RP number: L0659

Places for People Homes Limited

Financial Statements

For the year ending 31 March 2018

CONTENTS

Board of Management	**Non Executives**	
	C Phillips	Chairman
	M Brodtman	
	A Cleal	(appointed 1 October 2017)
	N Hopkins	
	G Kitchen	(appointed 1 October 2017)
	L Lackey	
	A Davis	(resigned 30 September 2017)
	C Garner	(resigned 30 September 2017)
	Executives	
Group Chief Executive	D Cowans	
Group Executive Director, Affordable Housing	P Egan	
Group Executive Director, Finance	A Winstanley	

Secretary
C Martin

Registered Office
80 Cheapside
London
EC2V 6EE

Bankers
Barclays Bank Plc
38 Fishergate
Preston
PR1 2AD

Registered Auditors
KPMG LLP
15 Canada Square
London
E14 5GL

Registration of the Association
The Association is registered under the Co-operative and Community Benefit Societies Act 2014 (Registered number 19447R) and the Housing and Regeneration Act 2008 (Number L0659). It is also affiliated to the National Housing Federation.

Report of the Board

The board of Directors is pleased to present its report and the audited financial statements for the year ended 31 March 2018.

Nature of the Association

Places for People Homes Limited is a not-for-profit Registered Society and registered provider of social housing whose primary business is the provision of housing at affordable rents for those in most need. In addition, the Association provides market rented housing and develops low-cost housing for sale and offers open market sales on mixed tenure developments.

Results

The Association's surplus for the year before taxation was £45.7m (2017: £25.0m). £64.7m (2017: £54.5m) was spent on additional housing and £83.9m (2017: £58.9m) was reinvested in stock through maintenance, major repairs and improvements.

The Association's key performance indicators and principal risks and uncertainties are aligned with those of the ultimate parent undertaking, Places for People Group Limited, and are included in the consolidated Group accounts.

The Association's strategy is aligned to that of the parent company Places for People Group Limited, as such the Financial Viability Statement and Value for Money information appropriate to the Association can be found in the Group financial statements that can be obtained from the Group's registered office at 80 Cheapside, London, EC2V 6EE.

Review of the year

The turnover for the Association in the year ending 31 March 2018 was £280.4m (2017: £357.8m). Although turnover has reduced in the year ending 31 March 2018, the operating margin has improved from 31.3% to 43.4% and the operating margin of social housing lettings has grown to 48.7% from 42.3% in the previous year. The reduction in turnover is due to a larger volume of development for sale activity in 2017, predominantly due to the Queen's Park development.

Future Developments

The Association had 553 units under development at the year end which included 77 units as part of the first phase of the Marlborough Park (Swindon) development which incorporates the use of innovative modular building techniques. There were 222 units in development in Edinburgh across the Urban Eden phase 2 and Granton Waterfront developments and 173 units being developed across 2 sites in Milton Keynes. It is anticipated that a further £73.1m (2017: £29.8m) will be spent across all developments.

Customer Participation

A comprehensive set of structures exists to ensure that there is effective communication between the Association and its customers.

Internal Control

The Group Board has reviewed the effectiveness of the system of internal control for the year ended 31 March 2018 and up to the date of signing these financial statements. It has not identified any weaknesses which resulted in material losses or contingencies or other uncertainties which require disclosure in the financial statements.

Board and Committee Structure

The board of Directors of Places for People Group ("the Group") is responsible for setting strategies and budgets for the whole Group and co-ordinating the Group's activities. Places for People Group Limited exercises control over Places for People Homes Limited through an Independence and Responsibilities Agreement, a Service Level Agreement and powers granted to Places for People Group Limited in Places for People Homes Limited rules.

The Group board has delegated certain matters to committees of the board of Places for People Group. Reporting to the Group board on Group issues are the Audit & Risk Committee, Nominations & Governance Committee and Remuneration Committee.

Corporate Governance

The Association has complied with the UK Corporate Governance Code (2016 version) except for Code provisions B.7 and E1, and aspects of C.3 and D.2 that contemplate dialogue with external shareholders or decisions being referred to shareholders on matters of director appointments, auditor appointments, existence of an entity-level Audit and Risk Committee, Remuneration Committee, Nominations & Governance Committee and Treasury Committee and director remuneration and the use of the AGM to communicate with investors. The reason for this is that the Association does not have external shareholders in the sense contemplated by the Code and therefore it addresses the need for scrutiny and evaluation through the board or an appropriate committee of the board and it engages with investors directly and through an annual investors forum. In relation to committee structures, see the paragraph below which explains how the Association relies on the Group-level committees for these relevant functions.

The Group Annual report contains a Governance report that details the governance arrangements of the Group, and how the Code is applied at a Group level.

The Group has an Audit & Risk Committee, a Remuneration Committee, a Nominations & Governance Committee and a Treasury Committee. The remit of those committees extends to the Association and its business. The committees draw members from and report to the Group Board and there are members (non-executive and executive) of the Group Board who are also members of the board of the Association, ensuring that information from the committees can reach the Association's board. In this way, the provisions of the Code are met in respect of the Association.

The directors consider the report and accounts, taken as a whole, to be fair, balanced and understandable.

Viability Statement

While the financial statements have been prepared on a going concern basis, the UK Corporate Governance Code requires the directors to make a statement with regard to the viability of the Group. The Group's strategic plan covers a 10-year period, over which the directors have made assumptions regarding the Group's revenues, operating costs and cash requirements.

The projections for the first three years of the plan are based on current opportunities and an expectation of the rental incomes for the Group. There is inherently less certainty in the projections from year four to ten. The Group directors have therefore determined that three years is an appropriate period of the viability statement.

In assessing the Group's prospects and resilience, the directors produced projections which considered the Group's current business position and risk appetite. The projections also included the rent reductions imposed by the Government on social housing rents together with the Group's mitigating actions to reduce costs. A rigorous stress testing exercise was undertaken on the Group's projections which included a review of the impact of further rent reductions and a downturn in the development market. This exercise confirmed the Group would continue to be able to settle projected liabilities as they fall due over a three-year period.

Having assessed the prospects of the Group and the principal risks as outlined in the Directors' Report of the Group financial statements, the Group directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to March 2021.

The Group assessment of viability includes consideration of the Association's viability within the same timescales.

Compliance with the Regulator of Social Housing's Governance and Financial Viability Standard

The Association has assessed the position and confirms that it has complied with The Regulator of Social Housing's Governance and Financial Viability Standard.

Statement of Disclosure to the Auditors

At the time of approval of this report:

a) so far as the Board Members are aware, there is no relevant audit information of which the Association's auditor is unaware, and

b) the Board Members have taken all steps that they ought to have taken as Board Members in order 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 in respect of the Board's report and the financial statements

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

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

By order of the Board

C Martin
Secretary

19 July 2018

Independent auditor's report

to the members of Places for People Homes only

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of Places for People Homes ("the Association") for the year ended 31 March 2018 set out on pages 10 to 43. In our opinion the financial statements:

— give a true and fair view of the state of the Association's affairs as at 31 March 2018 and of the Association's income and expenditure for the year then ended;

— have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and

— have been prepared in accordance with the requirements of the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015 .

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview		
Materiality: Association financial statements as a whole	£2.9m (2016/17:£2.6m) 1.0% (2016/17: 0.7%) of Association total revenues	
Coverage	100% (2016/17: 100%) of Association turnover	
Risks of material misstatement		**vs 2016/17**
Recurring	Recoverable amount of development programme schemes and associated land	◄►

2. Key audit matters: our assessment of risks of material misstatement

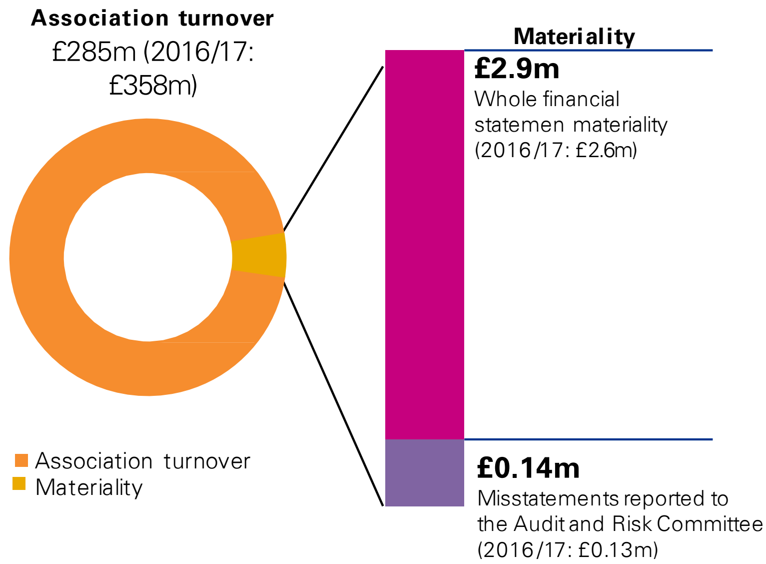
Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

	The risk	Our response
Recoverable amount of development programme schemes and associated land Carrying value of assets under construction = £10.1 million (2017: £30.1 million) and carrying value of stock = £82.4 million (2017: £64.2 million) *Refer to page 4 (Corporate Governance section of Report of the Board), pages 14 to 18 (accounting policies) and pages 25 and 28 (financial disclosures)*	**Forecast-based valuation** The Association's development programme continues to increase in line with the strategy, and includes a significant portfolio of properties developed for commercial sale and rent, the recoverable amount of which has been potentially affected by changing market conditions during the year. The Association has appraisal models in place to determine the recoverable amount of each development scheme (and help identify any potential impairment risks), which include a number of subjective assumptions, such as rental income, tenure mix, cost inflation and the market value of properties. The Directors review the assumptions and update the models of the development appraisals regularly, and at the year end, to determine the recoverable amount of the assets. The Directors also consider whether there are any additional impairment triggers (e.g. change in market conditions, defects to schemes etc) and calculate any impairments that may be necessary across the development portfolio (including land elements). If the assumptions or underlying data used are incorrect there is a risk that development land and assets will be valued incorrectly and any corresponding impairment charge misstated.	Our procedures included: **Methodology choice** — Assessment of the land appraisal models that are used to determine the scheme carrying values to check that these are consistent with our sector knowledge and, where appropriate, consistent with the methodology choice used in the previous year. **Benchmarking assumptions** — Assessment of the assumptions that have been used to underpin the land appraisal models to assess their appropriateness including consideration of the planned tenure mix for the development scheme being considered, and comparison of key assumptions (e.g. market value of properties, cost inflation, rental assumptions) to current third party online data, including appropriate online indexes (e.g. the Building Cost Information Service index). **Our sector experience** — Consideration of the Directors' assessment of whether there has been an impairment indicator and assessment of this based on other evidence obtained during the audit including the sales performance of schemes and market indicators. **Tests of details** — Agreeing the underlying data used in the appraisal models, including consideration of the sales history and costs incurred during the 2017/18 financial year, back to sales certification documentation and other third party documentation, such as invoices.

3. Our application of materiality and an overview of the scope of our audit

The materiality for the Association financial statements as a whole was set at £2.9 million (2017: £2.6 million), determined with reference to a benchmark of Association total revenue, of which it represents1.0% (2017: 0.7%). We consider total turnover to be the most appropriate benchmark as the Association is a not-for-profit organisation, therefore the focus is on turnover and any surplus generated is variable and reinvested.

We reported to the Audit & Risk Committee any corrected or uncorrected identified misstatements exceeding £143,000 (2017: £128,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.



4. We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015 .

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within viability statement on page 4 that they have carried out a robust assessment of the principal risks facing the Association, including those that would threaten its business model, future perform ance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Association, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Association will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary to assess the Association's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee.

We have nothing to report in these respects.

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6. We have nothing to report on the other matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required 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.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 5, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

Andrew Sayers (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, Canary Wharf, London, E14 5GL

20 July 2018

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience, through discussion with the directors and other management (as required by auditing standards).

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statements items.

In addition we considered the impact of laws and regulations in the specific areas of health and safety, liquidity and certain aspects of legislation recognising the nature of the Association's activities. With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the directors and other management. We considered the effect of any known or possible non-compliance in these areas as part of our procedures on the related financial statements items.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Association's members, as a body, 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's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

KPMG

	Notes	2018 £m	2017 £m
Turnover	2	**280.4**	357.8
Cost of sales	2	**(28.1)**	(101.4)
Operating costs	2	**(130.6)**	(144.3)
Operating surplus before interest	2	**121.7**	112.1
Gain on revaluation of investment properties	13	**3.4**	0.2
Surplus/(loss) on sale of fixed assets	4	**5.6**	(0.4)
Interest receivable and similar income	7	**13.9**	13.1
Interest payable and similar charges	8	**(98.9)**	(100.0)
Surplus on ordinary activities before taxation		**45.7**	25.0
Tax on surplus on ordinary activities	10	**(7.7)**	(0.5)
Surplus for the year		**38.0**	24.5
Fair value gain/(loss) on interest rate and currency swaps		**5.6**	(7.8)
Deferred tax on interest rate and currency swaps	10	**(1.9)**	1.3
Actuarial loss recognised in the pension scheme	26	**(3.3)**	(12.7)
Deferred tax arising on pension scheme	10	**(2.7)**	5.1
Total comprehensive income for the year		**35.7**	10.4

The notes on pages 14 to 43 form an integral part of these financial statements.

The financial statements on pages 10 to 43 were approved by the Board on 19 July 2018, and signed on its behalf by:

C Phillips	**D Cowans**	**C Martin**
Chairman	**Board Member**	**Secretary**

	Notes	2018 £m	2018 £m	2017 £m	2017 £m
Fixed assets					
Housing properties - depreciated cost	11		**1,759.6**		1,469.9
Fixed asset investments	13	**1,265.6**		1,117.4	
HomeBuy	14	**63.0**		71.7	
			1,328.6		1,189.1
Other fixed assets	12		**34.8**		36.3
Total fixed assets			**3,123.0**		2,695.3
Current assets					
Stock	15	**82.4**		64.2	
Debtors: amounts falling due after more than one year	16	**13.6**		31.6	
Debtors: amounts falling due within one year	17	**56.4**		50.1	
Investments	18	**22.2**		11.1	
Cash at bank and in hand		**15.1**		33.9	
		189.7		190.9	
Creditors: amounts falling due within one year	19	**(223.9)**		(230.3)	
Net current liabilities			**(34.2)**		(39.4)
Total assets less current liabilities			**3,088.8**		2,655.9
Creditors: amounts falling due after more than one year	20	**2,904.9**		2,506.6	
Provisions for liabilities and charges	22	**0.5**		1.1	
			2,905.4		2,507.7
Pension liability	26		**6.7**		7.2
Capital and reserves					
Income and expenditure reserve excluding pension liability		**183.4**		148.2	
Pension liability		**(6.7)**		(7.2)	
Income and expenditure reserve including pension liability			**176.7**		141.0
Total capital and reserves			**3,088.8**		2,655.9

The notes on pages 14 to 43 form an integral part of these financial statements.

The financial statements on pages 10 to 43 were approved by the Board on 19 July 2018, and signed on its behalf by:

C Phillips
Chairman

D Cowans
Board Member

C Martin
Secretary

Places for People Homes Limited
Statement of Changes in Reserves
For the year ending 31 March 2018

	Total Reserves £m
Balance at 1 April 2017	**141.0**
Total comprehensive income for the year	
Surplus for the year	**38.0**
Fair value gain on interest rate and currency swaps	**5.6**
Deferred tax on interest rate and currency swaps	**(1.9)**
Actuarial loss recognised in the pension scheme	**(3.3)**
Deferred tax arising on pension scheme	**(2.7)**
Balance at 31 March 2018	**176.7**

Places for People Homes Limited
Statement of Cash Flows
For the year ending 31 March 2018

	2018	2017
	£m	£m
Net cash flow from operating activities (see note a)	**121.9**	143.9
Additional pension contributions	**-**	(53.0)
Cash flow from investing activities		
Purchase of fixed assets	**(171.0)**	(81.5)
Proceeds from sale of tangible fixed assets	**12.0**	47.1
Purchase of fixed asset investments	**(258.9)**	(35.6)
Proceeds from sale of fixed asset investments	**191.8**	17.9
Repayment of government and other grants	**0.6**	(1.8)
Dividends received	**4.0**	2.0
Purchase of current asset investments	**-**	(1.9)
Interest received	**9.9**	11.1
Net cash flow from investing activities	**(211.6)**	(42.7)
Cash flow from financing activities		
Interest element of finance lease rental payment	**(6.4)**	-
Repayments of borrowings	**(198.0)**	(333.1)
New loans	**363.1**	407.3
Capital element of finance rental lease payments	**(0.7)**	(0.1)
Tax paid	**(0.2)**	-
Interest paid	**(86.9)**	(97.5)
Net cash flow from financing activities	**70.9**	(23.4)
Net change in cash and cash equivalents	**(18.8)**	24.7
Cash and cash equivalents at beginning of year	**33.9**	9.2
Cash and cash equivalents at end of the year	**15.1**	33.9

Note a

	2018	2017
Surplus for the year	**38.0**	24.5
Adjustments for non-cash items to reconcile surplus for the year to net cash generated from operating activities		
Depreciation and impairment of tangible fixed assets	**23.0**	28.5
Amortisation of grants	**(9.0)**	(9.4)
Appreciation of fixed asset investments	**(1.4)**	(1.8)
Gain on revaluation of investment properties	**(3.4)**	(0.2)
(Increase)/decrease in stock	**(18.2)**	20.8
Increase in trade and other debtors	**(5.0)**	(16.1)
Increase in trade and other creditors	**15.7**	13.4
Pension adjustment	**(4.3)**	(5.7)
(Decrease)/increase in provisions	**(0.6)**	2.5
(Surplus)/deficit on tangible fixed asset disposals	**(5.6)**	0.4
Interest payable	**98.9**	100.0
Interest receivable	**(9.9)**	(11.1)
Dividend receivable	**(4.0)**	(2.0)
Taxation	**7.7**	0.1
Cash flow from operating activities	**121.9**	143.9

The notes on pages 14 to 43 form an integral part of these financial statements.

1. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The financial statements of the Association are prepared in accordance with Financial Reporting Standard 102 - the applicable financial reporting standard in the UK and Republic of Ireland (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice Accounting by Registered Housing Providers (SORP 2014) and comply with the Accounting Direction for Registered Providers of Social Housing in England 2015 (Accounting Direction 2015).

The Association is registered under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing (ROSH) as a housing provider.

After making enquiries, the Board has reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Association's financial statements.

The financial statements are presented in Sterling (£m's).

The Association is considered to be a public benefit entity as defined in FRS 102.

Turnover

Turnover represents rental and service charge income receivable, income from the sale of properties, fees and grants from local authorities and the Homes England and other income.

Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

VAT

The majority of the Association’s turnover is exempt from VAT. However certain activities are subject to VAT and give rise to a small amount of VAT recovery. Costs are stated including irrecoverable VAT.

Pensions

The Places for People Group Retirement Benefit Scheme based on final pensionable salary was closed to new entrants on 1 September 2004 and closed to future benefit accrual on 30 September 2010. See note 26 for further details of the scheme and the deficit reduction plan. Employees joining the Association from 1 September 2004 have the option of joining a Stakeholder scheme to which the Association contributes. The costs of the stakeholder scheme are accounted for in the year in which they occur.

The Association also participates in the Social Housing Pension Scheme (SHPS). The SHPS scheme is a funded multi employer defined benefit scheme. The scheme Actuary has advised that is has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employees. The Association has agreed a deficit funding arrangement and recognises a liability of this obligation based on the net present value of the agreed deficit reduction contributions. The unwinding of the discount is recognised as a finance cost.

Fixed Assets

Housing properties and land

Housing properties are stated at depreciated cost. The cost of properties is their purchase price together with costs of acquisition and improvements, including related development costs and interest payable. Properties purchased for improvement for sale, together with properties held for sale, are treated as current assets and all other housing properties are treated as tangible fixed assets. Properties held as current assets are stated at the lower of cost and estimated selling price less costs to complete and sell.

Land is stated at cost. Land which is purchased for the development of properties which are planned to be built and subsequently owned and managed by the Group are recorded in fixed assets. Land purchased for the development of properties to be sold is held within stock in current assets.

Housing properties in the course of construction are stated at cost. Cost includes the cost of acquiring land and buildings, development costs, and interest charges incurred during the development period. Staff costs and overheads which are directly attributable to bringing housing properties into working condition for their intended use are capitalised.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Offices

On transition to FRS 102 the Association opted to apply transitional arrangements under section 35, FRS 102 for first time adopters to measure this class of fixed assets at fair value at the date of transition and use fair values as deemed cost.

Depreciation

Fixed assets, other than freehold land, are depreciated at rates calculated to reduce the net book value of each component element to its estimated residual value, on a straight line basis, over the expected remaining useful economic life of the component. Freehold land is not depreciated. During the year, management revised it's estimates of residual value of housing properties from nil to cost. This change in estimate reduced depreciation by £7.9m in the current year. The estimated lives of assets and components is as shown in the table below.

Assets	Depreciation period (years)
Rented housing & commercial properties:	
Kitchens	20
Bathrooms	20
Boilers	15
External windows & doors	30
Roofs	45
Fire safety systems	20
Fencing	30
Digital TV aerials	10
Lifts	20
Aids and adaptations	10
Social Alarms	From 20-40
Surveys	15
Initial and replacement scheme assets	From 1 to 5
Other elements (new build)	100
Other elements (rehab)	80
Other elements (leasehold)	Lesser of term of lease or 100 years
Shared Ownership housing	
All elements (new build)	100
All elements (rehab)	80
All elements (leasehold)	Lesser of term of lease or 100 years
Other fixed assets:	
Offices (new build)	100
Offices (rehab)	80
Office refurbishment	From 10-20
Offices (long leasehold)	Lesser of term of lease or 100 years
Offices (short leasehold)	Terms of lease
Plant & Equipment	5
Cars and commercial vehicles	5
Computer hardware, software and infrastructure	From 5-15

Impairment

The Association assess at each reporting date whether there is an indicator of impairment. Where such an indicator exists, the Association performs an impairment assessment at the cash-generating unit level. This involves comparing the carrying value of the cash-generating unit to its recoverable amount.

When the carrying value of a cash generating unit exceeds its recoverable amount, the impairment loss is charged to the statement of comprehensive income as expenditure.

Social housing properties are held for their service potential and are not held solely for the cash inflows generated. As such, there is no requirement to perform an impairment assessment on initial recognition of those schemes that are developed or acquired and completed in accordance with approved Group policies and planned scheme appraisals.

When undertaking impairment reviews to assess whether assets or cash generating units are held at the lower of cost or recoverable amount, recoverable amount is defined as its value in use. Recoverable amount is normally assessed using discounted cash flow techniques for all anticipated cash flows to generate a net present value.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Impairment (Continued)

Costs are assigned to all schemes on a detailed basis, including mixed tenure schemes.

The Association defines Cash Generating Units as schemes except where its schemes are not sufficiently large enough in size and it is more appropriate to consider individual assets. This approach supports effective appraisal of schemes as it aligns with management and operation of the business.

Social Housing Grant (SHG) and other capital grants

When SHG in respect of housing properties in the course of construction exceeds the total cost to date of those housing properties, the excess is shown as a current liability.

Where SHG or housing association grant is retained following the disposal of property, it is shown under the disposal proceeds and recycled capital grant funds in creditors. These funds will be used for the provision and improvement of new social housing for rent and sale.

Social housing grant (SHG) is initially recognised at fair value as a long term liability as deferred grant income and released through the statement of comprehensive income as turnover over the life of the component elements of housing properties in accordance with the accrual method applicable to registered providers of social housing accounting for housing properties at cost, except for grant received in respect of Homebuy investments, as described below.

Concessionary loans

The Association has a HomeBuy arrangement which is considered to be a concessionary loan.

Under the HomeBuy scheme, the Group 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 statement of financial position. All are non-current loans, as they are not redeemable on demand. The HomeBuy grant provided by the government to fund all or part of a HomeBuy loan is classified as a creditor due in more than one year.

Capitalisation of interest and development overheads

Interest is capitalised on loans financing schemes in development up to their completion. This is calculated by reference to the Association's cost of borrowing and the development costs.

Administration costs relating to development activities are capitalised based on an apportionment of the staff time directly spent on this activity.

Investment Property

Private sector rented properties are shown in investment properties and were valued externally at the date of transition to FRS 102 (1 April 2014) by a qualified RICS chartered surveyor. Valuations are re-assessed on an annual basis.

Commercial properties are shown in investment properties and valuations are completed on an annual basis by an experienced in-house team using detailed rental income stream and yield information.

Investment properties are held at fair value with changes in fair value recognised in the statement of comprehensive income.

Financial instruments

Financial instruments are initially recorded at fair value. Subsequent measurement depends on the designation of the instrument as follows:

- Debt service reserves held in trust as security against debt holdings are categorised as held-to-maturity and measured at amortised cost using the effective interest method.
- Loans and mortgages receivable are categorised as loans and receivables and measured at amortised cost using the effective interest method.
- Other assets, including trade investments and joint venture investments and assets that are short term in nature such as cash and receivables are predominantly categorised as loans and receivables.
- Financial liabilities are predominantly measured at amortised cost using the effective interest method.
- Discounted bonds are shown at their redemption value less deferred interest. Deferred interest represents the discount on the issue of the discounted bonds, and discounts are recognised in the statement of comprehensive income on an effective yield basis.

Derivatives require fair value measurement each year and consequently they are subject to categorisation under the hierarchy approach.

The Association assesses financial assets for impairment at the statement of financial position date. Impairment losses are recognised in the statement of comprehensive income.

Further details on financial instruments are given in note 25.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Stock

The cost of stock includes acquisition and development costs together with capitalised interest and administration costs. Stock is stated at the lower of cost and net realisable value with any provisions being charged to cost of sales. The land held within stock relates to the development of properties which are to be sold by the Group.

All land and property held within stock is subject to regular appraisal to confirm the assets are recoverable at least at the carrying value.

Included within stock are amounts in respect of the expected percentage of sales under first tranche disposal for shared ownership properties. Proceeds from first tranche disposals are recognised in turnover.

Financial assets (including debtors) - impairment

A financial asset not carried at fair value through the statement of comprehensive income 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. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of comprehensive income.

Foreign currency

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transactions or if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the statement of financial position date and gains or losses on translation are included in the statement of comprehensive income.

Foreign currency transactions are fully hedged and all associated hedging instruments are considered effective cash flow hedges. As such, changes in the fair value of hedging instruments are recognised through other comprehensive income.

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the statement of comprehensive income. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Leaseholder service charge sinking fund

The Association is required to set aside sums in respect of future maintenance of certain properties subject to leasehold arrangements. These sums are held in a separate bank account to which interest is added and tax deducted. Amounts accumulated in the fund are included within current asset investments, and within creditors: falling due within one year.

Leased assets

Assets held under finance leases are included in the statement of financial position and depreciated in accordance with the Group's normal accounting policies. The present value of future cash flows is shown as a liability.

The interest element of rental obligations is charged to the statement of comprehensive income over the period of the lease in proportion to the balance of capital repayments outstanding.

Costs in respect of operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Significant estimates and critical judgements

Significant judgements

The following are the significant judgements, apart from those involving estimations (which are set out separately below), that have been made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Lease classification

An agreement to manage a portfolio of 4,096 properties was classified as an operating lease arrangement when the freeholds of these properties were owned by another Registered Provider.. During the year the Association purchased the freeholds of these properties and assessed that the arrangement should be classified as a finance lease.

The Association considered the requirements of FRS 102 Section 20 which requires that, if a lease substantially transfers all the risks and rewards of ownership, it should be treated as a finance lease. It was determined that because the Association will retain ownership of the properties at the end of the 45 year lease period, alongside holding the risks and rewards of owning and managing the properties during this period, the Association substantially holds the risks and rewards of ownership.

Investment properties

The Association owns a range of different property types. This requires the Association to assess which properties should be classified as investment properties as these properties are held at a market valuation, not at depreciated cost.

The Association considered the FRS 102 definition of investment property which refers to property held to earn rentals of for capital appreciation, rather than for administrative purposes or for sale in the ordinary course of business. The Association has also reviewed Section 16 of FRS 102 that precludes the classification of property held primarily for the provision of social benefits being classified as investment property. The Association has applied this by judging that properties without public subsidy attached to them or offices used for administrative purposes are investment properties.

Accounting estimates

The nature of estimation means that actual outcomes may differ from the estimates made. It is considered that the estimate of residual value of social housing properties has a significant impact on the carrying amount of social housing assets.

The Association considers that the residual value of social housing property to be cost. The net book value of social housing properties is £1.8bn. The residual value of social housing property structure is £190m above the carrying value as at 31 March 2018. A 10% reduction in residual value would result in no impact to the depreciation charge.

The Group has defined benefit obligations relating to four pension schemes. Note 26 sets out the details for these schemes and the assumptions made to assess the net scheme benefit as at the reporting date. The Group engage qualified actuaries to advise on an appropriate discount rate. A decrease in the discount rate used of 0.1% is estimated to reduce scheme deficits by £4.1m.

2. TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

	2018				2017			
	Turnover	**Cost of sales**	**Operating costs**	**Operating surplus**	Turnover	Cost of sales	Operating costs	Operating surplus
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Social housing lettings (note 3)	**200.2**	**-**	**(102.8)**	**97.4**	199.3	-	(114.9)	84.4
Other social housing activities								
Social housing property sales	**0.6**	**(0.1)**	**(0.9)**	**(0.4)**	0.5	(0.1)	(0.6)	(0.2)
Shared Ownership property sales	**2.5**	**(1.7)**	**(0.3)**	**0.5**	4.9	(3.4)	(0.3)	1.2
Charges for support services	**0.3**	**-**	**(0.3)**	**-**	0.5	-	(0.5)	-
Other	**-**	**-**	**-**	**-**	-	-	(0.4)	(0.4)
Total	**203.6**	**(1.8)**	**(104.3)**	**97.5**	205.2	(3.5)	(116.7)	85.0
Non-social housing activities	**76.8**	**(26.3)**	**(26.3)**	**24.2**	152.6	(97.9)	(27.6)	27.1
Total	**280.4**	**(28.1)**	**(130.6)**	**121.7**	357.8	(101.4)	(144.3)	112.1

Analysis of turnover	**2018**	2017
	£m	£m
Social housing turnover	**203.6**	205.2
Non-social housing activities		
Non-social housing property sales	**33.8**	110.6
Non-social housing lettings	**39.2**	37.4
Mortgages and Equity loans	**3.2**	4.2
Other	**0.6**	0.4
Total	**280.4**	357.8

3. INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	2018			2017
	General needs housing	**Other**	**Total**	Total
	£m	**£m**	**£m**	£m
Income				
Rent receivable net of identifiable service charges	**157.4**	**5.1**	**162.5**	161.9
Service charge income	**15.9**	**0.1**	**16.0**	14.8
Amortised government grants	**8.5**	**0.5**	**9.0**	9.4
Government grants taken to income	**-**	**-**	**-**	0.1
Revenue guarantee	**5.4**	**-**	**5.4**	5.4
Other income	**7.3**	**-**	**7.3**	7.7
Turnover from social housing lettings	**194.5**	**5.7**	**200.2**	199.3
Expenditure on social housing lettings activities				
Management	**(23.6)**	**-**	**(23.6)**	(22.9)
Service charge costs	**(15.5)**	**(0.1)**	**(15.6)**	(14.3)
Routine maintenance	**(23.5)**	**(0.1)**	**(23.6)**	(25.0)
Planned maintenance	**(7.8)**	**-**	**(7.8)**	(7.9)
Major repairs expenditure	**(2.6)**	**(0.1)**	**(2.7)**	(2.2)
Bad debts	**(1.2)**	**-**	**(1.2)**	(1.0)
Depreciation on housing assets	**(16.1)**	**(0.8)**	**(16.9)**	(23.3)
External leases relating to housing properties	**(4.1)**	**-**	**(4.1)**	(10.4)
Intra group property recharges	**(6.4)**	**-**	**(6.4)**	(6.1)
Other costs	**(0.9)**	**-**	**(0.9)**	(1.8)
Operating costs on social housing lettings	**(101.7)**	**(1.1)**	**(102.8)**	(114.9)
Operating surplus on social housing lettings	**92.8**	**4.6**	**97.4**	84.4
Void Losses	**(1.4)**	**-**	**(1.4)**	(2.0)

4. SALE OF FIXED ASSETS

	2018				2017			
	Sale proceeds	**Cost of sales**	**Other sales expenses**	**Surplus**	Sale proceeds	Cost of sales	Other sales expenses	Loss
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Sales income and expenditure								
Sale of housing assets	**21.1**	**(14.1)**	**(1.4)**	**5.6**	16.9	(16.1)	(1.2)	(0.4)
Total	**21.1**	**(14.1)**	**(1.4)**	**5.6**	16.9	(16.1)	(1.2)	(0.4)

5. DIRECTORS EMOLUMENTS

The ultimate Group parent, Places for People Group Limited, has determined that subsidiary governance is achieved through functional management arrangements.

The Group has created posts for functional managers, whose responsibilities may cover more than one Group member. Board Members' emoluments during the year were met by Places for People Group Limited.

Included within operating costs is a share of the salary costs of the Board Members.

6. EMPLOYEE INFORMATION

The average number of employees expressed as full time equivalents (including the Executive Directors) employed during the year was:	**2018 No.**	2017 No.
Managing housing services	**883**	906
Developing and selling houses	**61**	51
Care services	**23**	36
	967	993

Average number of employees is calculated by ascertaining for each calendar month in the financial year, the number of persons, by category, employed by the company. The monthly numbers are then added together and divided by the number of months in the financial year.

Staff costs (for the above persons):	**2018 £m**	2017 £m
Wages and salaries	**31.7**	30.2
Severance costs	**0.8**	0.6
Social security costs	**3.0**	2.9
Other pension costs	**1.5**	2.5
	37.0	36.2

The number of senior staff who received emoluments in the following ranges was:

	2018 No.	2017 No.
£60,000 - £69,999	**14**	12
£70,000 - £79,999	**9**	8
£80,000 - £89,999	**5**	5
£90,000 - £99,999	**3**	4
£100,000 - £109,999	**2**	1
£110,000 - £119,999	**1**	1
£120,000 - £129,999	**2**	-
£130,000 - £139,999	**1**	1
£140,000 - £149,999	**2**	-
£150,000 - £159,999	**2**	1
£160,000 - £169,999	**-**	1
£180,000 - £189,999	**1**	-
£190,000 - £199,999	**2**	-
£220,000 - £229,999	**1**	1
£240,000 - £249,999	**-**	1

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2018 £m	2017 £m
On financial assets not at fair value through income and expense:		
Interest receivable on loans to related undertakings	**3.0**	1.2
Other interest receivable	**6.9**	9.9
Dividend receivable	**4.0**	2.0
	13.9	13.1

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2018	2017
On financial liabilities not at fair value through income and expense:	**£m**	£m
On loans from related undertakings	**24.8**	24.4
On bank loans and overdrafts	**68.7**	73.3
On finance leases	**6.4**	-
In respect of Recycled Capital Grant Fund	**0.1**	0.1
	100.0	97.8
On Places for People Group Retirement Benefit Scheme:		
Expected return on pension assets	**(5.8)**	(5.2)
Interest on scheme liabilities	**6.0**	6.8
	0.2	1.6
On financial liabilities at fair value through income and expense:		
Fair value (gains)/losses on interest rate and currency swaps	**(1.0)**	1.4
	99.2	100.8
Less: Capitalised interest	**(0.3)**	(0.8)
	98.9	100.0
Capitalisation rate used to determine the finance costs capitalised during the year:	**4.30%**	5.00%

9. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2018	2017
Surplus on ordinary activities before taxation is stated after charging:	**£m**	£m
Depreciation and impairment:		
Tangible fixed assets	**23.0**	28.5
Payments under operating leases:		
Motor vehicles	**4.3**	4.0
Housing properties	**4.1**	10.5

Auditor's remuneration in relation to audit services in the year was £49,000 (2017:£40,000).

10. TAXATION

a) Analysis of charge in period	**2018 £m**	2017 £m
Current tax		
UK corporation tax on surplus of the period	**6.0**	-
Group relief	**1.6**	(5.8)
Group relief - adjustments in respect of prior periods	**(0.1)**	0.2
Total current tax on surplus on ordinary activities	**7.5**	(5.6)
Deferred tax (note 10e)		
Origination and reversal of timing differences	**1.3**	6.0
Adjustments in respect of prior periods	**(1.1)**	0.1
Total deferred tax	**0.2**	6.1
Tax on surplus on ordinary activities (note 10c)	**7.7**	0.5

b) Tax included in company statement total other comprehensive income

The tax charge/(credit) is made up as follows:	**2018 £m**	2018 £m
Pension deficit	**2.7**	(5.1)
Fair Value adjustment on swaps	**0.9**	(1.3)
Fair Value adjustments on swaps - prior year	**1.0**	-
	4.6	(6.4)

c) Factors affecting tax charge for period

The tax assessed is lower than the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are explained below:

Surplus on ordinary activities before tax	**45.7**	25.0
Surplus on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2017: 20%)	**8.7**	5.0
Effects of:		
(Income)/expenses not deductible for tax purposes	**(3.0)**	4.1
Unrecognised deferred tax assets	**3.2**	(8.1)
Group Relief not paid for	**-**	(0.5)
Rate difference	**-**	(0.3)
Adjustments in respect of prior periods	**(1.2)**	0.3
Tax charge for period (note 10a)	**7.7**	0.5

d) Factors that may affect future tax charges

The main rate of corporation tax was reduced to 19% with effect from 1 April 2017. The rate of corporation tax will be reduced to 17% (effective 1 April 2020) as substantively enacted in Finance Act 2016 on 6 September 2016. This change will reduce the company's future current tax charge accordingly.

e) Provision for deferred tax	**2018 £m**	2017 £m
Group pension deficit	**(5.6)**	(8.0)
SHPS pension deficit	**-**	(0.3)
Capital allowances	**0.7**	0.9
Other short term timing differences	**(6.5)**	(8.3)
Capitalised interest	**6.1**	6.1
Tax losses	**-**	(0.5)
Provision for deferred tax	**(5.3)**	(10.1)
Provision at 1 April	**(10.1)**	(9.8)
Expense in the year in statement of comprehensive income	**0.2**	6.1
Expense/(income) in the year in statement of comprehensive income in other comprehensive income	**4.6**	(6.4)
Provision at 31 March at 19% (2017: 20%) (note 17)	**(5.3)**	(10.1)

A deferred tax asset of £5.3m has been recognised at 31 March 2018. The Board is of the opinion that the levels of surplus in current and future financial years will allow the recovery of this asset.

11. HOUSING PROPERTIES

	Housing properties and land	Completed LSE & Shared Ownership housing properties	Housing properties in the course of construction	LSE & Shared Ownership properties in the course of construction	Total housing properties
	£m	**£m**	**£m**	**£m**	**£m**
Cost					
At 1 April 2017	1,550.3	141.1	28.9	1.2	**1,721.5**
Additions	-	-	59.7	5.0	**64.7**
Finance lease additions	250.9	-	-	-	**250.9**
Change of tenure	(5.7)	2.6	-	-	**(3.1)**
Transfer to completed schemes	83.0	1.7	(83.0)	(1.7)	**-**
Disposals	(1.4)	(6.2)	-	-	**(7.6)**
At 31 March 2018	**1,877.1**	**139.2**	**5.6**	**4.5**	**2,026.4**
Depreciation and impairment					
At 1 April 2017	(238.6)	(13.0)	-	-	**(251.6)**
Charge for year:					
Depreciation	(15.2)	(1.1)	-	-	**(16.3)**
Change of tenure:					
Depreciation	0.4	(0.1)	-	-	**0.3**
Impairment	0.1	-	-	-	**0.1**
Eliminated on disposal:					
Depreciation	0.2	0.5	-	-	**0.7**
At 31 March 2018	**(253.1)**	**(13.7)**	**-**	**-**	**(266.8)**
Net book value at 31 March 2018	**1,624.0**	**125.5**	**5.6**	**4.5**	**1,759.6**
Net book value at 1 April 2017	1,311.7	128.1	28.9	1.2	1,469.9

LSE denotes Leasehold Schemes for the Elderly.

Housing properties comprise:	**2018**	2017
	£m	£m
Freehold	**1,675.5**	1,367.0
Long leasehold	**344.3**	338.5
Short leasehold	**6.6**	16.0
	2,026.4	1,721.5

11. HOUSING PROPERTIES (Continued)

Additions to housing properties in the course of construction during the year include an apportionment of staff time directly spent on the administration of development activities amounting to £1.1m (2017: £0.7m).

Additions to housing properties in the course of construction during the year include capitalised interest of £0.3m (2017: £0.8m).

Expenditure on major works to existing properties during the year was £49.8m (2017: £23.8m).

12. OTHER FIXED ASSETS

		Commercial & Office Properties				
	Computer equipment	Freehold	Long leasehold	Short leasehold	Fixtures & Fittings	Total
	£m	£m	£m	£m	£m	£m
Cost						
At 1 April 2017	20.8	11.7	10.4	3.1	6.3	**52.3**
Additions	4.8	0.1	0.2	-	0.1	**5.2**
At 31 March 2018	**25.6**	**11.8**	**10.6**	**3.1**	**6.4**	**57.5**
Depreciation						
At 1 April 2017	(7.2)	(0.5)	(1.7)	(1.2)	(4.6)	**(15.2)**
Charge for year	(5.5)	(0.1)	(0.1)	(0.4)	(0.6)	**(6.7)**
At 31 March 2018	**(12.7)**	**(0.6)**	**(1.8)**	**(1.6)**	**(5.2)**	**(21.9)**
Impairment						
At 1 April 2017	-	(0.3)	(0.5)	-	-	**(0.8)**
At 31 March 2018	**-**	**(0.3)**	**(0.5)**	**-**	**-**	**(0.8)**
Net book value at 31 March 2018	**12.9**	**10.9**	**8.3**	**1.5**	**1.2**	**34.8**
Net book value at 1 April 2017	13.6	10.9	8.2	1.9	1.7	36.3

13. FIXED ASSET INVESTMENTS

	2018	2017
	£m	£m
External investments and investment in related undertakings (a)	749.8	681.8
Investment property (b)	515.8	435.6
Total fixed asset investments	**1,265.6**	1,117.4

(a) External investments and investment in related undertakings	**2018**	2017
	£m	£m
Cost		
At 1 April	**682.0**	685.4
Additions in year	**259.8**	73.1
Disposals in year	**(191.8)**	(76.5)
At 31 March	**750.0**	682.0
Accumulated impairment		
At 1 April and 31 March	**(0.2)**	(0.2)
Net book value at 31 March	**749.8**	681.8
Investments in related undertakings	**611.8**	518.0
Cash deposits	**54.8**	61.2
Other shares	**0.2**	0.2
Equity investments in joint ventures	**11.4**	7.9
Amounts due from joint venture undertakings	**71.8**	94.7
	750.0	682.0

The external loans and cash deposits are as follows:-
Investments in Debt Servicing Reserves are held in trust for the Association by the Prudential Trustee Company as security against the 6.625% Eurobond 2038, and the 5.09% secured Bond 2024, and by Abbey National Treasury Services as security against a fixed rate loan of £80 million. The reserves equate to one year's payment of interest and principal.

Places for People Homes Limited investments at cost are analysed as follows:

	2018			2017
	Loans & cash deposits	**Share capital**	**Total**	Total
	£	**£**	**£**	£
Investments in related undertakings				
blueroom properties limited	**-**	**36,000,000**	**36,000,000**	36,000,000
Castle Rock Edinvar Housing Association Limited	**13,500,000**	**-**	**13,500,000**	11,750,000
Cityscape Edinburgh LLP	**-**	**5,792,810**	**5,792,810**	5,792,810
Lighthouse Court LLP	**-**	**2,727,750**	**2,727,750**	2,727,750
Luminus Housing	**73,342,317**	**-**	**73,342,317**	-
Places for People Arrangements 1 Limited	**14,319,977**	**-**	**14,319,977**	8,910,478
Places for People Financial Services Limited	**150,000**	**1,000,000**	**1,150,000**	1,000,000
Places for People Group Limited	**-**	**-**	**-**	4,938,608
Places for People Living+ Limited	**-**	**800**	**800**	8,650,800
Places for People Landscapes Limited	**-**	**305,467**	**305,467**	305,467
Places for People Scotland Limited	**50,195,575**	**1,000,000**	**51,195,575**	44,050,000
Places for People Ventures Limited	**-**	**185,000,000**	**185,000,000**	185,000,000
Places for People Ventures Operations Limited	**-**	**200,000,000**	**200,000,000**	200,000,000
The Engine Yard Edinburgh Limited	**28,460,757**	**-**	**28,460,757**	8,845,750
	179,968,626	**431,826,827**	**611,795,453**	517,971,663
External investments				
Viridian Concepts Limited	**-**	**150,000**	**150,000**	150,000
Amounts due from joint venture undertakings	**71,798,311**	**11,372,184**	**83,170,495**	102,623,383
Debt Service Reserve £80 million facility (Abbey Nat. Treas. Serv.)	**8,212,772**	**-**	**8,212,772**	8,195,233
Debt service Reserve £380m bond	**18,408,281**	**-**	**18,408,281**	17,981,837
Debt Service Reserve 6.625% Eurobond 2038	**7,330,568**	**-**	**7,330,568**	6,861,933
PRS Fund	**742,800**	**-**	**742,800**	-
FSA sinking fund	**20,193,556**	**-**	**20,193,556**	28,190,071
	306,654,914	**443,349,011**	**750,003,925**	681,974,120

13. FIXED ASSET INVESTMENTS (Continued)

(b) Investment properties	**£m**
At 1 April 2017	**435.6**
Additions	**84.4**
Change of Tenure	**(0.8)**
Revaluation in year	**3.4**
Disposals	**(6.8)**
At 31 March 2018	**515.8**

14. HOMEBUY FIXED ASSET INVESTMENTS

	2018	2017
	£m	£m
Gross valuation		
At 1 April	**94.5**	106.2
Net appreciation in year	**1.7**	2.2
Disposals in year	**(13.1)**	(13.9)
At 31 March	**83.1**	94.5
Other associated liabilities		
At 1 April	**(22.8)**	(25.6)
Net appreciation in year	**(0.3)**	(0.4)
Disposals in year	**3.0**	3.2
At 31 March	**(20.1)**	(22.8)
Net book value at 31 March	**63.0**	71.7

15. STOCK

	2018	2017
	£m	£m
Housing properties for sale		
Buildings - Completed	**4.7**	4.2
Buildings - In Progress	**69.7**	57.1
	74.4	61.3
Land	**8.0**	2.9
	82.4	64.2

Capitalised development interest charged to stock during the year is £nil (2017: £0.7m).

16. DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2018	2017
	£m	£m
Other trade debtors	**8.7**	9.4
Mortgages	**2.4**	3.3
Derivative financial instruments held to manage the interest rate profile and currency risk	**2.5**	18.9
	13.6	31.6

17. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £m	2017 £m
Rental debtors	**7.4**	7.7
Less: provision for bad and doubtful debts	**(3.0)**	(3.3)
	4.4	4.4
Agency leases	**0.1**	0.1
Other trade debtors	**4.4**	7.6
Mortgages	**0.2**	0.3
Amounts due from related undertakings	**15.3**	14.5
Corporation Tax	**-**	0.1
Deferred tax (note 10)	**5.3**	10.2
Other taxes	**0.5**	-
Development debtor	**14.2**	2.7
Sundry debtors, prepayments and accrued income	**11.5**	8.7
Derivative financial instruments held to manage the interest rate profile and currency risk	**0.5**	1.5
	56.4	50.1

18. CURRENT ASSET INVESTMENTS

	2018 £m	2017 £m
Cash held as security	**22.2**	11.1

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £m	2017 £m
Housing loans	**68.2**	54.3
Debenture stocks and bonds	**22.4**	41.8
Discount on bond issue	**(4.6)**	-
Finance lease	**1.0**	0.1
Amounts owed to joint venture undertaking	**4.5**	8.0
Recycled Capital Grant Fund and Disposals proceeds fund	**10.7**	3.4
Derivative financial instruments held to manage the interest rate profile and currency risk	**1.8**	19.9
	104.0	127.5
Deferred Government Grant	**9.1**	9.1
Interest on housing loans	**31.8**	24.3
Trade creditors	**5.9**	2.8
Amounts owed to related undertakings	**-**	2.0
Corporation Tax	**2.5**	-
Other taxes	**-**	1.2
Development creditor	**28.5**	29.3
Other creditors and accruals	**30.5**	23.2
Payments received on account	**7.3**	7.1
Prepaid rent	**4.1**	3.6
SHPS pension liability	**0.2**	0.2
	223.9	230.3

20. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

		2018		2017
		£m		£m
Debt				
Debenture stocks and bonds		**761.5**		700.1
Discount on bond issue		**(37.0)**		(12.7)
Housing and bank loans		**226.8**		265.3
Amounts due to related undertakings		**1,004.3**		800.1
Amounts due to joint venture undertakings		**0.6**		0.7
Revaluation of foreign currency denominated debt		**(2.9)**		25.2
		1,953.3		1,778.7
Derivative financial instruments to manage the interest rate profile and currency risk		**28.0**		23.4
Other financial liabilities				
Obligations under finance lease	**157.4**		0.6	
Recycled Capital Grant Fund	**33.3**		38.4	
Disposal Proceeds Fund	**0.2**		0.3	
		190.9		39.3
		2,172.2		1,841.4
Deferred government grant		**697.3**		624.8
HomeBuy grant		**33.9**		38.6
SHPS pension liability		**1.5**		1.8
Creditors falling due after more than one year		**732.7**		665.2
Total creditors falling due after more than one year		**2,904.9**		2,506.6

The total value of the loans subject to a guarantee is £63.0m (2017: £84.0m)

All secured loans are supported by specific charges on the Group's housing properties and are repayable at varying rates of interest from, 0.858% - 18.03%, in instalments.

Included within housing and bank loans is £12.6m (2017: £12.9m) which relates to the cost of debt issue.

Analysis of debt and other financial liabilities (note 19 and 20)

These are repayable as follows:-	2018	2017
	£m	£m
In one year or less	**104.0**	127.5
In one year or more but less than two years	**114.2**	96.6
In two years or more but less than five years	**413.3**	227.5
In five years or more		
By instalments	**301.2**	156.5
Not by instalments	**1,343.5**	1,360.8
	2,276.2	1,968.9

21. RECYCLED CAPITAL GRANT FUND AND DISPOSAL PROCEEDS FUND

RECYCLED CAPITAL GRANT FUND

		Homes England		Greater London Authority	
		2018	2017	**2018**	2017
		£m	£m	**£m**	£m
At 1 April		**25.1**	30.8	**16.7**	15.6
Inputs to RCGF:	Grant recycled	**9.5**	8.0	**2.1**	2.9
	Interest Accrued	**0.1**	0.1	**0.1**	-
Recycling of grant:	New Build	**(3.9)**	(10.5)	**-**	-
	Transfers to other Group members	**(2.3)**	(3.3)	**-**	-
Repayment of grant to the HE/GLA		-	-	**(3.4)**	(1.8)
At 31 March		**28.5**	25.1	**15.5**	16.7
Amounts 3 years old or older where repayment may be required		**4.2**	-	**6.5**	3.4
Total recycled capital grant fund		**44.0**	41.8		

DISPOSALS PROCEEDS FUND

		Homes England		Greater London Authority	
		2018	2017	**2018**	2017
		£m	£m	**£m**	£m
At 1 April		**0.1**	0.3	**-**	-
Inputs to RCGF:	Grant recycled	**0.1**	0.1	**0.1**	0.2
Recycling of grant:	New Build	**-**	-	**-**	-
	Other	**(0.1)**	(0.3)	**-**	-
At 31 March		**0.1**	0.1	**0.1**	0.2
Amounts 3 years old or older where repayment may be required		**-**	-	**-**	-
Total disposal proceeds fund		**0.2**	0.3		

22. PROVISIONS FOR LIABILITIES AND CHARGES

	At 1 April 2017	Additional provision	Utilised	At 31 March 2018
	£m	£m	£m	£m
Facilitating access to Home Ownership	0.1	0.2	-	**0.3**
Legal claims	1.0	-	(1.0)	**-**
Other provisions	-	0.2	-	**0.2**
Total	**1.1**	**0.4**	**(1.0)**	**0.5**

23. NON-EQUITY SHARE CAPITAL

	2018	2017
Issued, allotted and fully paid shares of £1 each	**£**	£
At 31 March	**7**	7

The shares are not transferable or redeemable. Payment of dividends or other benefits to shareholders is forbidden by the Association's rules.

On a return of capital on a winding-up, no member shall receive any property or sum beyond their £1 entitlement.

24. CAPITAL COMMITMENTS

	2018	2017
	£m	£m
Capital expenditure authorised and contracted but not provided for within the financial statements	**71.5**	7.2
Additional expenditure authorised by the Board	**505.6**	506.3

The above commitments will be financed in accordance with the Group Treasury management policy which is detailed in the Places for People Group consolidated accounts.

Non-cancellable operating lease rentals are payable as follows:

	2018	2017
	£m	£m
Motor vehicles & equipment		
In one year or less	**2.0**	1.7
In one year or more but less than five years	**2.8**	2.9
	4.8	4.6
Land and buildings		
In one year or less	**0.7**	10.5
In one year or more but less than five years	**2.7**	43.6
In more than five years	**8.1**	147.5
	11.5	201.6

25. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Places for People Group board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors has established the Audit & Risk Committee, which is responsible for developing and monitoring the Group's risk management policies. The Committee reports regularly to the board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit & Risk Committee oversees how management monitors compliance with the Association's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to risks faced by the Association. The Group Audit & Risk Committee is assisted in its oversight role by Business Assurance. That team undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit & Risk Committee.

The Association's Treasury function is responsible for the management of funds and control of the associated risks. Its activities are governed in accordance with Board approved policy and are subject to regular audit. The function does not operate as a profit centre.

The Association’s policy is to retain minimal cash whilst targeting facilities to finance 1 year’s cash flow. Cash projections cover a 3 year period to continuously monitor future borrowing requirements.

The net cash generated from operating activities was £121.9m (2017: £143.9m). Places for People Homes had further available facilities of £413.8m (2017: £314.5m) and the Group has established a European Medium Term Note Programme of £345.5m (2017: £204.3m) for future fundraising.

Market risk

Market risk comprises interest rate risk, currency risk and other price risk.

Interest rate risk

The Association's strategy is to contain interest rate risk within 30% of the loan book, with the Board exercising a strict control over derivative transactions; currently 88.7% of debt is either held at fixed rates of interest or hedged against adverse rate movements. The Association manages its exposure to this risk through a mix of debt at fixed rates of interest and interest rate hedging techniques.

It is estimated that each quarter percent increase in interest rates would increase interest payable costs by £0.8m per annum. Due to the low levels of cash and cash deposits held, the impact of a change in the interest rate on interest receivable is insignificant.

Currency risk

The Association has no overseas subsidiaries and trades only in sterling. The Association has some bonds which are denominated in foreign currency. The Association's strategy is to mitigate currency risk arising from foreign currency denominated debt. This is achieved using cross currency swaps. Currency cash flows exposure is fully hedged, therefore a change in the foreign currency rate would be fully offset by the swaps.

25. FINANCIAL INSTRUMENTS (Continued)

Other price risk

The Association is impacted by general changes in price levels and specifically the Retail Price Index (RPI). This is because some payments to retail bond holders are directly linked to the RPI.

It is estimated that each quarter percent increase in RPI would increase interest payable costs by £0.6m (2017: £0.1m) per annum.

Credit risk

Credit risk arises from exposure to the risk of a loss if a counterparty fails to perform its obligations to the Association. This relates to exposures to financial institutions for investments and cash deposits placed, with corporates for credit granted in the course of operations and with individuals for rent receivable and loans granted.

The Association's credit exposure is virtually nil all within the United Kingdom.

Whilst the Association's maximum exposure to credit risk is best represented by the carrying value of the individual assets, in most cases the likely exposure is far less due to the nature of the debt held, credit status of counterparties, security held and other actions taken to mitigate the risk to the Association as described below:

- In respect of investments and deposits placed, the Association has established strict counterparty credit limits based on the overall level of its investment activity and the credit quality of the institutions with which investments are placed. External fund managers are employed to manage investment in government securities which are held as debt reserves to credit enhance certain loan stocks; these reserves are held at levels in excess of covenanted requirements in order to manage against the risk of short-term movements in financial markets.
- In respect of financial derivative instruments the Association Treasury team currently performs a weekly review of the credit ratings of all its financial institution counterparties. The credit risk on liquid funds and derivative financial instruments is managed through the Association’s policies of monitoring counterparty exposure, concentration of credit risk through the use of multiple counterparties and the use of counterparties of investor grade quality.
- In respect of individuals, tenants arrears are reported each working day and dedicated teams are assigned to maximise debt recovery. In addition more than half of arrears are collected directly from local authorities reducing the Association's exposure to individual tenant's credit risk.
- Loans made to customers to purchase Association developed houses are secured by a charge against the relevant property.

Liquidity risk and refinancing exposure

Liquidity risk is the risk that the Association will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Association's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Association's reputation.

Interest rate risk is considered to be a key component of both market and liquidity risk.

The Association policy is to minimise liquidity and refinancing risk, with the aim to hold facilities which cover the first 12 months of its 36 month cash requirement projections.

The Association is in compliance with all of its financial covenants contained within its loan documents and loan stocks trust deeds. The Association defines its refinancing risk as loans which do not include some form of amortisation or sinking fund.

The Association utilises short-term revolving bank debt as a consequence of its sales programme. Currently 27.7% of debt matures within the next 5 years, of which 4.3% of debt matures during the next financial year.

25. FINANCIAL INSTRUMENTS (Continued)

Hedging

The Association hedges its currency risk by taking out fixed/fixed cross currency interest swaps to fix the GBP value of both interest and principal repayable under the foreign currency denominated debt. As at 31st March 2018 the Association held cross currency interest rate swaps with a mark to market value of £4,468,935 (2017: £4,271,315). The currency swaps are held at fair value as disclosed in note 20.

Ageing Profile and Interest Rate Risk of Financial Instruments

For each class of interest bearing financial asset and financial liability, the following tables indicate the range of interest rates effective at the statement of financial position date, the carrying amount on the statement of financial position and the periods in which they reprice, if earlier than the maturity date.
The ageing profiles below include the impact of hedging transactions, all of which have cash flow movements in line with the impact in the statement of comprehensive income.

Ageing profile and Interest Rate Risk of Financial Assets at at 31 March 2018

	Effective interest rate	**Total carrying amount**	**Within 1 year**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**Over 5 years**
	%	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Fixed asset investments:								
Fixed rate	**3.56%**	**130.5**	**-**	**31.5**	**-**	**-**	**73.3**	**25.7**
Floating Rate	**3.10%**	**78.7**	**-**	**-**	**20.2**	**50.3**	**-**	**8.2**
Share capital		**443.2**	**-**	**-**	**-**	**-**	**-**	**443.2**
Amounts due from joint ventures		**42.6**	**-**	**-**	**-**	**-**	**-**	**42.6**
Investment in shared equity		**29.1**	**2.9**	**2.8**	**2.6**	**1.8**	**1.5**	**17.5**
		724.1	**2.9**	**34.3**	**22.8**	**52.1**	**74.8**	**537.2**
Current asset investments		**22.2**	**22.2**	**-**	**-**	**-**	**-**	**-**
Mortgages and long term debtors		**11.3**	**0.2**	**1.9**	**1.9**	**1.9**	**1.9**	**3.5**
Derivative financial instruments held to manage the interest rate profile and currency risk		**3.0**	**0.5**	**0.5**	**0.5**	**0.5**	**0.5**	**0.5**
		760.6	**25.8**	**36.7**	**25.2**	**54.5**	**77.2**	**541.2**

All financial assets carry a fixed interest rate unless otherwise shown.

Comparative figures as at 1 April 2017 were, as follows:

	Effective interest rate	Total carrying amount	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
	%	£m	£m	£m	£m	£m	£m	£m
Fixed asset investments:								
Fixed rate	2.69%	27.8	3.0	-	-	-	-	24.8
Floating Rate	2.80%	110.7	-	-	22.5	36.9	43.1	8.2
Share capital		439.7	-	-	-	-	-	439.7
Amounts due from joint ventures		94.8	7.6	7.0	19.7	10.7	10.0	39.8
Investment in shared equity		33.1	3.3	2.6	2.1	1.7	1.4	22.0
		706.1	13.9	9.6	44.3	49.3	54.5	534.5
Current asset investments		11.1	11.1	-	-	-	-	-
Mortgages and long term debtors		13.0	0.3	2.1	2.1	2.1	2.1	4.3
Derivative financial instruments held to manage the interest rate profile and currency risk		20.3	1.5	1.6	13.3	1.1	1.0	1.8
		750.5	26.8	13.3	59.7	52.5	57.6	540.6

Trade and other receivables are not included in the above tables as they are non-interest bearing and are not subject to interest rate risk.

25. FINANCIAL INSTRUMENTS (Continued)

Ageing Profile and Interest Rate Risk of Financial Liabilities as at 31 March 2018

	Effective interest rate %	Total £m	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	Over 5 years £m
Stocks and bonds:								
Fixed rate	**5.24%**	**1,180.4**	**67.4**	**61.9**	**60.1**	**38.2**	**38.3**	**914.5**
Discount on bond issue		**(41.6)**	**-**	**-**	**-**	**-**	**-**	**(41.6)**
Housing loans:								
Fixed rate	**4.09%**	**996.2**	**17.5**	**104.5**	**32.7**	**27.7**	**98.7**	**715.1**
Floating rate	**2.19%**	**362.0**	**16.1**	**8.8**	**150.8**	**5.8**	**95.5**	**85.0**
Index linked	**3.53%**	**98.3**	**2.0**	**2.1**	**0.8**	**48.8**	**0.3**	**44.3**
		2,595.3	**103.0**	**177.3**	**244.4**	**120.5**	**232.8**	**1,717.3**
Other financial liabilities		**202.6**	**11.7**	**13.4**	**12.4**	**11.1**	**1.3**	**152.7**
Derivative financial instruments held to manage interest rate risk		**29.8**	**1.8**	**(2.2)**	**1.8**	**1.8**	**1.7**	**24.9**
		2,827.7	**116.5**	**188.5**	**258.6**	**133.4**	**235.8**	**1,894.9**

All financial liabilities carry a fixed interest rate unless otherwise shown.
Cash collateral held under the terms of the swap arrangements was £nil (2017: £2.62m)

Comparative figures as at 1 April 2017 were, as follows:

	Effective interest rate %	Total £m	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	Over 5 years £m
Stocks and bonds:								
Fixed rate	5.98%	1,094.1	78.4	57.4	54.6	52.6	37.1	814.0
Discount on bond issue		(12.7)	-	-	-	-	-	(12.7)
Housing loans:								
Fixed rate	4.09%	1,191.7	81.6	67.9	102.8	36.3	42.6	860.5
Floating rate	1.75%	180.0	16.1	30.6	26.2	10.0	6.1	91.0
Index linked	1.07%	90.5	0.9	1.1	1.2	-	46.2	41.1
		2,543.6	177.0	157.0	184.8	98.9	132.0	1,793.9
Other financial liabilities		42.9	3.5	15.1	12.5	11.5	0.1	0.2
Derivative financial instruments held to manage interest rate risk		43.2	19.9	1.2	1.2	1.2	1.2	18.5
		2,629.7	200.4	173.3	198.5	111.6	133.3	1,812.6

Trade and other payables are not included in the above tables as they are non-interest bearing and are not subject to interest rate risk.

Borrowing facilities

At 31 March Places for People Homes had undrawn committed borrowing facilities expiring as follows:	2018 £m	2017 £m
In one year or less, or on demand	**100.0**	-
In more than one year but not more than two years	**43.8**	205.6
In more than two years	**270.0**	108.9
	413.8	314.5

£51.4m of the undrawn committed borrowing facilities require fixed charge security to be placed with lenders (2017: £51.4m).

25. FINANCIAL INSTRUMENTS (Continued)

Fair values of financial assets and financial liabilities

Set out below is a comparison by category of carrying values and fair values of all of the Association's financial instruments. None of the financial assets or liabilities have been reclassified during the year.

	Note	**2018**		2017	
		Book value	**Fair value**	Book value	Fair value
		£m	**£m**	£m	£m
Financial assets					
Fixed asset investments	13 & 14	**812.8**	**816.2**	753.5	757.3
Current asset investments	18	**22.2**	**22.2**	11.1	11.1
Cash at bank and in hand		**15.1**	**15.1**	33.9	33.9
Long term debtors	16	**8.7**	**8.7**	9.4	9.4
Mortgages	16 & 17	**2.6**	**2.6**	3.6	3.6
Derivative financial instruments held to manage interest rate risk	16 & 17	**3.0**	**3.0**	20.3	20.3
Financial assets falling due within one year	17	**38.4**	**38.4**	29.4	29.4
		902.8	**906.2**	861.2	865.0
Financial liabilities					
Debenture stocks and bonds	19 & 20	**783.9**	**901.9**	741.9	904.4
Discount on bond issue	20	**(41.6)**	**(41.6)**	(12.7)	(12.7)
Housing loans	19 & 20	**295.0**	**295.0**	319.6	319.6
Prepaid rent	19	**4.1**	**4.1**	3.6	3.6
Amounts owed to related undertakings	20	**1,004.3**	**1,004.3**	800.1	800.1
Amounts owed to joint venture undertakings	19 & 20	**5.1**	**5.1**	8.6	8.6
Revaluation of foreign currency denominated debt	20	**(2.9)**	**(2.9)**	25.2	25.2
Derivative financial instruments held to manage interest rate risk	19 & 20	**29.8**	**29.8**	43.3	43.3
Other financial liabilities	19 & 20	**202.6**	**202.6**	42.8	42.8
Financial liabilities falling due within one year	19	**66.2**	**66.2**	58.4	58.4
		2,346.5	**2,464.5**	2,030.8	2,193.3

Of the financial assets above £3.0m (2017: £20.3m) are derivative financial instruments, the remaining amounts being measured at amortised cost.

Of the financial liabilities above £29.8m (2017: £43.2m) are derivative financial instruments with the remaining amounts being measured at amortised cost.

Investments in debt and equity securities

The fair value of held-to-maturity investments is determined by reference to their quoted bid price at the statement of financial position date. The fair value of held-to-maturity investments after initial recognition is determined for disclosure purposes only.

Financial assets falling due within one year, long term debtors and mortgages

The fair value of these assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the statement of financial position date if the effect is material.

Financial liabilities

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the statement of financial position date if the effect is material.

Cash at bank and in hand and bank balances

The fair value of cash at bank and in hand and bank balances is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the statement of financial position date.

Interest-bearing borrowings

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the statement of financial position date.

Derivative financial instruments

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Fair value hierarchy

Financial instruments measured at fair value have been done so using a level 2 valuation technique. The definition of this technique per the standard is a valuation using inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

26. PENSION OBLIGATIONS

The pension costs for Places for People Homes relate to three schemes of which employees and former employees are members. Details of each scheme are set out below.

The Places for People Group Stakeholder Scheme

Employees joining the Association from 1 September 2004 have the option of joining a defined contribution retirement benefit scheme - the Places for People Stakeholder Pension Plan and Group Life Assurance Scheme.

The total cost charged to the statement of comprehensive income of £2.3m represents contributions payable to these schemes by the Association at rates specified in the rules of the plan.

The Places for People Group Retirement Benefit Scheme

The Group operates a defined benefit pension arrangement called the Places for People Group Retirement Benefit Scheme (the scheme).

This scheme is operated by the Group and is an independently administered defined benefit scheme based on final pensionable salary. The scheme was closed to new members as at 1 September 2004 and was closed to future accrual in October 2010. The most recent formal actuarial valuation was completed as at 31 March 2015 and has been updated by the independent actuary to take account of the requirements of FRS 102. The Group expects to contribute £3.3m to the scheme during the year to 31 March 2019.

The funding plan is for the Scheme to hold assets equal to the value of the benefits earned by employees, based on a set of assumptions used for funding the Scheme. The funding assumptions differ from the assumptions used to calculate the figures for these accounts, and therefore produce different results. If there is a shortfall against this funding plan, then the Company and Trustee agree on deficit contributions to meet this deficit over a period.

The major assumptions used by the actuary were:

	2018	2017
Price inflation	**3.10%**	3.10%
Rate of increase in pensions in payment LP15%	**3.00%**	3.00%
Rate of increase in pensions in payment LP12.5%	**2.10%**	2.10%
Discount rate	**2.70%**	2.80%

The mortality assumption used at 31 March 2018 is 115% S2PA CMI_2017 projections with long-term rate of improvements of 1.0%. The mortality assumption used at 31 March 2017 was 115% S1PA CMI_2016 projections with long-term improvement of 1.0%. Based on these assumptions, a male currently aged 60 years old has a life expectancy of 25.2 years (2017: 25.3 years), a female currently aged 60 years old has a life expectancy of 27.2 years (2017: 27.3 years), a male currently aged 40 years old has a life expectancy of 46.4 years (2017: 46.6 years) and a female currently aged 40 years old has a life expectancy of 48.6 years (2017: 48.6 years).

The actual return on the scheme's assets for the year ending 31 March 2018 was a gain of £4.9m (2017: £23.7m).

26. PENSION OBLIGATIONS (Continued)

Amounts recognised in the Statement of Financial Position

	Value at 31 March 2018 £m	Value at 1 April 2017 £m
Fair value of plan assets	**209.6**	210.9
Present value of defined benefit obligation	**(216.3)**	(218.1)
Net liability recognised in the statement of financial position	**(6.7)**	(7.2)

The major categories of assets as a percentage of total assets are as follows:	**2018**	2017
Diversified growth funds	**41%**	24%
Equities	**14%**	16%
Gilts	**36%**	49%
Corporate bonds	**7%**	11%
Cash	**2%**	0%
	100%	100%

Analysis of amounts recognised in the statement of comprehensive income	**2018 £m**	2017 £m
Interest on plan assets	**5.8**	5.2
Interest on plan liabilities	**(6.0)**	(6.8)
Amounts charged to other finance costs	**(0.2)**	(1.6)

Remeasurements recognised in other comprehensive income

Actuarial loss in pension scheme	**(3.3)**	(12.7)

Movement in fair value of plan assets

	2018 £m	2017 £m
As at 1 April	**210.9**	134.3
Interest on assets	**5.8**	5.2
Employer contributions	**4.0**	58.4
Benefits paid	**(10.2)**	(5.5)
Return on plan assets less interest	**(0.9)**	18.5
As at 31 March	**209.6**	210.9

Movement in present value of defined benefit obligation

As at 1 April	**218.1**	185.6
Interest costs	**6.0**	6.8
Benefits paid	**(10.2)**	(5.5)
Gains from changes to demographic assumptions	**(1.4)**	(4.6)
Losses from changes to financial assumptions	**3.8**	35.8
As at 31 March	**216.3**	218.1

26. PENSION OBLIGATIONS (Continued)

Movement in the net statement of financial position

	2018 £m	2017 £m
Opening net defined benefit obligation	**(7.2)**	(51.4)
Amounts charged to other finance costs in the statement of comprehensive income	**(0.2)**	(1.5)
Actuarial loss in pension scheme	**(3.3)**	(12.7)
Employer contributions	**4.0**	58.4
Closing net defined benefit liabilities	**(6.7)**	(7.2)

The Social Housing Pension Scheme (SHPS)

The company participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK.

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

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

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

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Deficit contributions

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

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

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

26. PENSION OBLIGATIONS (Continued)

	2018 **£m**	2017 £m
Present value of provision	**1.8**	2.0

Reconciliation of opening and closing provisions

	2018 **£m**	2017 £m
Provision at start of period	**2.0**	2.1
Deficit contribution paid	**(0.2)**	(0.2)
Remeasurements - impact of any change in assumptions	**-**	0.1
Provision at end of period	**1.8**	2.0

Income and expenditure impact

	2018 **£m**	2017 £m
Remeasurements – impact of any change in assumptions	**-**	0.1
	-	0.1

	2018 **% per annum**	2017 % per annum
Rate of discount	**1.72**	1.33

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

27. CONTINGENT LIABILITIES

The Association, together with some fellow subsidiaries of the Places for People Group, has guaranteed to holders of debt issued by members of the Places for People Group, the principal amount and interest accrued in respect of certain debts in the event of default by the issuing entity.

The total capital outstanding at 31 March 2018 in respect of such guarantees was £1,064m (2017: £1,601m). The total interest accrued at 31 March 2018 relating to this debt was £10.3m (2017: £24.3m).

These represent the maximum exposure for the Association.

The directors consider it extremely unlikely that the company would be required to make any payments in respect of this guarantee.

The Association is party to certain legal actions arising in the ordinary course of business. While the outcome of these cases is uncertain, the directors believe, on the basis of advice received, that no material loss to the Association will occur. Having made due enquiries the directors are not aware of any further contingent liabilities.

28. RELATED PARTY TRANSACTIONS AND ULTIMATE PARENT UNDERTAKING

Places for People Homes Limited is a subsidiary of the Places for People Group Limited, 80 Cheapside, London, EC2V 6EE. As the parent company publishes consolidated group accounts, the company has taken advantage of the exemption not to report transactions with other group members as permitted in FRS 102 section 33.1A.

No tenants served on the Board of Places for People Homes Limited during the year.

29. HOUSING STOCK

	2018	2017 restated
	No.	No.
Social housing managed		
- General Needs Housing	**34,890**	34,168
- Affordable Housing	**1,127**	979
- Low cost home ownership accommodation	**568**	2,888
Total social housing managed	**36,585**	38,035
Non social housing managed		
Market rent	**681**	858
Leased housing - freehold only	**1,352**	2,862
Staff	**64**	39
Total housing managed	**38,682**	41,794
Total housing owned but managed by another body	**11,632**	12,071
Total housing owned or managed	**50,314**	53,865
Garages, commercial premises and other non-residential units managed or serviced	**1,136**	2,336
Total residential and non-residential units managed or serviced	**51,450**	56,201

As disclosed in the table above, the Association manages 36,585 social housing units (2017: 36,232).
The number of social housing units owned by the Association are:

Social housing		
- General Needs Housing	**33,415**	29,178
- Affordable Housing	**1,041**	847
- Supported Housing	**592**	542
- Housing for Older people	**474**	445
- Low cost home ownership accommodation	**2,699**	6,033
Social housing stock owned	**38,221**	37,045

The Association manages 3,210 (2017: 7,114) social housing residential units which are owned by other Registered Providers. The Association owns 4,846 (2017: 6,124) social housing units that are managed by another body.

30. LOTTERY GRANT FUNDING

At 31 March 2018 £31,000 of lottery funds was held in cash at bank and in hand. £570,000 was held in current asset investments.

31. EVENTS AFTER THE REPORTING DATE

On 24 May 2018, the Association entered into a sales agreement for a portfolio of PRS properties for £159.1m, generating a profit of £5.3m.

On 3 May 2018, the Association purchased a portfolio of assets from the Igloo Regeneration Partnership Fund for a consideration of £17m.