plc

Co-op Homes has 5 loans with National Westminster Bank plc (Orchardbrook) totalling £484,487. Due to administrative difficulties

at the lender Co-op Homes has been unable to obtain full details of the loan agreements to definitively determine how to account for the loans under FRS102. Based on the loan characteristics Co-op Homes considers the loans can be basic under FRS102 and has accounted for them on this basis in the financial statements.

Turnover and revenue recognition

Turnover comprises rental income receivable in the year and fees for services provided to housing co-ops and other customers. Fee income is recognised as the underlying work is undertaken in accordance with contractual arrangements.

Value added tax

Co-op Homes charges VAT on the fees charged to housing co-ops and other customers and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that is suffered by the organisation and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year end is included as a current liability or asset.

Debtors

Short term debtors are measured at transaction price less any impairment.

Creditors

Short term trade creditors are measured at transaction price.

Employee benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

Contributions payable by Co-op Homes to the SHPS under the terms of the funding agreement for past deficits are recognised as a liability within other provisions in the financial statements. The future contributions are discounted dependant on rates available financial markets at the period end.

Pensions

Co-op Homes participates in both a defined contribution plan and a funded multi-employer defined benefit scheme with the Social Housing Pension Scheme (SHPS).

For the defined benefit scheme it has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The charge to income and expenditure for current items represents the employer contributions payable to the scheme for the accounting period.

Housing properties

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at cost less accumulated depreciation and impairment losses. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

Government grants

Government grants include grants receivable from the Homes and Communities agency (the HCA), its predecessors, local authorities and other government organisations. Government grants received for housing properties are recognised as income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accruals model.

SHG due from the HCA or received in advance is included as a current asset or liability. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

SHG is subordinated to the repayment of loans by agreement with the HCA. 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.

Where individual components are disposed of and this does not create a relevant event for Recycling purposes, any grant which has been allocated to the component is released to the income and expenditure account. Upon disposal of the associated property, Co-op Homes is required to recycle these proceeds; as such a contingent liability is disclosed to reflect this.

Depreciation of housing properties

Co-op Homes separately identifies the major components which comprise its housing properties and charges depreciation, so as to write-down the cost of each component to its estimated residual value, on a straight line basis, over its estimated useful economic life.

Co-op Homes depreciates the major components of its housing properties over the following useful lives

Structure	100 years	Windows	30 years
Roofs	50 years	Doors	30 years
Kitchens	20 years	Boilers	20 years
Bathrooms	30 years		

Impairment

Housing Properties are assessed annually for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the scheme's carrying amount to recoverable amount. Where the carrying amount of a scheme is deemed to exceed its recoverable amount, the carrying value is written down to the recoverable amount. The resultant impairment loss is recognised as operating expenditure. Where the scheme is currently deemed not to be providing service potential to Co-op Homes, its recoverable amount is its fair value less costs to sell.

Temporary social housing improvements

Co-op Homes renovates leased properties using temporary social housing grant, which comprises works and lease elements. On receipt the grant is deferred and then taken to development income over the course of the renovation works.

For schemes in progress the excess of grant received over works cost plus attributable direct cost and surplus recognised is shown as a current liability. If scheme costs exceed grant received the excess is shown as development in progress within current assets. Surplus is only recognised where the outcome of the scheme is reasonably certain.

On completion of the renovation works the excess of grant received over costs is deferred and amortised to the income and expenditure account over the period of the lease.

For schemes where costs exceed grant received the investment is capitalised as temporary social housing improvements provided that there is expected to be sufficient rental income over the period of the lease to meet the cost of depreciation. If there is expected to be any shortfall in rental income the excess costs are written off immediately.

Other tangible fixed assets

Other tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. Estimated useful lives are as follows:

Temporary social housing improvements	period of lease
Office furniture and equipment	4 years

Capitalisation of finance costs

Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development if it represents either:

- interest on borrowings specifically financing the development programme after deduction of interest on SHG in advance; or
- interest on borrowings of the association as a whole after deduction of interest on SHG in advance to the extent that it can be deemed to be financing the development programme.

Other interest payable is charged to the income and expenditure account in the year incurred.

Operating leases

Rental costs under operating leases are charged to the income and expenditure account in equal annual amounts over the period of the lease.

Dilapidation costs

Co-op Homes leases for temporary social housing properties contain repair covenants relating to the upkeep of the properties. These lease covenants can give rise to dilapidation works or claims during or at the end of the related lease. Co-op Homes accounts for these costs in accordance with FRS 102 (provisions, contingent liabilities and assets) which usually requires the costs to be recognised when the work is undertaken. At the end of leases, or otherwise in accordance with FRS 102, Co-op Homes makes provision for the expected cost of dilapidation work or claims. The provision is shown as a provision for liabilities in the financial statements.

3 TURNOVER, OPERATING COSTS AND OPERATING SURPLUS/ (DEFICIT) BEFORE TAX & INTEREST

	2016 (£)			2015 (£)		
	Turnover	Operating costs	Operating surplus/ (deficit)	Turnover	Operating costs	Operating surplus/ (deficit)
Social Housing Lettings (note 4)						
Permanent accommodation	2,176,747	(1,222,315)	954,432	2,134,515	(1,215,565)	918,950
Temporary social housing	38,343	102,732	141,075	45,977	(28,740)	17,237
	2,215,090	(1,119,583)	1,095,507	2,180,492	(1,244,305)	936,187
Other social housing activities						
New business development	-	(38,500)	(38,500)	-	(37,506)	(37,506)
Management fees	634,068	(753,860)	(119,792)	484,845	(519,740)	(34,895)
	2,849,158	(1,911,943)	937,215	2,665,337	(1,801,551)	863,786

As Co-op Homes has no developments for sale or property trading activities it has no cost of sales.

The above analysis of operating activities has been significantly impacted by the adoption of FRS102 and the resultant increase in pension costs of £151,000 (2015 Credit, -£24,000) further detailed in Notes 15 & 19. This particularly applies to management fees arising from the provision of services to Housing Co-ops.

Significant progress has been made in recent years in both increasing the turnover and reducing the operating deficit from this activity. The results from this activity, with pension costs at contributions paid without adjustment for provisions relating to future deficit contributions are shown below

	2016 (£)	2015 (£)	Change (%)
Turnover	634,068	484,845	+31%
Operating costs	(653,747)	(533,347)	+23%
Operating deficit	(19,679)	(48,502)	-59%

This analysis demonstrates further progress in 2016 in increasing turnover whilst keeping tight control of operating costs and thereby reducing the operating deficit on this activity.

4. INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	Permanent accommodation (£)	Temporary social housing (£)	Total 2016 (£)	Total 2015 (£)
Rents receivable net of identifiable service charges	1,942,665	36,866	1,979,531	1,946,822
Service charges receivable	100,433	1,477	101,910	100,021
Amortisation of Capital Grant (Note 16)	133,649	-	133,649	133,649
Turnover from social housing lettings	2,176,747	38,343	2,215,090	2,180,492
Expenditure on lettings				
Rents payable	0	(65,221)	(65,221)	16,592
Services	111,638	4,013	115,651	102,204
Management	349,753	32,616	382,369	328,170
Routine maintenance	231,144	5,759	236,903	246,461
Planned maintenance	64,155	0	64,155	61,941
Dilapidation costs (credit)	0	(81,912)	(81,912)	(29,209)
Depreciation of housing properties	445,893	0	445,893	486,455
Rent losses from bad debts	1,697	(764)	933	4,712
Other	18,035	2,777	20,812	26,979
Operating costs on social housing lettings	1,222,315	(102,732)	1,119,583	1,244,305
Operating surplus on lettings	954,432	141,075	1,095,507	936,187
Service charges receivable eligible for housing benefit	100,433	1,477	101,911	100,021
Service charges receivable not eligible for housing benefit	-	-	-	-
	100,433	1,477	101,911	100,021
Void losses	3,211	338	3,549	13,877
Average assured tenancy weekly rent in respect of housing accommodation including service charges eligible for housing benefit	£133.00	£145.45	£139.23	£130.34

5 DIRECTORS' EMOLUMENTS

The directors are defined as the Board members, the Managing Director and the senior management team. None of the Board members received any remuneration during the year.

	2016 (£)	2015 (£)
Aggregate emoluments of directors (including pension contributions and benefits in kind)	211,949	182,009
Emoluments of the highest paid director (including pension contributions and including benefits in kind)	94,107	91,124

6 EMPLOYMENT INFORMATION

	2016 (Number)	2015 (Number)
The average monthly number of persons employed during the year was:		
Office staff - actual	19.3	17.3
- full time equivalent	17.2	15.2
Staff costs (for the above persons):	2016 (£)	2015 (£)
Wages and salaries	604,927	529,498
Social security costs	73,568	42,331
Pension costs (see note 15)	235,029	55,684
	913,524	627,513

As explained in Note 15 Pension costs include £205,000 (2015 £24,000) following a re-measurement of the Pension deficit funding liability during the year.

Executive Directors	2016			2015	
	Basic Salary (£)	Benefits in Kind (£)	Pension Contributions (£)	Total (£)	Total (£)
Managing Director Sue Philpott	86,000	-	7,714	93,714	91,124
Finance Director John Holdsworth	59,160	-	5,620	64,780	62,056

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2016 (£)	2015 (£)
On other loans repayable in one to five years	-	-
On housing loans repayable in more than five years	70,859	76,903
Unwinding of discount rate associated with pension liability	8,000	13,000
	78,859	89,903

No interest has been capitalised in the year (2015 £Nil). Included in the above is £44,839 (2015, £50,094) in interest charges from the parent company, Richmond Housing Partnership.

8 OPERATING SURPLUS

	2016 (£)	2015 (£)
Is stated after charging, (crediting)		
Depreciation - other fixed assets	15,221	16,269
- social housing properties	445,893	486,455
Auditor's remuneration (excluding VAT):		
-in their capacity as auditors	13,660	13,250
Amounts payable under operating leases	49,786	52,292

9 TAXATION

	2016 (£)	2015 (£)
Analysis of charge for the year	-	-
Current tax		
UK corporation tax on surplus for the year		
Factors affecting tax charge for the year		
Surplus on ordinary activities before tax	1,137,409	733,675
Surplus on ordinary activities multiplied by the effective rate of Corporation tax in the UK of 20.0 % (2014 : 20.0%)	227,482	146,735
Income not chargeable to corporation tax (Note 27)	(227,482)	(146,735)
Current tax charge for the year	-	-

10 TANGIBLE FIXED ASSETS - SOCIAL HOUSING PROPERTIES

Cost	Social housing properties for letting (£)
At 1 April 2015	22,637,353
Additions	568,260
Disposals	(227,080)
At 31 March 2016	22,978,533
Depreciation	
At 1 April 2015	(2,635,351)
Charge for the year	(445,893)
Disposals	227,080
At 31 March 2016	(2,854,164)
Net book value	
At 31 March 2016	20,124,369
At 31 March 2015	20,002,002

The above relates to 296, (2015, 296) units owned by Co-op Homes. The total number of units managed is given in note 24.

10 TANGIBLE FIXED ASSETS - SOCIAL HOUSING PROPERTIES (CONTINUED)

	2016 (£)	2015 (£)
Expenditure on work on existing properties		
Improvement works capitalised	-	-
Components capitalised	568,260	631,158
Amounts charged to the Income and Expenditure account	64,155	61,941
	632,415	693,099
Housing properties book value, net of depreciation and grants		
Freehold land and buildings	17,726,357	17,562,232
Long leasehold land and buildings	2,398,012	2,439,769
	20,124,369	20,002,002

The long leasehold properties have remaining lease terms in excess of 100 years.

11 OTHER TANGIBLE FIXED ASSETS

	Temporary social housing improvements (£)	Office furniture and equipment (£)	Total (£)
Cost			
At April 2015	86,495	92,174	178,669
Additions	-	2,573	2,573
At 31st March 2016	86,495	94,747	181,242
Depreciation			
At 1 April 2015	83,333	72,283	155,616
Charge for the year	2,501	12,720	15,221
At 31 March 2016	85,834	85,003	170,837
Net book value			
At 31 March 2016	661	9,744	10,405
At 31 March 2015	3,162	19,891	23,053

12 DEBTORS

	2016 (£)	2015 (£)
Amounts receivable within one year:		
Rental and service charges receivable	152,202	153,878
Less: provision for bad and doubtful debts	(85,591)	(90,858)
	66,611	63,020
Other debtors	158,765	88,848
Prepayments	31,998	20,775
	257,374	172,643

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 (£)	2015 (£)
Bank overdraft	-	18,495
Housing loans (instalment debt)	32,441	30,364
Trade creditors	149,918	236,035
Other tax and social security	24,091	20,257
Amount due to parent company	132,141	95,155
Other creditors	241,896	264,635
Accruals and deferred income	245,589	229,559
	826,076	894,500

14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2016 (£)	2015 (£)
Deferred temporary social housing grant	6,260	7,066
Housing loans	3,825,733	4,331,114
Deferred Capital Grant (Note 17)	10,759,917	10,893,566
	14,591,910	15,231,746
Profile of housing loans		
Within one year (Note 13)	32,441	30,364
One year or more but less than two years	33,590	32,482
Two years or more but less than five years	122,339	110,154
Five years or more	3,669,805	4,188,478
	3,858,174	4,361,478
Sources of finance of housing loans:		
National Westminster Bank plc	484,487	517,791
Richmond Housing Partnership	3,373,687	3,843,687
	3,858,174	4,361,478

Housing loans are secured by fixed and floating charges on the company's housing properties. Interest is charged at rates ranging from 1.22% to 10.5%.

Deferred low start loan interest of £79,118 (2015: £79,118) has been included in the loan principal shown above.

15 PROVISION FOR LIABILITIES – SHPS PAST SERVICE OBLIGATION

Co-op Homes participates in the Social Housing Pension Scheme (The scheme). The scheme is a defined benefit scheme in the UK. It is not possible in the normal course of events to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it is accounted for as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2014 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 Co-op Homes 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 with an effective date of 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 the scheme is in deficit Co-op Homes has agreed to a deficit funding arrangement and 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 at 31 March 2016 is calculated using the discount rate of 2.06% (2015 – 1.92%). The discount rate is the equivalent single discount rate 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. The unwinding of the discount rate is recognised as a finance cost.

15 Provision for liabilities continued	2016 (£)	2015 (£)
Provision at start of period	461,000	472,000
Unwinding of the discount factor (interest expense)	8,000	13,000
Deficit contribution paid	(50,000)	(48,000)
Re-measurements - impact of changes in assumptions	(4,000)	24,000
Re-measurements - amendments to the additional contributions schedule 205,000 -	205,000	-
Provision at end of period	620,000	461,000

16 PROVISION FOR LIABILITIES – OTHER

Provision for end of lease dilapidation and other costs	2016 (£)	2015 (£)
At 1 April 2015	178,559	223,646
Paid in the year		
Credited to the Income & Expenditure Account (Notes 3 & 8)	(1,063)	(15,878)
Credited to the Income & Expenditure Account (Note 3)	(71,023)	(29,209)
At 31 March 2016	106,473	178,559

17 DEFERRED CAPITAL GRANT

Social Housing Grant	2016 (£)	2015 (£)
At 1 April 2015	10,893,566	11,027,215
Grant received in the year	-	-
Released to income for the year	(133,649)	(133,649)
At 31 March 2016	10,759,917	10,893,566
Amount to be released within one year	(133,649)	(133,649)
Amounts to be released within more than one year	(10,626,268)	(10,759,917)

18 NON EQUITY SHARE CAPITAL

	2016 (£)	2015 (£)
Shares at £5 each issued and fully paid:	185	185
At 1 April 2015		
Issued during the year	30	5
Cancelled during the year	(40)	(5)
At 31 March 2016	175	185

The shares have limited rights -

- no entitlement to divide
- not repayable
- no participation in a winding up

Although shareholders have a right to vote at general meetings.

When a shareholder ceases to be a member, that person's share is cancelled and the amount paid up thereon becomes the property of the company. Therefore, all shareholdings relate to non-equity interests. There are no equity interests in the company.

19 TRANSITION TO FRS102

Co-op Homes has adopted FRS102 for the year ended 31 March 2016 and has restated the comparative prior year amounts. The changes in accounting policy are described below:

a. SHPS Pension

Under Section 28 Co-op Homes is now required to recognise the net present value of any contractual agreements to make additional payments for a past deficit. As further detailed in Note 15 a discount rate of 1.92% has been used and this has resulted in a liability of £461,000 being recognised as a provision against opening reserves at 31 March 2015 (£472,000 at 31 March 2014 – discount rate 3.02%).

b. Grant accounting

Grants were previously netted off the cost of the related asset. Under FRS012, government grants must be accounted for using the accruals model or the performance model. As Co-op Homes accounts for its properties at cost, it has adopted the accruals method for government grants, as required by SORP 2014.

Under the accruals model, government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable its individual components (excluding land).

Restated statement of financial position	31 March 2015 (£)	1 April 2014 (£)
Income and expenditure reserve, as previously stated	3,952,177	3,218,502
SHPS Pension liability	(461,000)	(472,000)
Additional depreciation on housing properties	(974,628)	(872,837)
Amortisation of government grants	1,278,174	1,144,525
Restated Income and expenditure reserve	3,794,723	3,018,190

Restated surplus for the year ended 31 March 2015

	£
Surplus on ordinary activities before tax, as previously stated	733,675
SHPS Pension - Interest cost	(13,000)
SHPS Pension - Deficit contributions paid	48,000
SHPS Pension - Change in liability assumptions	(24,000)
Additional depreciation on housing properties	(101,791)
Amortisation of government grants	133,649
Restated surplus on ordinary activities before tax	776,533

20 CASH FLOW FROM OPERATING ACTIVITIES

	2016 (£)	2015 (£)
Surplus for the year	859,290	776,533
Adjustments for non-cash items:		
Depreciation of fixed assets	461,115	502,724
Release of temporary social housing grant	(807)	(954)
Release of social housing grant	(133,649)	(133,649)
(Increase) in debtors	(84,731)	(26,114)
(Decrease) in creditors	(52,006)	(47,050)
Shares cancelled (Note 18)	(40)	(5)
Release of dilapidation provisions, net (Note 16)	(72,086)	(45,087)
Increase in pension past service obligations, net of payments	151,000	(24,000)
Adjustments for investing or financing activities:		
Interest payable	78,859	89,903
Interest receivable	(934)	(2,650)
Net cash generated from operating activities	1,206,011	1,089,651

21 FINANCIAL COMMITMENTS

Committed, but not contracted expenditure, relating to the acquisition of Housing properties £Nil (2015, £Nil).

22 RELATED PARTY TRANSACTIONS

Co-op Homes (South) Limited provides management services to a number of primary housing Co-operatives. These housing co-ops are members of Co-op Homes. Tenants of managed Co-ops are eligible to become Co-op Homes Board members as are Co-op Homes tenants. In relation to these housing Co-ops the company received £634,056 (2015: £484,845) for management services during the year.

At 31 March 2016 no Board members were also Co-op Homes tenants.

As disclosed in Note 14 Co-op Homes has loans from its parent company, Richmond Housing Partnership, amounting to £3,373,387 (2015, £3,843,687). The interest charge for the year was £44,839 (2015: £50,094).

In addition Co-op Homes shares office premises, ICT services, HR services and other cost with its parent. Charges for these services during the year amounted to £136,310 (2014, £136,876).

23 COMMITMENTS UNDER OPERATING LEASES

As at 31 March 2016 the company had minimum future payments under operating leases in respect of housing land and buildings as follows:

	2016 (£)	2015 (£)
Within one year	14,086	14,086
Between one and five years	56,346	56,346
After five years	20,798	34,884
	91,230	105,316

These commitments relate to 6 (2015, 6) accommodation units.

24 UNITS IN MANAGEMENT

	2016 (No.)	2015 (No.)
Permanent accommodation	296	296
Short-life accommodation	6	6
Managed accommodation for affiliated Co-ops:	759	706
Total	1,061	1,008

These units in management are all general needs housing with rent at a social rent.

25 LEGISLATIVE PROVISIONS

The company is registered with the Homes and Communities Agency (HCA) as a registered housing provider under the Housing Act 1996 and prepares its financial statements in accordance with the Statement of Recommended Practice: Accounting by Registered Social Housing Providers Update 2010 and complies with the Accounting Direction for Private Registered Providers of Social Housing 2012.

26 SOCIAL HOUSING GRANT

The total amount of social housing grant received to date amounted to £12,260,949 (2014: £12,260,949). The grant is received on both permanent properties and temporary social housing properties under lease. This balance excludes grants received in respect of properties no longer owned or leased by Co-op Homes.

27 CHARITABLE STATUS AND PARENT COMPANY

On 13 December 2005 Co-op Homes registered new Rules to:

- Become a subsidiary of Richmond Housing Partnership Limited, its parent
- Adopt charitable status, allowing a substantial saving in corporation tax.