Sentinel

Straight forward

Using our financial strength to make a difference

Our 2015-16 Annual Report and Financial Statements

Board's strategic report and review of the year

from the chair

I'm pleased to present the Board's report and the audited financial statements for the year ended 31 March 2016.

Our sector's faced some significant challenges this year. But we've met those challenges from a position of strength. For several years now we've been improving our efficiency so we can still achieve our number one priority of building new homes for those in housing need.

We're financially strong and this gives us freedom to build new homes, invest in our existing homes and offer support to our most vulnerable customers and communities.

We've made tremendous progress with our corporate plan ambitions this year, achieving the majority of our objectives in our 2013-18 plan already. This report highlights some of our successes over the year and shows how we're using our financial strength to make a difference.

about us

Chair of the Board
John Barker

Vice Chair
Michael Stancombe

Other members of the Board

David French	
Jane Cooke	
Jane Earl	appointed 1 April 2015
Jenneth Brocklebank	appointed 1 July 2015
Juliet Annesley-Gamester	
Mark Perry	
Toby Rougier	
Brian Etheridge	retired 24 September 2015
Robert Barton	retired 24 September 2015

Executive officers

Mark Perry Chief Executive	
Julian Chun Operations Director	
Mike Shepherd Development and Regeneration Director	
Duncan Brown Finance Director	appointed 14 September 2015
Lionel Haynes Finance Director	retired 31 May 2015

Company Secretary
Patricia Morton

Auditor
KPMG LLP

Bankers
Barclays Bank

Members of the executive do not hold any interest in the share capital of the Association.
They act under authority delegated by the board.

purpose

We provide homes for those who cannot access housing on the open market. We aim to make a difference to **our communities** by providing quality homes and services that people value.

Sentinel Housing Association (SHA) is a registered Cooperative and Community Benefit Society (registration number 27940R) and is regulated by the Homes and Communities Agency.

These consolidated financial statements also include the results of Vestal Developments Limited (Vestal), a wholly owned subsidiary of SHA. Vestal builds homes for outright sale and provides development services to SHA.

performance

Overview from the Chief Executive

Despite the challenges all housing associations have faced this year, Sentinel continues to go from strength to strength. We're working even harder to improve our efficiency and focus our resources on building new homes.

In 2015-16 we completed 436 new homes and started building another 384. Along the way, we injected £102m into the local economy, making a major contribution to growth and employment opportunities across Hampshire.

We're delighted with the support we've received from our funders and key Local Authority partners and we're proud of the ways we've supported our customers and communities.

services to our customers

	2012	2013	2014	2015	2016
Customer satisfaction %	95.8	95.6	98.2	-	-
Customer satisfaction index	-	-	-	78.5	80.8
Rent arrears (current tenants)	2.25	2.29	2.15	2.36	1.85
Void losses	0.90%	0.90%	0.90%	0.80%	0.60%
Re-let times (days)	32.7	25.2	27.0	26.0	21.6
Calls resolved at first contact					84%
Repairs completed right first time	97.6%	90.8%	89.7%	94.9%	94.4%
Gas safety compliance	100%	100%	100%	100%	100%
Decent Homes compliance	100%	100%	100%	100%	100%

Note: we changed the way we measure customer satisfaction in 2015 so the results for 2014 and earlier are not comparable.

We use a suite of 40 performance measures to monitor our performance, ourselves challenging targets and benchmark ourselves against a peer group of comparable housing associations (see page 13). We met our targets for 23 of these measures and were within 5% of the target for another 10.

Overall customer satisfaction with our services is independently measured by The Leadership Factor. We've shown steady improvement during the year reaching 81% in March 2016.

We're particularly proud of our arrears level at 1.85% of our annual rent and we've improved our average re-let time by four days since 2015.

Financial Results

All figures are £'000 unless otherwise indicated. Figures for 2015 have been restated in accordance with FRS 102, all other prior periods are shown as reported under UK GAAP.

2015-16 was another year of improved financial performance made possible by a strong operational performance. Our turnover increased by £4.3m (6.6%), driven by the strength of our development programme and our shared ownership sales. . We've continued our efficiency drive and kept our operating cost per home at 2012 levels.

These results maintain our financial strength and enable us to keep investing more in homes and communities.

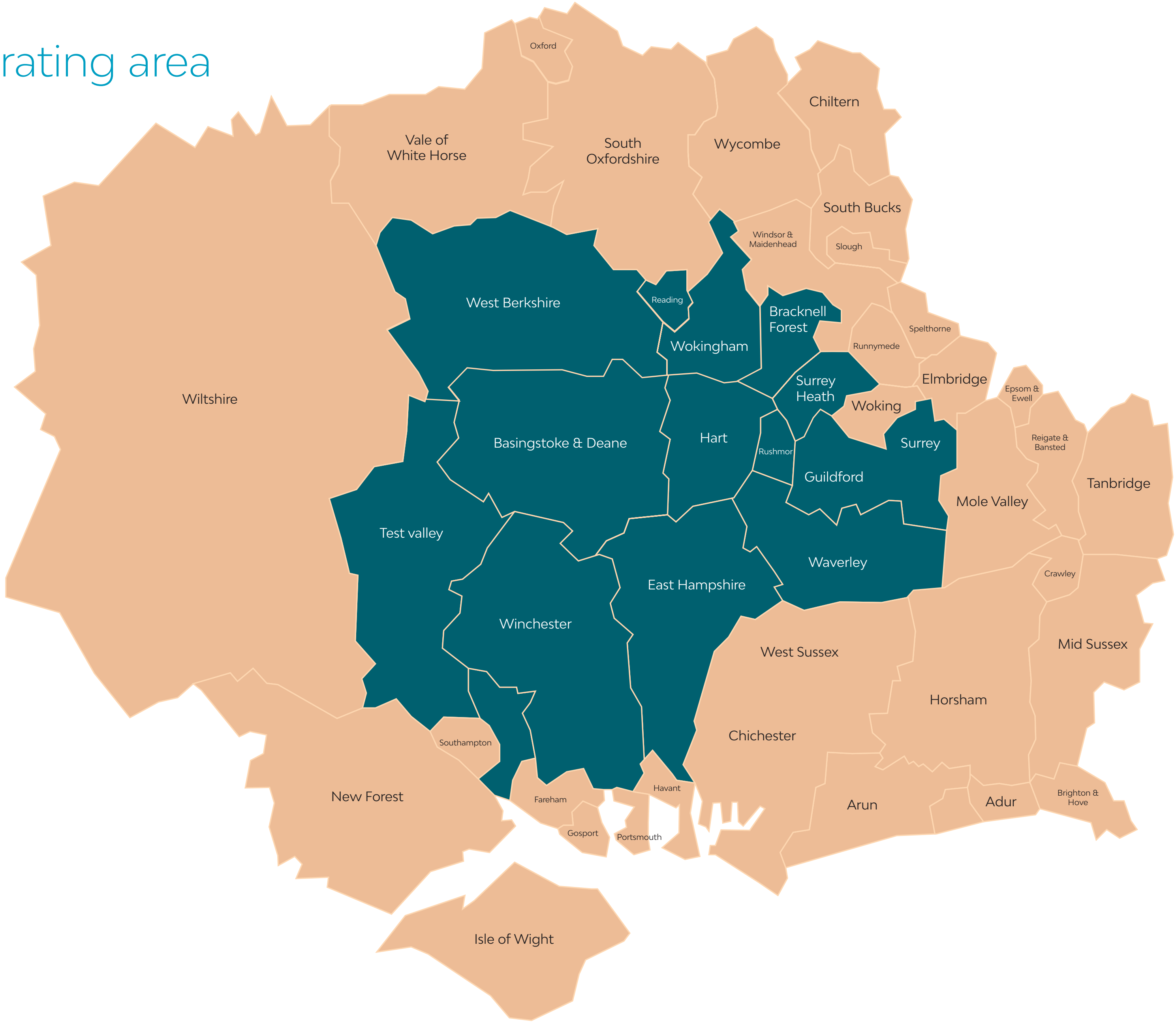
	2012	2013	2014	2015	2016
Turnover	53,540	54,077	59,870	67,473	71,718
Operating surplus	17,785	17,977	22,558	27,780	29,641
Net surplus before tax	12,558	11,182	15,681	24,480	24,549
Gross cost of housing properties	459,937	493,207	533,550	584,531	636,213
Long-term loans	195,800	259,067	261,567	266,667	297,152
Net current assets	9,229	68,319	53,667	42,854	46,264
Net assets	88,278	102,734	117,724	151,311	176,240
Operating margin	33%	33%	38%	41%	41%
Net margin	23%	21%	26%	36%	34%
EBITDA MRI interest cover	294%	254%	251%	359%	271%
Funders' interest cover	3.88	3.73	3.46	4.51	4.44
Funders' gearing ratio	0.41	0.34	0.37	0.41	0.46
Debt to turnover ratio	3.6	4.8	4.3	3.95	4.1
Debt per unit	£23,311	£30,192	£29,769	£30,544	£31,095
Sales margins	16.7%	12.5%	15.4%	25.9%	31.9%
Operating cost per unit	£3,269	£3,576	£3,345	£3,339	£3,370
Homes per FTE staff	47.5	47.7	47.2	50.6	56.0

Our homes

We own and manage 9,859 homes, (2015: 9,466), across 12 local authority areas in Hampshire and Surrey.

9,859 homes

Our operating area



£18.3 million invested

Maintaining the high standard of our homes

We pride ourselves on providing high quality, safe homes and whenever possible we use energy efficient materials to keep utility bills low for our customers and reduce CO_2 emissions. We've maintained 100% gas safety compliance and 100% Decent Homes compliance.

Customers' satisfaction with our repair services increased by 4.5% during 2015-16 and we completed 99.4% of our repairs on time. In total we've invested £18.3m (2015: £15.6m) repairing, maintaining and improving our homes. Our expenditure on responsive and void repairs has reduced by 2% since 2014-15 despite a 4% increase in the number of homes we maintain.

We've spent over £7m on planned maintenance to maintain or improve the standards of our homes, including:

- 266 kitchen replacements
- 283 bathroom replacements
- 334 boiler replacements
- 195 Air Source Heat Pumps installations
- 15 Block roof replacements
- 17 full house re-wires
- 159 Roof replacements

Our planned maintenance programme this year also included significant upgrades to 2 of our sheltered schemes: Hedge Croft in Yateley and Rosefield Court in Hartley Wintney. We invested over £250k to make the buildings more efficient by installing insulation above all ceilings and replacing old low efficiency light fittings to high efficiency LEDs. Both of which will help lower customer's utility bills and drastically reduce the carbon footprint of the building.

Making our homes more affordable to keep warm

We work hard to find ways of helping to reduce fuel poverty. This year we were able to take advantage of the Government's Renewable Heat Incentive scheme (RHIS) to transform nearly 200 heating systems, helping to reduce bills for our customers. Many of the homes are in rural areas where a traditional gas heating system isn't possible. Outdated solid fuel or storage heating systems were replaced with new renewable technology which is much cheaper to run and offers more controllable warmth. The efficiency of these new systems have improved the environmental scores of the homes from 36 (band F) to 66 (band D) significantly reducing their CO_2 emissions.

The project cost £1.7m, 30% of which comes from the Government's RHIS. We worked with local firm Faulkners to install Mitsubishi Electric Ecodan air source heat pumps which will save customers £500 each year on their heating bills.

over £7 million spent on home maintenance

the value of our housing assets

Our housing properties are valued by professional valuers to assess their value as loan security.

Valuation basis	Number of homes	Value (£m)
Existing Use Value – social housing	6,495	452
Market Value - tenanted	1,203	138
Not yet valued – historic cost	1,430	146
Total	9,128	736

The values shown in the table above exceed the net book value of our housing properties by £174m. Together with our reserves of £178m, they increase our net worth to £352m.

building new homes

Everyone needs a home; somewhere they can feel safe and secure. In 2015 there were more than 25,000 people on housing waiting lists in our operational area but only 1,500 affordable homes were built. That's why we're making a major contribution to the supply of new homes in Hampshire and Surrey. In 2015-16 we invested £70m in our development programme (2015: £60m), completing 436 new homes and starting another 384.

	2012	2013	2014	2015	2016
Capital expenditure on new homes	42,947	38,902	43,742	59,465	70,451
Capital grant received	9,948	4,728	4,739	3,579	3,895
Number of new homes completed:					
Social Rented	378	116	57	106	57
Affordable Rented	-	-	75	186	154
Shared Ownership	143	46	117	130	113
Market Rented	0	0	0	0	112
Market Sale	0	0	0	0	0
Other tenures	49	0	1	0	0
Total	570	162	250	422	436

Our new homes are a mix of affordable rent, social rent, market rent and shared ownership – that'll go a long way to meeting local housing need. And we've picked up a couple of awards along the way:

- Our £40m regeneration of a deprived area of Basingstoke, Popley Islands, won the Regeneration category for the South East region at the annual Royal Institution of Chartered Surveyors (RICS) Awards.
- And our development at Longcroft Road, Kingsclere achieved a Bronze Award in the Considerate Constructors Scheme's National Site Awards.

We fund 53% of our development costs with the surpluses we generate. This level of self-funding enables us to keep our gearing below 50%. We also received £3.9m of government grants and drew £30m from our loan facilities.

HIGH

Some of the highlights from our recent developments:

LIGHTS

Sirocco Park, Eastleigh

Working with a section 106 agreement with Bellway Homes, we took land once used by Pirelli as a cable works and transformed it into 109 affordable homes.

Our first development in Eastleigh, Sirocco Park is a mixture of 2, 3, 4 and 5 bedroom homes - 71 for affordable rent and 38 for shared ownership.

We held a community welcoming event for local residents and stakeholders with a Halloween theme to launch the new development, with the local Mayor attending, lending a hand with judging the kids costume competition.

We build homes with efficient materials to help reduce heating and lighting bills for our customers. These two developments were given 5 of out of 5 stars for high performance; window glazing, walls, roofs, floors and low energy lighting.

Shepherds Spring Lane, Andover

We aim to be as efficient as possible building new homes. This year we were able to buy land at a 44% discount from our local authority partner, Test Valley Borough Council, saving us £140k on development costs.

The new development has 10 affordable rent homes and 9 shared ownership homes, built in partnership with the contractor F E Chase. Two of the units were adapted for disabled residents.

Councillors and Test Valley housing staff visited to meet some of the new residents and have a tour inside their homes.

Our first market rent schemes

Last year we diversified our income stream and created new homes when we embarked on the transformation of two empty offices into **112 apartments** for market rent.

The development took just over 12 months and customers moved into Dextra Court in Basingstoke and Pipers Court in Camberley at the end of 2015. Our market rent homes offers customers better value for money with a higher build quality and more security than they would find in the private rented market.

Our best year for shared ownership

This year we've helped **129 families** buy a home of their own.

Demand for our shared ownership homes has soared giving us our best ever year for sales proceeds and surplus. We've streamlined our sales process and now we take on average just 5 weeks to sell. So we receive our income quicker and customers move into their homes faster. We've benefitted from a buoyant housing market and steadily increasing margins on our sales: the average margin on our shared ownership sales has increased from 12% to 32% over the last three years.

joint ventures

Working together with key partners on joint ventures allows us to share risk reduce our costs. It also allows us to take on larger schemes which may not otherwise be possible – all helping towards our ambition of **delivering more new homes**.

578

new homes at Chapel Hill in Basingstoke

254

new homes at Shinfield, Reading and Goch Way, Andover

We've established a joint venture with Barrett David Wilson, through which this year we've gained full planning permission for 578 new homes at Chapel Hill in Basingstoke. The site which has been in demolition phase is set to start building homes over the next few months.

This partnership's also led to another two joint ventures Shinfield, Reading and Goch Way, Andover for another 254 new homes, including 51 for outright sale.

Our building programme's making a significant contribution to much needed new homes and we're the sixth largest developer of affordable homes in the country for our size.

Vibrant communities and satisfied customers

142,506

calls taken and

27,047

emails dealt with by call centre teams

Our customers are the reason we're here. As well as building new homes, we're dedicated to creating and maintaining sustainable communities where people choose to live and flourish.

This year our call centre teams have taken 142,506 calls and dealt with 27,047 emails. Getting things right first time makes us more efficient but also delights our customers. Our overall customer satisfaction scores have seen year on year increases, this year improving by 2.3% to 80.8%.

Reforms to the welfare system

Understanding how our customers will be affected by Universal Credit will help us manage a major risk to our income and help customers to deal with the changes. That's why we've worked in collaboration with Basingstoke and Deane Borough Council to run a direct payment pilot in a small test area. Using the results we've been able to adapt our plans to meet the challenges we could face.

Helping support our most vulnerable customers is really important to us. Our team of Tenancy Sustainment Officers offer customers support to manage debts and increase their independence. Over the last year we've helped our customers secure £676,000 of additional income.

This service has helped 319 customers improve their circumstances.

Customer scrutiny

Engaging with our customers helps us learn from their experiences and shape our services for the future. This year our scrutiny panel, See3Sixty, reviewed how we communicate with our customers. They analysed data, interviewed staff and customers and benchmarked our service against other providers. Here's their recommendations and our responses:

- Provide a mobile working solution to front line officers – We've started a pilot involving 33 front line staff, using new technology to give them more information while they're out of the office and reducing the time they spend travelling.

- Offer a wider range of online self-services to customers so they can manage their own accounts and tenancies – We're investing heavily in our systems and will introduce a range of online services through a dedicated customer application in January 2017.

- Increase our understanding of how customers prefer to be contacted and communicate with them through those preferred channels – We've now gathered this information and people's preferences which will be built into our new housing system.

Supporting our communities

We've led three major initiatives to support our vulnerable communities:

- Over the last 3 years our Support Towards Employment Programme (STEP), funded by a Big Lottery Fund grant, engaged with 300 local people. 110 were helped into work, 86 have gained new qualifications and 14 have taken part in work placements.

- We supported 2 national campaigns to help our customers get online in 2015-16. We held 12 events and helped hundreds of people to take their first steps online. We became a UK Online centre in October 2015 and started offering a City & Guilds accredited award in Online Basics. 80% of the people we've assisted are our customers.

- This year also saw the launch of our 'Making it Happen Fund', offering financial help and support to groups who provide social activities in our communities. Local groups, charities and voluntary organisations have been given the chance to apply for grants of up to £10,000 from a pot of £60,000 to run projects in our communities. In 2015-16 we supported 16 projects, selected from 55 applications and awarded grants of £42,945.

Staying financially strong remaining efficient

allows us to use our surplus to build new homes, support vulnerable customers and invest in communities. Over the last few years we've been driving improvements across all our services.

In the July 2015 Budget the Chancellor announced that we'd have to reduce our rents by 1% each year for the next four years. In response, we've identified £2.2m of efficiency savings and re-shaped our development programme to include more homes for sale.

Because of this we can still continue to build **new homes**.

£1,000,000

saved in 2015-16

Efficiency savings

We have the lowest operating costs in our peer group but we're still working to reduce our costs further so we can reallocate more resources to our top priorities.

We've reduced our operating costs in three areas during 2015-16:

- Our Homes Team repairs service has done more work in-house, reducing our reliance on subcontractors, and planned our work better to reduce travelling time. We've saved over £400k.
- Our planned maintenance programme has benefitted from effective procurement reducing the cost of replacement components by a total of £235k
- We've reduced our use of consultants and saved £130k on professional fees.

We've also restructured three of our teams during the year, taking advantage of staff turnover and retirements to re-shape our teams and make the more efficient. The combined savings of £218k will be realised in 2016, making the total savings we've achieved in 2015-16 over £1 million.

Building resilience

To increase our resilience even further this year we've developed and implemented Golden Rules to protect our financial position. Using these rules we will;

- Maintain headroom over our loan covenants sufficient to withstand significant shocks to the business
- Identify the level of liquidity (cash and undrawn loans) required to fund our development programme without over-reliance on sales and operating cash flows
- Set limits on the extent to which we rely on sales and other non-social housing activity to generate our surplus
- Make more efficient use of our property security
- Reduce our operating cost per unit by at least 1% each year

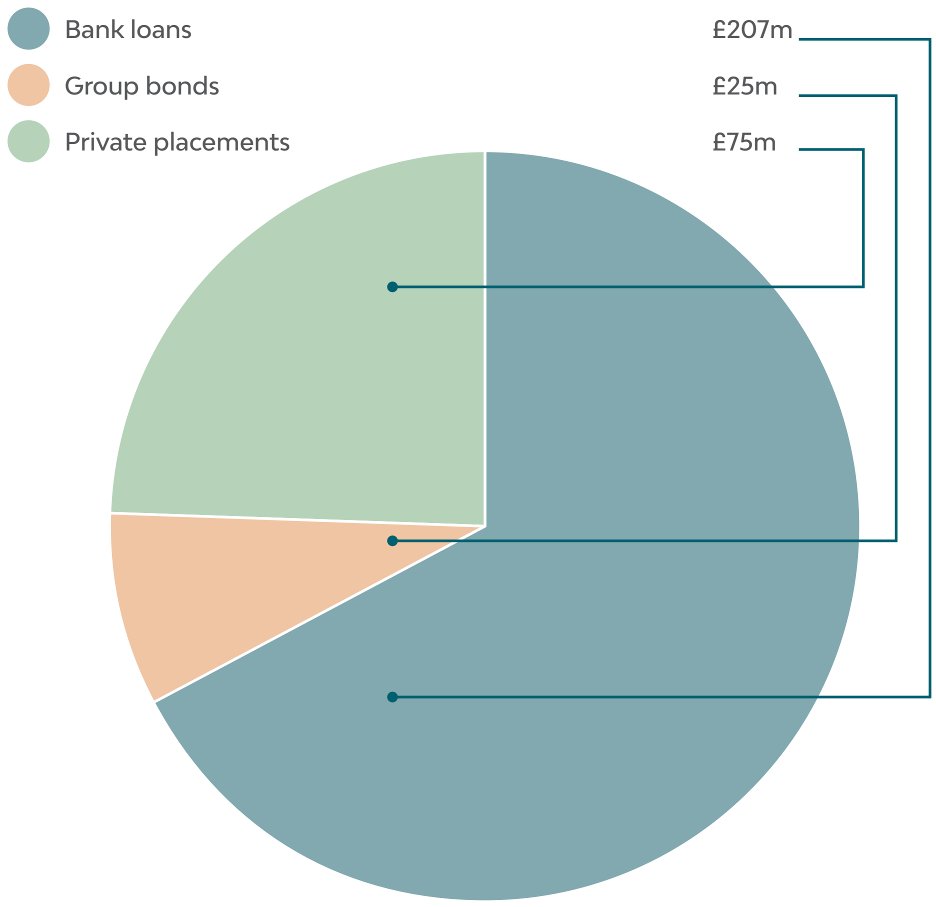
Funding and treasury management

Our treasury management work makes sure that adequate cost effective funding is available and exposure to financial risk is managed. We borrow from a range of sources to support our development activities.

Our business plan and development programme is fully funded. 67% of our debt is secured at fixed rates giving us protection against future interest rate volatility.

On 31 March 2016 our loan facilities totalled £395m of which £307m was already drawn.

Our sources of funding:



RISK

Key treasury risks

- **Funding risk** – Our business plan identifies the private finance facilities required to fund our development programme. Our Golden Rules identify the amount of available funding we maintain. On 31 March 2016 we had £88m of undrawn loans and £35m of cash, providing enough funding for all our current development commitments with headroom of £99m. We also stress-test our funding calculations by excluding all sales proceeds and operating cash flows. This calculation shows that we're still fully funded for the next three years.

- **Liquidity risk** – We hold enough immediately-available cash to meet our next three months' requirements (excluding any income from property sales). Surplus cash is invested with three different counterparties. The credit ratings of counterparties, rather than the returns, are the primary consideration when deciding how to invest cash balances.

- **Counterparty credit risk** – In our Treasury Policy we've set minimum credit ratings for each lender, investment counterparty and banker. Counterparty credit ratings are monitored by our treasury consultants.

- **Interest rate risk** – Our Treasury Policy sets parameters for the percentage of fixed, floating and index linked debt within our loan portfolio. On 31 March 2016 67% of our debt was at fixed rates, none was index-linked and 33% was exposed to variable interest rates.

- **Compliance risk** – Through our business planning and budgeting process we monitor the corporate financial covenants within our loan agreements. Our Golden Rules require us to maintain headroom above these covenants and we set a budget to comply with our Golden Rules. Performance against the budget is monitored monthly.

Brilliant people working together

our people are our best asset

fully engaged and constantly improving themselves and our business.

Top 100

During the year we employed 176 staff (2015: 178). We've continued to refine our employment offer during the year, including:

- We've refined our pension offering and closed our defined benefit schemes to new members. We continue to match employee contributions up to 10%.
- We've reviewed how we recruit people by introducing an end-to-end digital solution which has saved us £40k in recruitment costs.
- We've trained all our managers in coaching skills and worked with them to define what great management at Sentinel looks like.

Our work paid off when we were recognised as one of the Sunday Times Top 100 Best Not For Profit Companies to work for, which we're thrilled with because it's based on staff feedback and confirms that our people enjoy working here and feel valued and recognised. It's a good addition to our Investors in People Gold award from 2015.

A first class business

To achieve our ambitions we must have a strong modern business infrastructure.

We want to offer our customers digital services using the most suitable technology.

We work hard to be **a partner of choice** and to continuously build on our excellent reputation.

Understanding our customers and services

This year we surveyed all customers through our Sentinel Census to find out what our customers need from us and how this will shape our services over the next 5 years.

We're part way through this major project identifying where we exceed the standards we need to deliver, and considering if we can re-allocate resources to other priorities.

Doing It Differently

Last year we launched our Doing it Differently project which aims to use technology to improve our services and make us more efficient. As part of the project we've mapped 150 business processes and re-designed them. We're designing a digital service based on customers self-serving. This will allow us to focus our resources on value adding services, giving staff time to invest in those customers who need it most. We're investing £800k in IT applications to support our digital services. We expect to significantly reduce the cost of routine transactions like payments and repairs.

our corporate plan

FIVE

Our five year corporate plan sets out how we'll achieve our purpose.

The corporate plan contains five ambitions and the Board has identified how we'll measure the success of each.

Ambitions	Success Measures
Provide a range of homes for those who cannot access housing on the open market, helping to ease the housing shortage.	• Meet our targets for new homes each year • Maintain a programme with a positive NPV of at least £5m • Maximise our rental income • Provide homes at rent levels that are affordable and can be flexed if circumstances change • Minimise build cost and improve viability
Vibrant communities and satisfied customers – improve our understanding of our customers' needs and aspirations to improve our services and promote sustainable communities.	• Increase use of our digital services • Increase customer satisfaction with the ease of accessing our services • Reduce the costs of routine transaction to free up resources for more intensive support services • Reduce the levels of arrears and the numbers of evictions
Brilliant people working together – the right people in the right job with the right resources – to bring about improvement and change.	• Improve our placing in the Sunday Times Best Companies survey • Reduce our staff turnover and recruitment costs • Use technology to make it easier for our staff to do their jobs • Reduce our operating cost per unit year on year
Maintain our financial strength – be efficient and effective so that we can use our surplus to build new homes, support vulnerable residents and invest in communities.	• Identify and appraise options for our high value / poor performing properties • Maintain available funding facilities to support our development plans
Be a partner of choice – collaborate with a range of organisations to make us stronger and deliver innovative services.	• 60% of our stakeholders would speak highly of us without being asked and our partners seek our opinions on housing related issues • We're approached by others to form partnerships • Members of the Executive Group speak at sector conferences

our financial plans

Our 30 year business plan demonstrates our long-term financial viability and our capacity to continue investing in new homes.

On 24 June 2016 the Board approved a new plan and a commitment to build 6,000 new homes over the next ten years.

We stress-test our financial projections to make sure we're resilient enough to withstand severe adverse changes to our financial and operating environment. We've used this to cap our exposure to the housing market and we know our business would be vulnerable to very high inflation during the next four years. We've developed a set of recovery plans to manage the potential impact of these risks.

new homes

value for money

We want to maximise our capacity to invest in new homes and support vulnerable people and communities.

This section explains our approach to Value for Money and how it underpins the work we do to achieve our purpose. It tells us how we're performing compared to our peers, the value for money gains we have achieved in 2015-16 and the gains we're going to achieve in 2016-17.

You can read our full Value For Money statement on our website. https://www.sentinelha.org.uk/

invest more

To us, value for money means providing a standard of service that meets our purpose as efficiently as possible.

We continually remove waste and increase our financial capacity so that we can invest more in building new homes and supporting vulnerable people and communities.

We've identified five value for money objectives that help us achieve our purpose efficiently:

- **Provide efficient and effective landlord services**
- **Continually improve the return on our assets**
- **Maximise our contribution to tackling housing need**
- **Reduce our energy consumption and environmental impact**
- **Promote financial, digital and social inclusion**

Objective 1: providing efficient and effective landlord services

We consider ourselves to be proving an efficient and effective landlord service if we keep our operating costs under control and maintain good levels of customer satisfaction.

	2012	2013	2014	2015	2016
Operating cost per unit £	£3,269	£3,576	£3,345	£3,339	£3,370
Customer satisfaction %	95.8	95.6	98.2	-	-
Customer satisfaction index	-	-	-	78.5	80.8

We've focussed on improving customer satisfaction by being efficient: keeping our appointments and dealing with enquiries at the fist point of contact. We've improved in both these areas and we've been able to improve our customer satisfaction index by 4% over the year.

We've reduced our re-let times by 4.5 days, reducing our lost income through empty properties to 0.6% a year. We compare favourably with our peer group upper quartile measures.

We've tightly controlled our operating costs, keeping them at 2012 levels. During 2015-16 we made total cost savings of £1.02m (2015: £1.07m). In our 2016-17 budget we've identified another £2.2m of efficiency savings which will reduce our cost base by 9.1% since 2015.

We also compare our costs and performance to a peer group of other housing associations with large stock-holdings in Hampshire:

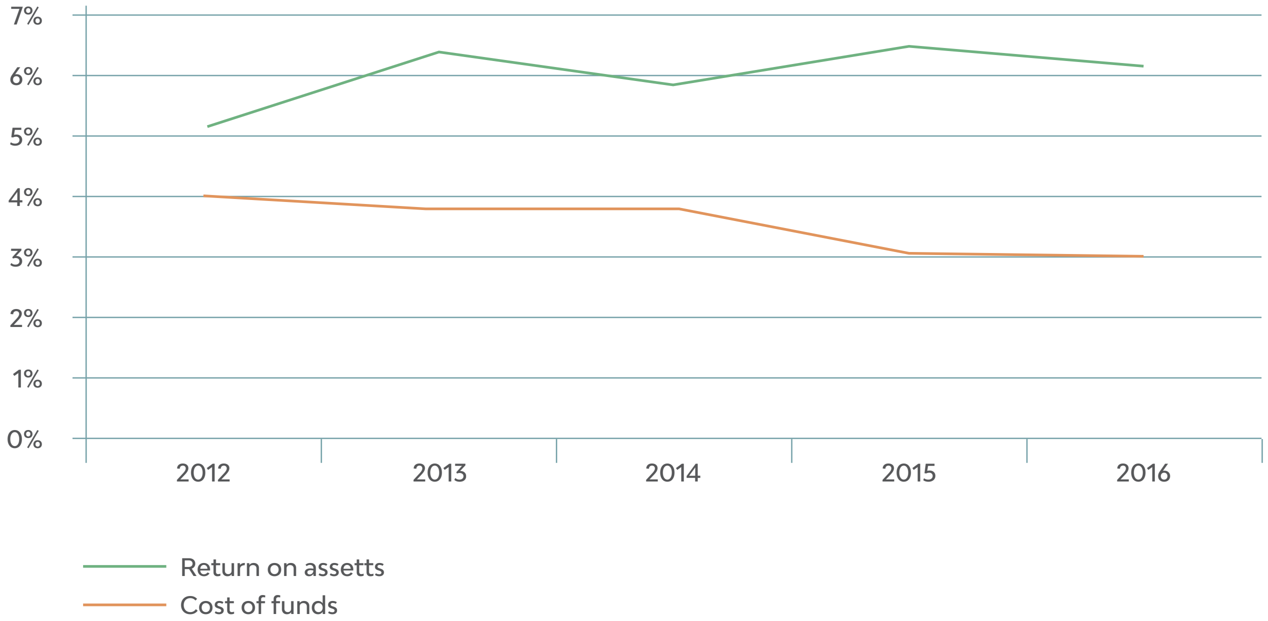
	Sentinel	Radian	First Wessex	Spectrum	Aster	Sovereign
Operating cost per unit	3,370	3,948	4,115	4,376	3,345	3,761
Operating margin	41%	28%	28%	24%	29%	32%
Net margin	34%	14%	12%	13%	19%	22%
Interest cover	444%	245%	238%	297%	304%	331%
Debt per unit	31k	37k	33k	23k	17k	32k
Current Tenant Arrears %	1.85	3.5	3.89	4.04	3.41	1.99
Average Re-Let Days	21.5	19.3	28.2	20.4	15.2	N/A
Void Loss %	0.60	0.59	0.78	1.51	0.49	0.55
Properties managed per FTE staff	56	41	33	46	57	60
Average No of Days Sickness (days)	3.6	9.1	14.6	12.3	16.5	N/A
Staff Turnover	14.1	20.7	19.9	6.52	6.9	N/A

By improving our productivity we're also able to deliver more, better services at the same cost. We're doing this by piloting mobile working with 33 front line staff in 2016 for an initial investment of £25,000. We're using technology that gives people access to real time information when they're with customers and partners, and it also reduces the need to travel. We'll be measuring the productivity gains and the reduction in travel to evaluate whether mobile working should be deployed more widely.

And in 2016-17 we're making a big investment in new technology to consolidate all our data and applications, saving IT costs of £150k each year from April 2017. Our new system will also enable customers to manage their own payments, repairs and rent accounts. We're going to encourage self-service using our online platform and we've targeted further cost reductions of £1m from 2018 onwards.

Objective 2: continually improving the return on our assets

We calculate the return on our assets by comparing our operating surplus with the historic cost of our assets. And we compare this with the average interest rate on our debts.



We've consistently achieved a return on assets between 6% and 7% over the last four years. And we've added to the value of our business by achieving a return on our assets that exceeds our effective interest rate.

We've improved our levels of voids and arrears to reduce the amount of rent lost from empty homes. Our improved performance has resulted in additional rental income of £219,000 being collected in 2015-16.

In 2015 we identified two under-performing schemes consisting of nine flats in listed buildings. We calculated that the cost of maintaining these homes in the medium term would exceed the rental income, making them a net drain on our business. We decided to sell these homes, generating £1.5m and re-use the proceeds to develop modern fit-for-purpose homes. The sales will also reduce our future maintenance costs by £0.5m. The first three properties were sold in 2015-16 raising £705,000 in sale proceeds and the remaining homes will be sold in 2016-17.

In 2016 we'll be updating our Asset Management Strategy. The new strategy will place greater emphasis on understanding the performance of our asset base and using planned sales of assets to provide additional funding for our development programme.

Objective 3: maximising our contribution to tackling housing need

For our size, we're one of the biggest developers in the country and we're committed to maximising the number of new affordable homes we build each year.

We achieve this by generating a healthy surplus and using it to subsidise our development costs. We can develop more than our peers because we generate more of the funding ourselves:

Funding for our developments	2012	2013	2014	2015	2016
Grant funded	10.9	4.2	5.7	6.3	2.2
Debt funded	17.1	20.7	19.6	28.5	30.0
Self funded	19.9	17.3	27.4	35.5	39.0

We manage the mix of our programme to generate a profit from sales which subsidises our affordable rented housing, taking care not to over-expose ourselves to the housing market.

In 2016 we updated our Business Plan to include a much more ambitious development programme of 600 new homes each year. 20% of the programme is homes for social rent, making maximum use of our surplus to make our new homes as affordable as possible.

We've locked in low interest rates by fixing the rates on 67% of our debt for an average term of eight years, enabling us to put more into development without worrying about rising interest rates. The weighted average rate of interest on our debt is 3.07% compared to a 2015 sector average of 4.1%.

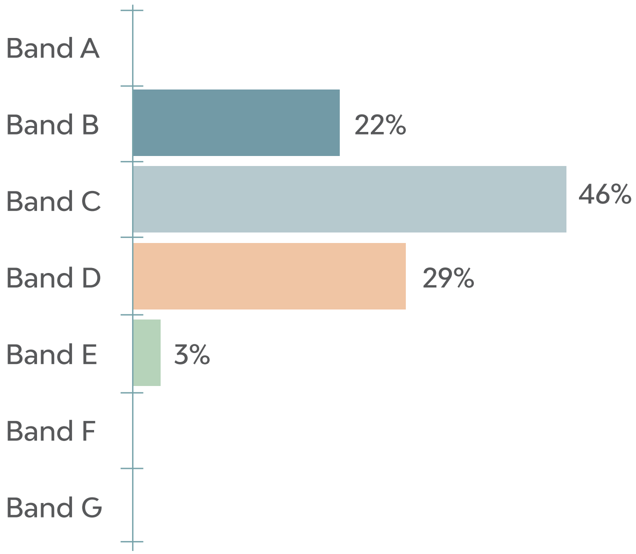
Objective 4: reducing our energy consumption and environmental impact

We work hard to maximise the energy efficiency of our homes – measured using the SAP rating.

The average SAP rating for our new homes in 2015-16 was 85, compared to a national average of 67, making our homes cheaper for our customers to live in.

We monitor the SAP ratings of our existing homes and we're committed to having none in the least efficient (F and G) bands and we're investing to improve the ratings of homes in band E.

How energy efficient are our homes?



To improve the energy efficiency of our existing homes, we've invested £1.4m in 200 air source heat pumps to provide more effective and cheaper heating to homes that don't have a gas supply. The pumps will reduce the heating costs in these homes by £900 each year – a return on our investment of 12.9%.

Back in 2012 we invested £6m installing solar panels in 370 of our homes. The panels have continued to perform well, generating a total of 1.4 million KWh of free electricity for our customers in 2015-16 and earned us £335,000 of additional income by selling unused electricity back to the national grid.

We've reduced the number of business miles travelled, reducing our carbon footprint and also increasing the amount of time our people spend providing our services. For example, our repairs operatives now work more efficiently in set patches reducing their mileage and CO2 emissions.

In 2015 we completed a programme of replacing all our IT equipment with more energy efficient models. All our desktop equipment is Energy Star compliant and we've reduced the number of servers from 120 to 30 and the number of printers from 20 to five. We've been able to reduce the energy consumption of our IT equipment by 60% and this has contributed to an overall reduction in office energy costs of 10% over the last two years.

As well as saving energy costs, we're also lowering our carbon footprint by recycling more of our waste. This year we met our target of recycling 95% of the waste from our repairs activity and 80% of our void waste.

In 2016-17 we'll be using a WEEE skip to recycle all our electrical waste, removing all toxic and hazardous materials from our repairs programme and only using products that are biodegradable.

Objective 5: promoting financial, digital and social inclusion

We've invested £360k in three projects that support our most vulnerable customers and communities. We attracted external funding of £22k which has contributed 6% of the projects' costs. And we use the HACT wellbeing tool to calculate the social value of our community work – valued at £1,089,093 for 2015-16 which provided a return of 275% on our investment.

Helping support our most vulnerable customers is really important to us. Our team of Tenancy Sustainment Officers offer customers support to manage debts and increase their independence. Over the last year we've helped our customers secure £676,000 of additional income – a 400% return on our investment in the service and exceeding the target we set of £350k.

But our most important contribution to social and financial inclusion comes from the 9,859 affordable homes we provide. In 2015-16 we received £52.4m in rent from our rented homes. The market rent for this portfolio is £83.1m, meaning that our rents were subsidised by £33.2m Over the next 30 years the subsidy will be £510.3m (discounted cash value), which exceeds the capital grant subsidy that funded these homes by £339.8m. This represents a 200% return on grant, providing value for money to the taxpayer.

We've helped over 600 people through our STEP and Get Online programmes – 80% of them were our customers.

Corporate Governance

The Board is committed to maintaining a high standard of governance and accountability throughout all our activities.

Board and committee structure

The Board controls the strategic direction of both SHA and Vestal and monitors the overall operating and financial position.

The people who served on the Board during the year are set out on page 1.

The Board of Vestal is appointed by the Sentinel Board. The Vestal Board is chaired by Jane Cooke and includes Michael Stancombe, Mike Shepherd and Julian Chun. There were no changes to the Vestal Board during the year.

There are three sub-committees of the Sentinel Board:

- Audit and Risk Committee (ARC) is responsible for overseeing our risk management framework and receiving assurance on the system of internal control. The committee is chaired by David French and met four times during the year.
- Remuneration and Nominations Committee (RNC) oversees our People Strategy and the appointment and performance of our non-executive directors and the Chief Executive. The committee is chaired by Jane Cooke and met four times during the year.
- Project Approvals Committee (PAC) approved expenditure on major projects which support our Development Strategy and Corporate Plan. The committee meets monthly and is chaired by Mark Perry.

Code of governance

The Board has adopted the National Housing Federation's Excellence in Governance Code for Members published in 2015. We comply with all aspects of the code except that the Board decided, following a review of governance in 2014, that our Project Approval Committee should be chaired by the Chief Executive rather than by a non-executive director.

Compliance with regulatory standards

The Board confirms that we've complied with the Governance and Financial Viability Standard as set out in the Homes and Communities Agency's Regulatory Framework for registered providers of social housing. The Board has carried out an assessment, made enquiries and gained appropriate assurance from management and from our internal auditors. All required disclosures and returns to the regulator have been made and we've maintained registers for the declaration of interests by Board members, disposals of properties and the giving and receiving of gifts and hospitality by Board members and staff.

Disclosure of information to auditor

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

Statement of Board's responsibilities for the Board's report and financial statements

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

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

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Association and of the income and expenditure of the Group and the Association for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

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

Risk management and internal control

The Board is responsible for our system of internal control and for reviewing its effectiveness. Our system of internal control is designed to manage rather than eliminate the risk of failure to achieve our corporate ambitions. It is designed to provide reasonable, but not absolute, assurance over the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information.

Our system of internal control includes:

- Our Standing Orders and Financial Regulations which provide clearly defined roles, responsibilities and management and reporting structures, including a system of delegation.
- A risk management framework that provides a comprehensive process for assessing and managing strategic, financial and operational risks. Our Risk Map is updated quarterly and reviewed by the ARC.
- The internal audit service, provided by Mazars LLP, regularly assesses compliance with key control activities and carried out a programme of reviews and reports its findings to the ARC
- Our careful staff recruitment, appropriate training and individual performance monitoring systems ensure we have sufficient, well-trained staff with a competitive package of benefits.
- Service reviews are carried out by our customer-led scrutiny group, See3Sixty with the findings reported directly to the Board
- Our Treasury Policy and a set of Golden Rules clearly establish the Board's financial risk appetite. The Board monitors compliance with the Golden Rules throughout the year.
- Clear criteria for investment appraisals which are overseen by the PAC.
- A Fraud and Whistleblowing Policy which covers the prevention, detection and reporting of fraud, and the recovery of assets. The ARC receives reports on known or suspected fraud at each meeting.
- An annual review of compliance with the Code of Governance and Regulatory Framework
- Detailed business and strategic planning processes which include the preparation of annual budgets and a 30 year financial forecast.
- Monthly reporting of financial results and performance indicators against budgets, targets and external benchmarks to the Board and Executive Team.

Our employment policies

We're an equal opportunities employer. Our policy is to take positive steps in line with the requirements of Equal Opportunities legislation and the Disability Discrimination Act to ensure that the best candidate for any vacant post is selected. Advertisements for staff describe us as an equal opportunities employer and invite applications from all members of the community. Our premises are fully accessible to people with disabilities.

Key risks to our business and how we're managing them

Welfare reforms – The potential impact of the Government's welfare reforms are a threat to our income stream. The changes, along with other public sector funding cuts, could have a profound impact on our customers and communities. During the year we have recruited more Tenancy Support Officers and allocated more resources to supporting those affected by the reforms. We have also partnered with Basingstoke and Deane Borough Council to pilot Universal Credit in one of our neighbourhoods. The pilot has provided us with useful experience and insight into the changes to come.

Housing market exposure – Our sales activities represented 18.1% of our turnover in 2015-16 and our financial forecast shows that sales will be 41.7% of our turnover during the next ten years. We use our business plan to monitor our exposure to the housing market and we've developed sophisticated stress-testing to ensure that our shared ownership and open market sales activity does not present a material risk to our social housing lettings business.

Health and safety – We're already subject to extensive and complex regulations covering gas safety, fire risk management and asbestos management. We've developed comprehensive registers of our properties and conduct regular inspections, supported by independent audits.

Pension costs – Our pension costs represent 10.0% of our total staff costs but have increased 15% over the last three years. This is partly due to the new requirement to auto-enrol all staff in a pension scheme, but predominantly due to the cost of funding the past service deficit of the Social Housing Pension Scheme. In response to these increases we've closed all our defined benefit schemes to new entrants.

Business continuity – We recognise our increasing reliance on technology to deliver our services and the importance of resilient systems which protect our customers' information. We've conducted a major review of our business continuity plan and we annually test our plans and the security of our systems.

Board's statement on internal control

The Board has conducted its annual review of the system of internal control. The review considered:

- The risk map and a review of the quality of assurance received by the Board for each risk
- Reports from the Audit and Risk Committee and minutes of its meetings
- The internal auditor's annual report which includes a summary of the outcomes from its work during the year
- A review of the fraud register
- An annual internal control assessment from the Chief Executive

The Board confirms that there are currently no significant control weaknesses and that an effective system of internal control has been maintained in the year ended 31st March 2016 and up to the date of signing this report.

Going concern

The Board confirms that we have adequate resources to continue operating for the foreseeable future. For this reason, the Financial Statements have been prepared on a going concern basis.

Auditor

A motion to re-appoint KPMG LLP as Auditor will be considered at the Annual General Meeting on 21 July 2016.

John Barker
Chair, on behalf of the board
23 June 2016

Auditor's Report

Independent auditor's report to Sentinel Housing Association

We have audited the financial statements of Sentinel Housing Association for the year ended 31 March 2016 set out on pages 22 to 57. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the Association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditor

As more fully explained in the Statement of Board's Responsibilities set out on page 17, the Association's Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the group and the Association as at 31 March 2016 and of the income and expenditure of the group and the Association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Matters on which we are required to report by exception

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

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

Harry Mears (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants, Gateway House,
Chandlers Ford, SO53 3TG
23 June 2016

Statement of Comprehensive Income

For the year ended 31 March 2016		Group		Association	
			Restated		Restated
		2016	2015	2016	2015
	Note	£000	£000	£000	£000
Turnover	2	71,718	67,473	71,390	67,173
Cost of sales	2	(8,848)	(9,633)	(8,848)	(9,633)
Operating costs	2	(33,229)	(30,060)	(32,986)	(29,791)
Operating surplus		29,641	27,780	29,556	27,749
Gain on disposal of tangible fixed assets	9	1,596	1,337	1,612	1,337
Interest receivable and similar income	10	430	679	784	1,059
Interest payable and similar charges	11	(9,935)	(7,034)	(9,935)	(7,034)
Change in value of investment property	14	2,817	1,718	2,817	1,718
Surplus before tax		24,549	24,480	24,834	24,829
Tax on surplus on ordinary activities	24	(20)	(34)	0	0
Surplus for the year		24,529	24,446	24,834	24,829
Other comprehensive income:					
Remeasurement of defined benefit pension liability	25	400	10	400	10
Total comprehensive income for the year		24,929	24,456	25,234	24,839

Group Statement of Financial Position

		2016		2015 restated	
	Note	£000	£000	£000	£000
Fixed assets					
Housing Properties	12	561,572		516,475	
Other tangible fixed assets	13	6,314		6,768	
Investment Properties	14	27,925		16,746	
HomeBuy loans receivable	15	2,929		3,333	
			598,740		543,322
Current assets					
Properties for sale and work in progress	16	21,473		19,477	
Trade and other Debtors	17	3,084		4,898	
Cash and cash equivalents	18	35,498		34,781	
		60,055		59,156	
Creditors: amounts falling due within one year	19	(13,791)		(16,302)	
Net current assets			46,264		42,854
Total assets less current liabilities			645,004		586,176
Creditors: amounts falling due after more than one year	20	(460,042)		(426,725)	
Provisions for liabilities	24	(54)		(34)	
Pension Liability	25	(8,668)		(8,106)	
			(468,764)		(434,865)
Net assets			176,240		151,311
Capital and reserves					
Called up share capital					
Income and expenditure reserve			176,240		151,311
Total funds			176,240		151,311

These financial statements were approved by the board on 23 June 2016 and signed on its behalf by:

John Barker
Chair

Michael Stancombe
Vice Chair

Patricia Morton
Company Secretary

Association Statement of Financial Position

		2016		2015 restated	
	Note	£000	£000	£000	£000
Fixed assets					
Housing Properties	12	560,430		516,484	
Other tangible fixed assets	13	3,986		4,312	
Investment Properties	14	27,925		16,746	
HomeBuy loans receivable	15	2,929		3,333	
			595,270		540,875
Current assets					
Properties for sale and work in progress	16	13,968		15,222	
Trade and other Debtors	17	15,804		13,629	
Cash and cash equivalents	18	34,400		34,317	
		64,172		63,168	
Creditors: amounts falling due within one year	19	(12,295)		(16,009)	
Net current assets			51,877		47,159
Total assets less current liabilities			647,147		588,034
Creditors: amounts falling due after more than one year	20	(460,042)		(426,725)	
Pension Liability	25	(8,668)		(8,106)	
			(468,710)		(434,831)
Net assets			178,437		153,203
Capital and reserves					
Income and expenditure reserve			178,437		153,203
Total funds			178,437		153,203

These financial statements were approved by the board on 23 June 2016 and signed on its behalf by:

John Barker
Chair

Michael Stancombe
Vice Chair

Patricia Morton
Company Secretary

Consolidated Statement of Changes in Equity

	Group		Association	
	Revenue reserve	Total equity	Revenue reserve	Total equity
	£000	£000	£000	£000
Balance at 1 April 2014 as previously reported	117,151	117,151	118,660	118,660
Effects of adoption of FRS 102	9,704	9,704	9,704	9,704
Balance at 1 April 2014 (restated)	126,855	126,855	128,364	128,364
Total comprehensive income for the period				
Surplus for the year	24,446	24,446	24,829	24,829
Actuarial (losses)/gains	10	10	10	10
Balance at 31 March 2015	151,311	151,311	153,203	153,203
Balance at 1 April 2015 (restated)	151,311	151,311	153,203	153,203
Total comprehensive income for the period				
Surplus for the year	24,529	24,529	24,834	24,834
Gift aid payments	-	-	-	-
Actuarial gains	400	400	400	400
Balance at 31 March 2016	176,240	176,240	178,437	178,437

Cash Flow Statement

	2016	2015 restated
	£000	£000
Cash flows from operating activities		
Operating surplus for the year	29,641	27,780
Depreciation of tangible fixed assets	9,258	7,942
Decrease in trade and other debtors	146	2,587
Increase in trade and other creditors	1,100	1,334
Grant amortisation	(412)	(406)
Increase / (Decrease) in provisions and employee benefits	761	(274)
Net cash flows from operating activities	**40,494**	**38,963**
Cash flows from investing activities		
Proceeds from sale of tangible fixed assets	6,162	4,667
Interest received	138	389
Acquisition of tangible fixed assets- Other	(345)	(1,608)
Proceeds from the receipt of government grants	3,895	3,579
Acquisition of investment property	(8,279)	(9,829)
Loans repaid by part equity owners	404	314
Capitalised development expenditure	(62,171)	(49,636)
Net cash from investing activities	**(60,196)**	**(52,124)**
Cash flows from financing activities		
Drawdown from loan facilities	30,000	15,000
Loan arrangement fees	(77)	(192)
Interest paid	(9,504)	(10,299)
Net cash from financing activities	**20,419**	**4,509**
Net increase/(decrease) in cash and cash equivalents	**717**	**(8,652)**
Cash and cash equivalents at 1 April 2015	34,781	43,433
Cash and cash equivalents at 31 March 2016	**35,498**	**34,781**

1. Notes to the accounts (forming part of the financial statements)

Accounting policies

The association is a public benefit entity. The financial statements of the Group and Association are prepared in accordance with Financial Reporting Standard 102 – The applicable financial reporting standard in the UK and Republic of Ireland (FRS102) and the Statement of Recommended Practice: Accounting by Registered Social Housing Providers Update 2014 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. On first time adoption of FRS 102, the Group has not retrospectively changed its accounting under old UK GAAP for derecognition of financial assets and liabilities before the date of transition, hedge accounting for any hedging relationships that no longer existed at the date of transition, accounting estimates or discontinued operations.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 32.

First time adoption of FRS 102

An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Group and Association is provided in note 33.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102 in the transition period. The following exemptions have been taken in these financial statements:

- Business combinations – Business combinations that took place prior to 31/03/2014 have not been restated.
- Lease incentives – for leases commenced before 31/03/2014 the Association continued to account for lease incentives under previous UK GAAP.

In accordance with Section 11 Basic Financial Instruments and Section 12 Other Financial Instruments of FRS102 that deal with recognising, derecognising, measuring and disclosing financial instruments, the Group has chosen to apply the requirements of FRS 102 Sections 11 and 12 and the presentation requirements, as appropriate, of 11.38A or 12.25B as permitted by paragraph 11.2(b) and 12.2(b).

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments classified at fair value through the profit or loss, investment property.

Basic financial instruments

Tenant Arrears, Trade and other debtors

Tenant Arrears, Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Trade and other creditors

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses. All loans held by the group have been treated as basic.

1. Notes to the accounts (continued)

Investments in subsidiaries

Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Tangible fixed assets include investment property whose fair value cannot be measured reliably without undue cost or effort.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Association assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described in note 27.

The Association assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Housing Properties

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the cost of acquiring land and buildings, directly attributable development costs, interest at the average cost of borrowing for the development period, and expenditure incurred in respect of improvements which comprise the modernisation and extension of existing properties. Shared ownership properties are included in housing properties at cost related to the percentage of equity retained, less any provisions needed for impairment or depreciation.

Depreciation

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each component part of housing properties. Land is not depreciated. The estimated useful lives are as follows:

Structure	100 years	Windows and doors	30 years
Roofs	60 years	Kitchens	20 years
Heating	12 years	Bathrooms	30 years
Lifts	25 years	Photovoltaics	25 years
Garages	30 years		

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Association expects to consume an asset's future economic benefits.

Non component works to existing properties

The amount of expenditure incurred which relates to an improvement, which is defined as an increase in the net rental stream or the life of a property, has been capitalised. Expenditure incurred on other major repairs, cyclical and day-to-day repairs to housing properties is charged to the income and expenditure account in the period in which it is incurred.

Interest capitalised

Interest on borrowings is capitalised to housing properties during the course of construction up to the date of completion of each scheme. The interest capitalised is either on borrowings specifically taken to finance a scheme or on net borrowings to the extent that they are deemed to be financing a scheme. This treatment applies irrespective of the original purpose for which the loan was raised. For the period ending 31st March 2016, interest has been capitalised at an average rate of 3.03% (2015: 3.71%) that reflects the weighted average effective interest rate on the Group's borrowings required to finance housing property developments.

Other fixed assets

Other tangible assets include those assets with an individual value in excess of £1,000.

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. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Freehold office buildings, leasehold office buildings	50 years
Other fixed assets	Between 3 and 25 years

Business combinations

The Association has elected not to restate business combinations that took place prior to the FRS 102 transition date (31/03/2014).

Social Housing Grant

Social housing grant (SHG) is initially recognised at fair value as a long term liability, specifically as deferred grant income and released through the income and expenditure as turnover income over the life of the structure of housing properties in accordance with the accrual method applicable to social landlords accounting for housing properties at cost.

On disposal of properties, all associated SHG is transferred to either the Recycled capital grant fund (RCGF) or the Disposal Proceeds Fund (DPF) until the grant is recycled or repaid to reflect the existing obligation under the social housing grant funding regime.

Investments in HomeBuy

Under the HomeBuy scheme, the Association receives Homebuy grant representing a percentage of the open market purchase price of a property in order to advance interest free loans to a homebuyer. The loans advanced by the Association meet the definition of concessionary loans and are shown as fixed assets investments on the balance sheet. The HomeBuy grant provided by the government to fund all or part of a HomeBuy loan has been recognised as a creditor due in more than one year.

Investment property

Investment properties are held at fair value and any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise. No depreciation is provided in respect of investment properties.

Properties held for sale and work in progress

Completed properties and properties under construction for open market sales are recognised at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Interest incurred is capitalised from the point of start on site and throughout the work in progress up to the point of practical completion of the development scheme. Assessing net realisable value requires use of estimation techniques. In making this assessment, management considers publicly available information and internal forecasts on future sales activity. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Impairment

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Association would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Association's non-financial assets, other than investment property, stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating

1. Notes to the accounts (continued)

unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the Association pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Association's net obligation in respect of defined benefit plans and other long term employee benefits is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted.

The Association determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Association's obligations. A valuation is performed every 3 years by a qualified actuary using the projected unit credit method. The Association recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability/ asset is recognised in other comprehensive income.

The Group participates in two defined benefit plans as set out below:

- Local Government Pension Scheme
- Social Housing Pension Scheme

The Social Housing Pension Scheme (SHPS) provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Group. The Group is unable to obtain sufficient information to use defined benefit accounting for this multi-employer plan, and accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period. To the extent that payments plans relate to funding a deficit, the contributions are recognised as a liability payable arising from the agreement with the multi-employer plan and results in a charge to the income and expenditure account. Where these payments are not expected to be settled within 12 months the liability is measured at the present value of the contributions payable.

Termination benefits

Termination benefits are recognised as an expense when the Association is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Association has made an offer of voluntary redundancy, it is probably that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Provisions

A provision is recognised in the balance sheet when the Association has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Turnover

Turnover represents rental and service charge income receivable (net of void losses), fees receivable, proceeds from first tranche sales of low-cost home ownership and from properties developed for open market sales, and amortisation of Social Housing Grant (SHG) under the accrual model. Rental income is recognised on the execution of tenancy agreements. Proceeds on sales are recognised on practical completions. Other income is recognised as receivable on the delivery of services provided.

Expenses

Cost of sales

Cost of sales represents the costs including capitalised interest and direct overheads incurred in the development of the properties, and marketing, and other incidental costs incurred in the sale of the properties.

Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in the statement of comprehensive income over the term of the lease as an integral part of the total lease expense.

Finance leases

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions. Borrowing costs that are directly attributable to the acquisition, construction or production of Housing Properties that take a substantial time to be prepared for use, are capitalised as part of the cost of that asset as incurred.

Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable are recognised in profit or loss as they accrues, using the effective interest method.

1. Notes to the accounts (continued)

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. For investment property that is measured at fair value, deferred tax is provided at the rates and allowances applicable to the sale of the property except when the investment property has a limited useful life and the objective of the Group's business model is to consume substantially all of the value through use. In the latter case the tax rate that is expected to apply to the reversal of the related difference is used.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Going concern

The Board confirms that we have adequate resources to continue operating for the foreseeable future.
For this reason, the Financial Statements have been prepared on a going concern basis.

2(a). Particulars of Group Turnover and Operating Surplus

	Group				Group			
	Year ended 31 March 2016				Year ended 31 March 2015 – (Restated)			
	Turnover	Cost of Sales	Operating Costs	Operating Surplus/ (Deficit)	Turnover	Cost of Sales	Operating Costs	Operating Surplus/ (Deficit)
	£000	£000	£000	£000	£000	£000	£000	£000
Social housing lettings	56,995	-	(31,424)	25,571	53,334	-	(28,413)	24,921
Other social housing activities								
First tranche shared ownership sales	12,988	(8,848)	-	4,140	12,648	(9,633)	-	3,015
Development services	-	-	(982)	(982)	-	-	(1,073)	(1,073)
Release of impairment provision for development projects	-	-	-	-	-	-	56	56
Non-social housing activities								
Lettings	1,272	-	(692)	580	984	-	(517)	467
Other	463	-	(131)	332	507	-	(113)	394
Total	**71,718**	**(8,848)**	**(33,229)**	**29,641**	67,473	(9,633)	(30,060)	27,780

2(a). Particulars of Group Turnover and Operating Surplus (continued)

	Association				Association			
	Year ended 31 March 2016				Year ended 31 March 2015 – (Restated)			
	Turnover	Cost of Sales	Operating Costs	Operating Surplus/ (Deficit)	Turnover	Cost of Sales	Operating Costs	Operating Surplus/ (Deficit)
	£000	£000	£000	£000	£000	£000	£000	£000
Social housing lettings	56,995	-	(31,424)	25,571	53,334	-	(28,413)	24,921
Other social housing activities								
First tranche shared ownership sales	12,988	(8,848)	-	4,140	12,648	(9,633)	-	3,015
Development services	-	-	(870)	(870)	-	-	(914)	(914)
Release of impairment provision for development projects	-	-	-	-	-	-	56	56
Non-social housing activities								
Lettings	1,272	-	(692)	580	984	-	(517)	467
Other	135	-	-	135	207	-	(3)	204
Total	**71,390**	**(8,848)**	**(32,986)**	**29,556**	67,173	(9,633)	(29,791)	27,749

2(b). Group & Association Income & Expenditure from lettings

For the year ended 31 March:	2016					2015
	General Needs	Supported Housing	Low Cost Home Ownership	Garages	Total	Total
	£000	£000	£000	£000	£000	£000
Turnover from letting activities						
Rents receivable net of identifiable service charges	49,773	121	2,555	1,226	53,675	49,888
Charges for support services	24	-	-	-	24	211
Service charge income	1,335	39	246	-	1,620	1,645
Amortised government grants	1,544	-	132	-	1,676	1,590
Rental income net of voids	52,676	160	2,933	1,226	56,995	53,334
Expenditure on letting activities						
Management	(4,747)	(8)	(725)	(25)	(5,505)	(4,852)
SHPS scheme re-measurement	(1,062)	-	(170)	-	(1,232)	(178)
Services	(2,150)	(32)	(62)	-	(2,244)	(2,091)
Support	(333)	-	-	-	(333)	(402)
Routine maintenance	(5,593)	(59)	-	(236)	(5,888)	(6,030)
Planned maintenance	(2,969)	-	-	-	(2,969)	(2,733)
Major repairs expenditure	(3,900)	-	-	-	(3,900)	(3,164)
Bad debts	(81)	(17)	(24)	-	(122)	(339)
Depreciation - housing properties	(8,144)	(14)	(648)	-	(8,806)	(8,624)
Accelerated depreciation on components	(447)		22	-	(425)	-
Operating costs on lettings	(29,426)	(130)	(1,607)	(261)	(31,424)	(28,413)
Operating surplus (on social housing lettings)	**23,250**	**30**	**1,326**	**965**	**25,571**	24,921
Losses from voids	(196)	(10)	(13)	(106)	(325)	(434)

3. Income and expenditure from non-social housing activities

	Group		Association	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Lettings				
Market Renting	**550**	232	**550**	232
Commercial rents	**434**	604	**434**	604
Leasehold service charges	**288**	148	**288**	148
	1272	984	**1272**	984
Other				
Income from feed-in tariff	**363**	337	**23**	18
Other	**100**	170	**112**	189
	463	507	**135**	207
Income from non-social housing activities	**1,735**	1,491	**1,407**	1,191

4. Housing properties

	Group	Group
	2016	2015
	No.	No.
Social housing accommodation		
General needs housing	7,089	6,823
Affordable rent	573	415
Supported housing and housing for older people	487	677
Low-cost home ownership	854	773
Intermediate market rent	125	135
	9,128	**8,823**
Non-social housing managed		
Leaseholders	490	458
Market rent	137	26
Student accommodation	-	-
Other shared Equity	73	128
Other landlords	-	-
Commercial	31	31
	731	**643**
Total housing stock	**9,859**	**9,466**
Garages and other non-habitable units	3,012	2,999
Total number of properties managed	**12,871**	**12,465**

5. Other income

	2016	2015
	£000	£000
Government grants amortised under the accruals method	1,676	1,590

6. Expenses and auditor's remuneration

Included in surplus for the year are the following:

	2016	2015
	£000	£000
Reversal of impairment loss on tangible fixed assets	(883)	(56)
Depreciation on housing properties	9,091	7,440
Depreciation on other fixed assets	580	641
Restructuring costs expensed as incurred	53	-
Surplus on sale housing properties	1,628	1,337
Surplus on sale of other fixed assets	(32)	-
Change in fair value of investments	2,815	1,718
Amounts receivable by the auditor in respect of:		
Audit of the consolidated financial statements	53	45
Other tax advisory services	8	4
Other assurance services	31	40

7. Staff numbers and costs

The average number of persons employed by the Group and Association during the year, expressed as full-time equivalents, was as follows:

	Group	Group
	2016	2015
	No.	No.
Chief Executive Department	8	8
Development and Sales	13	13
Finance and Information Technology	24	24
Human Resources, Facilities and Learning and Development	8	8
Customer Services and Neighbourhoods	59	60
Strategy	6	6
Home Team and Maintenance	58	59
	176	178

Staff costs (for the above persons)	2016	2015
	£000	£000
Wages and salaries	6,242	6,349
Social security costs	555	552
Other pension costs	563	691
	7,360	7,592

7. Staff numbers and costs (continued)

Employees earning over £60,000 (including all pay and benefits in kind but excluding pension contributions and any termination payments) fell into the following bands:

	Group	Group
	2016	2015
	No.	No.
£60,001 to £70,000	6	7
£70,001 to £80,000	3	3
£80,001 to £90,000	2	2
£90,001 to £100,000	1	1
£100,001 to £110,000	1	2
£110,001 to £120,000	-	-
£120,001 to £130,000	-	-
£130,001 to £140,000	-	-
£140,001 to £150,000	1	1
	14	16

8. Board members and Executive directors

	Group	Group
	2016	2015
	£000	£000.
Aggregate emoluments of directors (including benefits in kind)	490	510
Pension contributions in respect of services as directors	24	25
	514	535

Included in the directors' emoluments is £147,000 payable to the Chief Executive who is the highest paid director. The pension contributions paid on behalf of the Chief Executive were £7,915 (2015: £7,771). The Chief Executive is an ordinary member of the pension scheme and receives no enhanced or special terms.

8. Board members and Executive directors (continued)

Non-executive members of the Board received emoluments during the year totalling £52,031 (2015: £50,444). Board expenses of £2,487 (2015: £1,141) were incurred in the year.

	2016	2015
	£000	£000
Toby Rougier	4,912	4,815
Brian Etheridge	2,456	4,815
David French	6,712	4,815
Jane Cooke	6,712	4,815
Jane Earl	4,093	-
Jenneth Brocklebank	2,865	-
John Barker	12,001	11,766
Juliet Annesley-Gamester	4,912	4,815
Michael Stancombe	4,912	4,815
Robert Barton	2,456	4,815
William Hall	-	1,530
Richard Farry	-	1,913
Lynda Hance	-	1,530
	52,031	50,444

9. Surplus on disposal of fixed assets and other investments

	Group		Association	
	2016	2015	2016	2015
	£000	£000	£000	£000
Sales proceeds and allowances	5,458	4,981	5,458	4,981
Cost of sales - disposals	(2,896)	(3,079)	(2,880)	(3,079)
Cost of sales - loan redemptions	(405)	(314)	(405)	(314)
Transfer to DPF	(73)	(251)	(73)	(251)
Payments to Local Authorities on sales	(402)	-	(402)	-
Net administration costs	(86)	-	(86)	-
	1,596	1,337	1,612	1,337

10. Interest receivable and similar income

	Group		Association	
	2016	2015	2016	2015
	£000	£000	£000	£000
Interest receivable on financial assets at amortised cost	140	319	138	319
Interest receivable from group undertakings	-	-	356	380
Net interest income on defined benefit pension assets	290	360	290	360
Total interest receivable and similar income	430	679	784	1,059

11. Interest payable and similar charges Group and Association

	2016	2015
	£000	£000
Interest payable on financial liabilities at amortised cost	11,464	8,647
Less capitalised interest	(2,046)	(2,081)
Net interest expense on net defined benefit liabilities	501	464
Net interest on grant	16	4
Total other interest payable and similar charges	9,935	7,034

12. Housing Properties - Group

	Properties held for letting	Properties under construction for letting	Shared ownership properties under construction	Completed shared ownership	TOTAL
	£000	£000	£000	£000	£000
Historic Cost:					
As at 1 April 2015	456,811	52,167	20,976	54,577	584,531
Additions in the year	6,494	41,878	9,387	5	57,764
Completed in the year	37,220	(37,220)	(12,973)	12,973	-
Disposals in the year	(3,088)	-	-	(2,994)	(6,082)
As at 31 March 2016	497,437	56,825	17,390	64,561	636,213
Impairment:					
As at 1 April 2015	3,121	-	-	278	3,399
Release in the year	(855)	-	-	(28)	(883)
As at 31 March 2016	2,266	-	-	250	2,516
Depreciation:					
As at 1 April 2015	62,285	-	-	2,372	64,657
Charge in the year	8,528	-	-	563	9,091
Disposals in the year	(1,487)	-	-	(136)	(1,623)
As at 31 March 2016	69,326	-	-	2,799	72,125
Net book value:					
As at 31 March 2015	391,405	52,167	20,976	51,927	516,475
As at 31 March 2016	425,845	56,825	17,390	61,512	561,572

Housing properties are all held on freehold tenure except for 70, which are on long leases (2015: 70).

Cost of Group properties includes £14,098,000 (2015: £12,052,000) of interest capitalised. Interest capitalised during the year is disclosed in note 11. The capitalisation rate applied during the year was an average of 3.03% (2015: 3.71%).

In 2013 an impairment provision for the full net book value of £855k was made against 71 units due to be demolished as part of the New Horizons project. This project is now nearly complete and the impairment provision has been released in the year ended March 16.

As at 31st March 2016, 8,174 units with a net book value of £254m are subject to either a full or partial charge as security against long term finance.

12. Housing Properties - Association

	Properties held for letting	Properties under construction for letting	Shared ownership properties under construction	Completed shared ownership	TOTAL
	£000	£000	£000	£000	£000
Historic Cost:					
As at 1 April 2015	457,597	51,547	20,379	55,017	584,540
Additions in the year	6,580	41,051	8,975	7	56,613
Completed in the year	37,220	(37,220)	(12,973)	12,973	-
Disposals in the year	(3,088)	-	-	(2,994)	(6,082)
As at 31 March 2016	498,309	55,378	16,381	65,003	635,071
Impairment:					
As at 1 April 2015	3,121	-	-	278	3,399
Release in the year	(855)	-	-	(28)	(883)
As at 31 March 2016	2,266	-	-	250	2,516
Depreciation:					
As at 1 April 2015	62,285	-	-	2,372	64,657
Charge in the year	8,528	-	-	563	9,091
Disposals in the year	(1,487)	-	-	(136)	(1,623)
As at 31 March 2016	69,326	-	-	2,799	72,125
Net book value:					
As at 31 March 2015	392,191	51,547	20,379	52,367	516,484
As at 31 March 2016	426,717	55,378	16,381	61,954	560,430

13. Other fixed assets Group and Association

	Group				
	Association				
	Leasehold offices	Other	Association	Photovoltaics	Total Group
	£000	£000	£000	£000	£000
Restated at 1 April 2015	4,700	3,092	7,792	2,849	10,641
Additions	56	289	345	-	345
Transfers to investment properties	(339)	-	(339)	-	(339)
Disposals	(28)	(1,354)	(1,382)	(18)	(1,400)
As at 31 March 2016	4,389	2,027	6,416	2,831	9,247
Impairment:					
Restated at 1 April 2015	16	-	16	-	16
Transfers to investment properties	(16)	-	(16)	-	(16)
As at 31 March 2016	-	-	-	-	-
Depreciation:					
Restated at 1 April 2015	1,355	2,109	3,464	393	3,857
Charge for year	194	273	467	113	580
Transfers to investment properties	(239)	-	(239)	-	(239)
Disposals	(2)	(1,260)	(1,262)	(3)	(1,265)
As at 31 March 2016	1,308	1,122	2,430	503	2,933
Net book value:					
As at 31 March 2016	3,081	905	3,986	2,328	6,314
As at 31 March 2015	3,329	983	4,312	2,456	6,768

14. Investment property Group and Association

	2016	2015
	£000	£000
Balance at 1 April 2015	16,746	5,199
Additions	8,278	9,829
Transfer from tangible fixed assets	84	-
Net gain from fair value adjustments	2,817	1,718
Balance at 31 March 2016	27,925	16,746

Investment properties include market rented residential properties and rented commercial properties owned and managed by the Association. All investment properties have been valued by qualified external valuers. The Association has no liability for enhancement or additional construction other than the routine maintenance of the properties.

15. Fixed asset investments

Group and Association	2016			2015		
	Homebuy	SHI	Total	Homebuy	SHI	Total
Loans						
As at 1 April	3,131	202	3,333	3,395	252	3,647
Repaid in the year	(404)	-	(404)	(264)	(50)	(314)
As at 31 March	2,727	202	2,929	3,131	202	3,333

Equity investments are loans made to enable people to purchase homes under the 'Homebuy' scheme and the Starter Home Initiative'. They do not attract interest, but as there is a charge over the property they are repayable on the sale of the property.

16. Properties held for sale

	Group		Association	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Open market sales				
- Completed	**-**	-	-	-
- In the course of construction	**6,621**	-	-	-
Low cost home ownership				
- Completed	**483**	343	**483**	343
- In the course of construction	**14,369**	19,134	**13,485**	14,879
	21,473	19,477	**13,968**	15,222

17. Debtors

	Group		Association	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Current tenant arrears	**1,264**	1,240	**1,264**	1,240
Less provision for bad and doubtful debts	**(261)**	(43)	**(261)**	(43)
	1,003	1,197	**1,003**	1,197
Former tenant arrears	**687**	461	**687**	461
Less provision for bad and doubtful debts	**(687)**	(461)	**(687)**	(461)
	-	-	**-**	-
Interest receivable	**10**	84	**10**	84
Prepayments and accrued income	**2,071**	3,617	**1,191**	3,498
Amounts due from group undertakings	**-**	-	**13,600**	8,850
	3,084	4,898	**15,804**	13,629
Due within one year	**3,084**	4,898	**15,804**	13,629
Due after more than one year	**-**	-	**-**	-
	3,084	4,898	**15,804**	13,629

18. Cash and cash equivalents/ bank overdrafts

	Group		Association	
	2016	2015	2016	2015
	£000	£000	£000	£000
Cash at bank and in hand	35,498	34,781	34,400	34,317
Total cash and cash equivalents	35,498	34,781	34,400	34,317

19. Creditors: amounts falling due within one year

	Group		Association	
	2016	2015	2016	2015
	£000	£000	£000	£000
Trade creditors	2,252	2,778	1,811	2,567
Amounts owed to group undertakings	-	-	304	1,428
Taxation and social security	62	-	56	-
Other creditors	4,527	4,070	3,591	4,070
Accruals and deferred income	4,992	7,714	4,575	6,204
Rents in advance	1,122	1,125	1,122	1,125
Recycled capital grant fund (note 21)	736	615	736	615
Disposal proceeds fund (note 22)	77	-	77	-
Interest accrual/financial interest	23	-	23	-
	13,791	16,302	12,295	16,009

20. Creditors: amounts falling due after more than one year

	Group		Association	
	2016	2015	2016	2015
	£000	£000	£000	£000
Bank loans – see note 23	297,152	266,667	297,152	266,667
Accruals and deferred income	996		996	
Deferred Government grant	170,573	167,573	170,573	167,573
Accumulated amortisation of government grant	(13,258)	(11,582)	(13,258)	(11,582)
Grant on Homebuy equity loans	1,516	1,866	1,516	1,866
Recycled capital grant fund (note 21)	2,652	1,776	2,652	1,776
Disposals proceeds fund (note 22)	411	425	411	425
	460,042	426,725	460,042	426,725

21. Recycled capital grant fund

	2016	2015
	£000	£000
As at 1 April:	2,391	1,779
Grant recycled	1,599	1,035
Interest accrued	14	4
Applied to new build	(616)	(427)
As at 31 March	3,388	2,391

Due within 1 year (note 19)	736	615
Falling due after more than one year (note 20)	2,652	1,776
	3,388	2,391

There are no amounts over three years old where repayment is required.

22. Disposals Proceeds Fund

	2016	2015
	£000	£000
As at 1 April:	425	77
Grant recycled	61	348
Interest accrued	2	-
As at 31 March	488	425

Due within 1 year (note 19)	77	-
Falling due after more than one year (note 20)	411	425
	488	425

There are no amounts over three years old where repayment is required.

23. Interest-bearing loans and borrowings

All loans and borrowings are measured at amortised cost using the effective interest rate method, including those that have embedded derivative financial instruments attached to them whereby the embedded derivative is deemed to be closely related to the host contract.

All loans are secured by way of a first fixed charge over housing properties.

Secured bank loans

	Nominal interest rate	Year of maturity	Repayment schedule	Loan carrying value	
				2016	2015
				£000	£000
Syndicated loan	1.73%	2038	2033-2038	121,302	110,454
THFC	2.44%	2029	2029	9,005	9,192
Yorkshire	1.92%	2034	2020-2034	50,212	50,209
Barclays Bilateral	5.34%	2040	2031-2040	5,274	5,292
Great West life	4.57%	2032	2032	15,218	15,237
Legal and General	5.06%	2044	2044	15,293	15,302
Prudential M&G	5.06%	2044	2044	45,881	45,905
AHF bond	3.70%	2043	2043	15,061	15,076
AHF loan	2.37%	2046	2026-2046	19,906	
				297,152	266,667

24. Taxation

Current tax

	2016		2016	
	£000	£000	£000	£000
Current tax on income for the period	-		-	
Adjustments in respect of prior periods	-		-	
Total current tax		-		-

Deferred tax

	2016		2016	
	£000	£000	£000	£000
Origination and reversal of timing differences	21		34	
Adjustments in respect of prior period	3			
Change in tax rate	(4)			
		20		34
Total tax		20		34

24. Taxation (continued)

Analysis of (Charge) in period

	2016			2015		
	£000	£000	£000	£000	£000	£000
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in statement of comprehensive income	-	(20)	(20)	-	(34)	(34)
Recognised in other comprehensive income	-	-	-	-	-	-
Recognised directly in equity	-	-	-	-	-	-
Total tax	-	(20)	(20)	-	(34)	(34)

Reconciliation of effective tax rate

	2016	2015
	£000	£000
Taxable profit for the year after taxation	99	423
Total tax expense	20	34
Taxable profit excluding taxation	119	457

Tax using the UK corporation tax rate of 20 % (2015: 21 %)	24	93
Reduction in tax rate on deferred tax balances	(6)	-
Under / (over) provided in prior years	2	(59)
Total tax expense included in profit or loss	20	34

Surpluses to date made in the Association are not taxable activities.

Deferred tax assets and liabilities are attributable to the following:

	Liabilities	
	2016	2015
	£000	£000
Accelerated capital allowances	116	82
Unused tax losses	(62)	(48)
Tax liabilities	54	34

The group also has unrecognised gross tax losses of £344,653 (2015: £222,449). Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the group's future current tax charge accordingly. The deferred tax liability at 31 March 2016 has been calculated based on these rates

25. Employee benefits

Group and association pension liability

	2016	2015
	£000	£000
Hampshire Local Government Pension Scheme	3,900	4,170
Social Housing Pension Scheme	4,768	3,936
	8,668	8,106

Further details of each scheme are outlined below.

Employee benefits – Local Government Pension Scheme

The following information relates to the Association's participation in the Local Government Pension Scheme, provided by Hampshire County Council – a defined benefit plan. The scheme was subject to a full actuarial valuation on 31 March 2013.

	2016	2015
	£m	£m
Defined benefit obligation	(12.89)	(13.74)
Plan assets	8.99	9.57
Net pension (liability)	(3.90)	(4.17)

Movements in present value of defined benefit obligation

	2016	2015
	£m	£m
At 1 April 2015	13.74	12.81
Current service cost	0.02	0.02
Interest expense	0.43	0.53
Remeasurement: actuarial (gains)/ losses	(0.55)	0.86
Benefits paid	(0.75)	(0.48)
At 31 March 2016	12.89	13.74

Movements in fair value of plan assets

	2016	2015
	£m	£m
At 1 April 2015	9.57	8.79
Interest income	0.29	0.36
Remeasurement: return on plan assets less interest income	(0.15)	0.87
Contributions by employer	0.03	0.03
Benefits paid	(0.75)	(0.48)
At 31 March 2016	8.99	9.57

25. Employee benefits (continued)

Expense recognised in the statement of comprehensive income

	2016	2015
	£m	£m
Current service cost	0.02	0.02
Interest on net defined benefit liability	**0.14**	0.17
	0.16	0.19

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

	2016	2015
	%	%
Equities	**56.3**	57.8
Property	**8.2**	8.0
Government Bonds	**25.7**	25.4
Corporate Bonds	**2.1**	1.6
Cash	**4.7**	3.7
Other	**3.0**	3.5
	100.0	100.0

Actual return on assets:

	2016	2015
	%	%
Interest income on assets	**0.29**	0.36
(Loss)/gain on assets	**(0.15)**	0.87
	0.14	1.23

Principal actuarial assumptions

The following assumptions are expressed as weighted averages

	2016	2015
	%	%
Discount rate	3.3	3.2
RPI inflation	2.8	2.9
CPI inflation	1.7	1.8
Pension increases and accounts revaluation rate	1.7	1.8
Salary increases	3.2	3.3

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on recent actual mortality experience of members within the Fund and allow for expected future mortality improvements. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 24.6 years (male), 26.4 years (female).
- Future retiree upon reaching 65: 26.7 years (male), 28.7 years (female).

25. Employee benefits (continued)

Employee Benefits – Social Housing Pension Scheme

The Social Housing Pension Scheme is a defined benefit scheme. It is not possible to identify the Assocation's share of the scheme assets or liabilities. The following costs were recognised in the statement of comprehensive income for the year:

	2016	2015
	£000	£000
Interest expense	71	116
Remeasurement - impact of any change in assumptions	(28)	178
Remeasurement -amendments to the contribution schedule	1,260	-
	1,303	294

The Association contributes to a recovery plan and the present value of the Association's obligation is shown below:

	2016	2015
	£000	£000
At 1 April 2015	3,936	4,094
Interest expense	71	116
Contributions paid	(471)	(452)
Remeasurement - impact of any change in assumptions	(28)	178
Remeasurement -amendments to the contribution schedule	1,260	-
At 31 March 2016	4,768	3,936

26. Capital and reserves

Non-equity share capital

	2016	2015
	£	£
As at 1st April	33	35
Issued during the year	2	2
Cancelled During the year	(13)	(4)
As at 31st March	22	33

These shares carry no entitlement to dividend, are not repayable and do not participate in winding up.

27. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2016	2015
	£000	£000
Less than one year	267	170
Between one and five years	773	870
More than 5 years	1,800	1,980
	2,840	3,020

During the year £327k was recognised as an expense in the statement of comprehensive income in respect of operating leases (2015: £326k).

28. Capital commitments

	2016	2015
	£	£
Capital expenditure that has been contracted but is not recognised in the financial statements	98,307	84,761
Capital expenditure that has been authorised by the Board but not yet been contracted	33,568	73,159
Total Capital Commitments	131,875	157,920

29. Contingent liabilities

In 2013 the Association purchased 68 social housing units in the Basingstoke area from Places for People, another public benefit entity. Associated with these assets is contingent liability for grant totalling £877k. This contingent liability is not shown on the balance sheet.

30. Related parties

Vestal Developments Limited

Vestal Developments Limited (Vestal) carries out development activity on behalf of Sentinel Housing Association. Sentinel provides management support to Vestal and loan finance under a separate Loan Agreement. Vestal also licences roof space from Sentinel for its photo-voltaic cells. All these transactions are on normal commercial terms transacted at arms length. The amounts transacted between the parties in respect of these relationships are set out below:-

	2016	2015
	£	£
Charges from Sentinel to Vestal		
Management fees	120	140
Roof Licence	12	10
Interest	356	380
Charges from Vestal to Sentinel		
Fees for development projects	404	793
Electricity supplied	12	10

Resident board members

Two of the board members who served during the year (Juliet Annesly-Gamester and Jenneth Brocklebank) are tenants of the Association. Rent received from these board members were under the same terms and conditions as applied to other tenants of the Association.

31. Subsequent events

As at the date of signing there have been no events which would materially affect future incomes or valuations held on the balance sheet.

32. Accounting estimates and judgements

The valuation of housing properties under construction are independently verified by employers' agents.

Including open market sale into our mix of products increases our exposure to fluctuations in the housing market. A collapse of the housing market could reduce future surpluses in the short term but the opportunity to change the tenure to rental units exists and the directors consider that revenues would be recovered in the longer term.

Valuations of investment properties have been provided by appropriately qualified independent valuers. The market values of those properties are subject to market fluctuations.

The directors performed a full impairment review on the Association's housing properties following the budget announcement on the 8th July 2015. Using our latest development assumptions we calculated the potential cost to replace these assets. Depreciation was then calculated on this replacement cost on a straight line basis from the point of the Association acquired these assets, giving the depreciated replacement cost value (DRC). The DRC was then compared to current net book value in the statement of financial position. The directors consider that there is not a case to impair the value of the housing stock at the balance sheet date.

33. Implementation FRS 102

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31st March 2016 and the comparative information presented in these financial statements for the year ended 31st March 2015.

In preparing its balance sheet, the Association has adjusted amounts reported previously in financial statements prepared in accordance with UK GAAP. An explanation of how the transition from UK GAAP to FRS 102 has affected the Association's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

Effect of transition on Association balance sheet

		31-Mar-14			31-Mar-15		
		UK GAAP	Transition	FRS 102	UK GAAP	Transition	FRS 102
	Note	£000	£000	£000	£000	£000	£000
Fixed assets							
Tangible fixed assets	a	324,752	156,843	481,595	374,901	162,641	537,542
Investments	b	1,635	2,012	3,647	1,467	1,866	3,333
		326,387	158,855	485,242	376,368	164,507	540,875
Current assets							
Stocks		15,267	-	15,267	15,222	-	15,222
Debtors (due with one year)	c	15,601	9	15,610	13,403	226	13,629
Cash at bank and in hand		43,234	-	43,234	34,317	-	34,317
		74,102	9	74,111	62,942	226	63,168
Creditors: amounts due within one year	d	(15,669)	2,686	(12,983)	(18,714)	2,705	(16,009)
Net current assets		58,433	2,695	61,128	44,228	2,931	47,159
Creditors: amounts falling due after more than one year	e	(262,140)	(147,752)	(409,892)	(277,228)	(149,497)	(426,725)
Provisions for liabilities							
Pension liability	f	(4,020)	(4,094)	(8,114)	(4,170)	(3,936)	(8,106)
Net assets		118,660	9,704	128,364	139,198	14,005	153,203
Capital and reserves							
Called up share capital		-	-	-	-	-	-
Comprehensive Income		118,660	9,704	128,364	139,198	14,005	153,203
Shareholders' equity		118,660	9,704	128,364	139,198	14,005	153,203

Effect of transition on Association statement of income and expenditure

		31-Mar-15		
		UK GAAP	Transition	FRS 102
	Note	£000	£000	£000
Turnover	g	65,583	1,590	67,173
Cost of sales	h	(9,373)	(260)	(9,633)
Gross profit		56,210	1,330	57,540
Administrative expenses	i	(29,226)	(565)	(29,791)
Operating surplus		26,984	765	27,749
Gain/loss recognised on disposal of assets		1,337	-	1,337
Other interest receivable and similar income	j	699	360	1,059
Amounts written off investments		-	-	-
Interest payable and similar charges	k	(8,322)	1,288	(7,034)
Fair value adjustments on investment properties	l	-	1,718	1,718
Profit/[loss] on ordinary activities before taxation		20,698	4,131	24,829
Actuarial(loss) in respect of pension schemes	m	(160)	170	10
Surplus for the year		20,538	4,301	24,839

Transition adjustments to the Association statement of financial position

	Note	31-Mar-14 £000	31-Mar-15 £000
Adjustments to tangible fixed assets	a		
Reclassification of grant to creditors		162,352	167,533
Increased depreciation - for the value previously netted against grant.		(7,329)	(8,513)
Shops - fair value adjustment.		1,033	957
Commercial office - fair value adjustment.		787	2,664
		156,843	162,641
Adjustment to investment	b		
Reclassification of grant to creditors		2,012	1,866
Adjustment to Debtors	c		
Fees paid in advance		9	226
Adjustments to Creditors	d		
Instatement of Holiday accrual		(48)	(68)
Restate interest accruals balances from short term creditors to roll into financial instrument balances		2,734	2,795
Accrued arrangement fees on financial instruments		-	(22)
		2,686	2,705
Adjustments to Creditors over 12 months	e		
Reclassification of grant to creditors		(162,352)	(167,533)
Additional amortisation of grant previously allocated against land, and not netted off against depreciation		2,663	3,069
Amortisation of grant previously netted off against depreciation.		7,329	8,513
Adjustment to financial instruments restatement of value using effective interest		9,354	11,115
Adjustment from long-term to short-term financial instruments		(2,734)	(2,795)
Reclassification of shared equity grant to long term creditors		(2,012)	(1,866)
		(147,752)	(149,497)
Adjustment of pension provision	f		
Recognition of SHPS pension deficit		(4,094)	(3,936)
		(4,094)	(3,936)

33. Implementation FRS 102 (continued)

Transition adjustments to the Association statement of financial position

	Note	31-Mar-15 £000
Adjustments to Turnover	g	
Additional amortisation of grant due previously allocated to land.		406
Amortisation of grant previously netted against depreciation.		1,184
		1,590
Adjustment to cost of sales	h	
Legal and professional fees attributable to the sales of LCHO transferred from operating costs		(260)
Adjustments to Administration	i	
Increase in depreciation charge previously netted against grant amortisation		(1,184)
Increase in holiday accrual		(20)
Legal and professional fees attributable to sales of LCHO transferred to COS		260
Removal of depreciation on investment properties		83
Contributions paid to SHPS off set against long term creditor		274
Reallocation of cost from financial instrument calculation		22
		(565)
Adjustment to interest receivable	j	
Change to interest on pensions		360
Adjustments to interest payable and similar charges	k	
Adjustment to financial instruments		1,934
Pension SHPS interest charge recognition		(646)
		1,288
Adjustment to fair value adjustments	l	
Revaluation of investment properties		1,718

All adjustments shown above relate to both the Association and the Group and are not eliminated out on consolidation.

Sentinel

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