RP number: L0659

# Places for People Homes Limited

## Financial Statements

For the year ending 31 March 2019

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|---|---|---|
| **Board of Management** | **Non Executives** | |
| | C Phillips (Chairman) | (Resigned 31 March 2019) |
| | M Brodtman | |
| | A Cleal | (Resigned 31 March 2019) |
| | N Hopkins | (Resigned 31 March 2019) |
| | G Kitchen | |
| | L Lackey | (Chair from 1 April 2019) |
| | **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<br>London<br>EC2V 6EE | |
| **Bankers** | Barclays Bank Plc<br>38 Fishergate<br>Preston<br>PR1 2AD | |
| **Registered Auditors** | KPMG LLP<br>15 Canada Square<br>London<br>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 2019.

**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 £44.6m (2018: £45.7m). £67.3m (2018: £64.7m) was spent on additional housing and £63.7m (2018: £83.9m) 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 for the year ended 31 March 2018 was £264.3m (2018: £280.4m), the reduction relates to a decrease in non-social housing property sales in the year. Although turnover has reduced in the year ending 31 March 2019, the operating margin, after sales of fixed assets, has improved from 45.4% to 49.4%. The operating margin before the sale of fixed assets has increased from 43.4% to 43.9%, driven by an increase in social housing lettings which has improved from 51.4% for the year ended 31 March 2019 (2018: 48.7%).

**Future Developments**

The Association had 649 units under development at the year end which included 84 units as part of the first phase of the Marlborough Park (Swindon) development which incorporates the use of innovative modular building techniques. There were 226 units in development in Edinburgh across the Urban Eden phase 2 and Granton Waterfront developments and 155 units being developed across 2 sites in Milton Keynes. It is anticipated that a further £56m (2018: £73.1m) 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 2019 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.

**Going concern and viability statement**

The going concern assessment considers whether it is appropriate to prepare the financial statements on a going concern basis. Consideration of the Association's going concern and viability, as a wholly owned subsidiary of the Group is within the remit of the Group Board.

The Directors have considered the balance sheet position of the Association at 31 March 2019 which has net assets of £206.6m (31 March 2018: £176.7m) alongside the Group's liquidity position of £806.5m of undrawn facilities in addition to holding £90.6m of cash and short term investments.

The Group's forecasts, taking into account reasonably possible changes in its operating performance, show that the Group has sufficient financial resources available. The Directors have reasonable expectations that both the Association and the Group are in a strong position to manage business risks and therefore continue in operational existence for the foreseeable future, which accounting standards define as one year or more from the date of this report. The Directors have not identified any material uncertainties that threatens the Company's or the Group's ability to mitigate business risks and continue operations for this period.

On the basis described above, the Directors consider it appropriate to adopt the going concern basis in preparing the consolidated financial statements.

The UK Corporate Governance Code requires the Directors to make a statement with regard to the viability of the Group. This requires consideration of solvency and liquidity over a longer period than the goingconcern assessment. 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 include an expectation of the rental incomes for the Group. There is inherently less certainty in the projections from year four to ten. Consistent with prior years, the Directors have therefore determined that three years is an appropriate period for this viability statement.

In assessing the Group's prospects and resilience, the management produced projections which considered the Group's current business position and risk appetite. Whilst the rent reductions imposed by the Government on social housing rents are coming to an end in 2020, the Group has continued to undertake rigorous single and multi-variant stress testing exercises on its projections which has included considering the impact of challenging economic conditions included a downturn in the housing market. The results confirmed that the Group would continue to be able to settle projected liabilities as they fall due over a three-year period.

This year, the Directors have also considered specifically the impact of the UK voting to leave the European Union. The Directors have considered several different severe, yet plausible, scenarios including potentially challenging outcomes such as increased difficulty in accessing finance and increased interest rates. The Directors also considered additional impacts, such as restrictions in supply chains and were satisfied that measures were in place to mitigate significant risks to the Group's operations. The stress testing again demonstrated the ability of the Group to continue to operate effectively.

Having assessed the prospects of the Group, including the Group's current funding, forecast requirements, existing committed borrowing facilities and the principal risks as outlined on the Directors' Report, the 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 2022.

**Going concern and viability statement (continued)**

In making this statement the Directors have made the following key assumptions:

- If one or more risks occur with particularly adverse effects on the Group, all potential actions, such as constraining development spending, would be taken on a timely basis. The Group considers it has the early warning mechanisms needed to instigate such timely action if this proves necessary.

- Implausible scenarios involving several severe risks occurring simultaneously or an individual risk occurring that cannot be appropriately mitigated do not occur.

**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** **18 July 2019**

# Independent auditor's report

## to the members of Places for People Homes

### 1. Our opinion is unmodified

We have audited the financial statements of Places for People Homes Limited ("the Association") for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves, the Statement of Cash Flows, and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

— give a true and fair view of the state of Association's affairs as at 31 March 2019 and of its 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 Co-operative and Community Benefit Society Act, 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. Our audit opinion is consistent with our report to the Audit and Risk Committee.

We were first appointed as auditor by the Directors for the year ended 31 March 2001.The period of total uninterrupted engagement is for the 19 financial years ended 31 March 2019. We have fulfilled our ethical responsibilities under, and we remain independent of the Association in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

| Overview | | |
|---|---|---|
| **Materiality:** financial statements as a whole | £2.8m (2017/18: £2.9m)<br>1.0% (2017/18: 1.0%) of turnover | |
| **Key audit matters** | **vs** | **2017/18** |
| **Recurring risk** | Recoverable amount of development programme schemes and associated land | ◄► |
| **New risk** | The impact of uncertainties of uncertainties due to Britain leaving the European Union on our audit | NEW |

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

Key audit matters are those matters that, in our professional judgement, 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. We summarise below the key audit matters (unchanged from 2017/18), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

| | The risk | Our response |
|---|---|---|
| **Recoverable amount of development programme schemes and associated land**<br><br>Carrying value of stock: £109.9 million (2017/18: £82.4 million)<br><br>*Refer to page 4 (Corporate Governance section of the Report of the Board), pages 15 to 20 (accounting policy) and page 32 (financial disclosures).* | **Forecast-based valuation:**<br><br>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.<br><br>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 .<br><br>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).<br><br>If the assumptions or underlying da ta used are incorrect there is a risk that development land and assets will be valued incorrectly and any corresponding impairment charge misstated.<br><br>The effect of these matters is that, as part of our risk assessment, we determined that the recoverable amount of development programme schemes and associated land recognised has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements discloses the sensitivity estimated by the Directors. | Our procedures included:<br><br>— **Methodology choice:** Assessment of the land and development appraisal models that are used to determine the scheme carrying values to check that these are consistent with our sector knowledge and, where appropriate, cons is tent with the methodology choice used in the previous year;<br><br>— **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);<br><br>— **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; and<br><br>— **Tests of details:** Agreeing the underlying data used in the appraisal models, including consideration of the sales history and costs incurred during the 2018/19 financial year, back to sales certification documentation and other third party documentation, such as invoices.<br><br>**Our results:**<br><br>We found the resulting estimate of the recoverable amount of development programme schemes and associated land to be acceptable (2017/18: acceptable). |

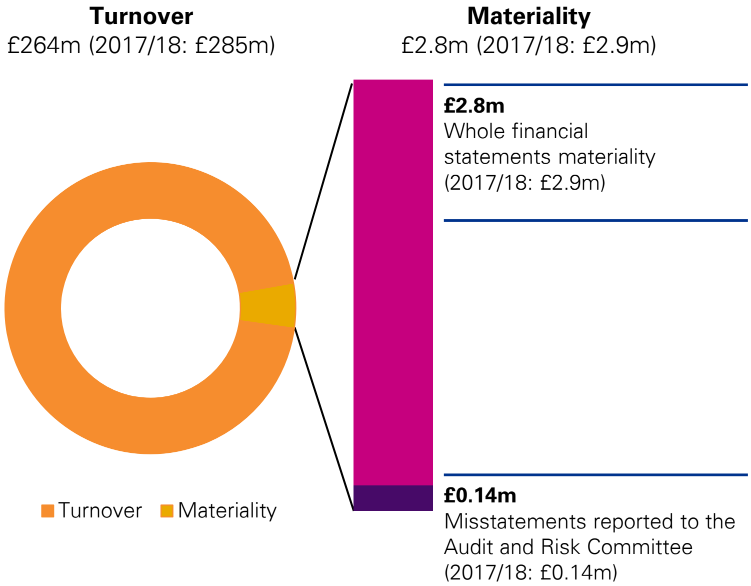
| | The risk | Our response |
|---|---|---|
| **The impact of uncertainties due to Britain exiting the European Union on our audit** | **Unprecedented levels of uncertainty**<br><br>All audits assess and challenge the reasonableness of estimates, in particular as described in in the key audit matter on development and land valuation, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance.<br><br>In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and the viability statement and to consider the Directors' statement that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.<br><br>Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. | We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included:<br><br>**Our Brexit knowledge**<br><br>— we have considered the Directors' assessment of Brexit-related sources of risk for the Group's business and financial resources compared with our own understanding of the risks.<br><br>**Sensitivity analysis**<br><br>— When addressing the key audit matters affected and other areas that depend on forecasts, we have compared the Directors' sensitivity analysis to our assessment of the worst reasonably possible, known adverse scenario resulting from Brexit uncertainty.<br><br>**Assessing transparency**<br><br>— As well as assessing individual disclosures as part of our procedures on the key audit matters affected we have considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks.<br><br>**Our results:**<br><br>As reported under the key audit matters affected, we found the estimates around recoverable amounts of development schemes and associated land to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for an entity and this is particularly the case in relation to Brexit. |

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

Materiality for the financial statements as a whole was set at £2.8 million (2017/18: £2.9 million), determined with reference to a benchmark of turnover of £264 million (2017/18: £285 million), of which it represents 1.0% (2017/18: 1.0%).

We agreed to report to the Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £140,000 (2017/18: £143,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Association was undertaken to the materiality level specified above and was performed at the Association's head office in Preston.




## 4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Association or to cease its operations, and as they have concluded that the Association's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Association will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Association's business model and analysed how those risks might affect the Association's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Association's available financial resources over this period were:

— The impact of further rent reductions; and

— A downturn in the development market.

As these were risks that could potentially cast significant doubt on the Association's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Association's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts, such as the impact of Brexit and the erosion of customer or supplier confidence, which could result in a rapid reduction of available financial resources.

Based on this work, 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 a year from the date of approval of the financial statements.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

## 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 pages 5 and 6 that they have carried out a robust assessment of the principal risks facing the Association, including those that would threaten its business model, future performance, 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.

**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 6, 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 so.

*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 other irregularities (see below), 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, other irregularities 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.

*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 general commercial and sector experience through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Association's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Association is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation) and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Association is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the nature of the Association's activities.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures, we became aware of actual or suspected non-compliance and considered the effect as part of our procedures on the related financial statement items. The identified actual or suspected non-compliance was not sufficiently significant to our audit to result in our response being identified as a key audit matter.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, 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. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

**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.

**Harry Mears**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

15 Canada Square
Canary Wharf
London
E14 5GL

19 July 2019

KPMG

## Places for People Homes Limited
## Statement of Comprehensive Income
## For the year ending 31 March 2019

| | Notes | 2019 £m | 2018 £m |
|---|---|---|---|
| Turnover | 2 | **264.3** | 280.4 |
| Cost of sales | 2 | **(23.0)** | (28.1) |
| Operating costs | 2 | **(125.3)** | (130.6) |
| Surplus on sale of fixed assets | 4 | **14.6** | 5.6 |
| **Operating surplus** | | **130.6** | 127.3 |
| Gain on revaluation of investment properties | 13 | **0.4** | 3.4 |
| Interest receivable and similar income | 7 | **22.3** | 13.9 |
| Interest payable and similar charges | 8 | **(108.7)** | (98.9) |
| **Surplus on ordinary activities before taxation** | | **44.6** | 45.7 |
| Tax on surplus on ordinary activities | 10 | **(5.6)** | (7.7) |
| **Surplus for the year** | | **39.0** | 38.0 |
| Fair value gain on interest rate and currency swaps | | **6.0** | 5.6 |
| Deferred tax on interest rate and currency swaps | 10 | **(0.5)** | (1.9) |
| Actuarial loss recognised in the pension scheme | 25 | **(12.8)** | (3.3) |
| Deferred tax arising on pension scheme | 10 | **(1.3)** | (2.7) |
| Initial recognition of multi-employer defined benefit scheme | 25 | **(0.5)** | - |
| **Total comprehensive income for the year** | | **29.9** | 35.7 |

The notes on pages 15 to 47 form an integral part of these financial statements.

The financial statements on pages 11 to 47 were approved by the Board on 18 July 2019, and signed on its behalf by:

Lynette Lackey

**L Lackey**
**Chair**

**D Cowans**
**Board Member**

**C Martin**
**Secretary**

## Places for People Homes Limited
## Statement of Financial Position
## For the year ending 31 March 2019

| | Notes | 2019 | | 2018 | |
|---|---|---|---|---|---|
| **Fixed assets** | | **£m** | **£m** | £m | £m |
| Housing properties | 11 | | **1,804.4** | | 1,759.6 |
| Other fixed assets | 12 | | **43.3** | | 34.8 |
| Fixed asset investments | 13 | **1,153.1** | | 1,265.6 | |
| HomeBuy | 14 | **55.3** | | 63.0 | |
| | | | **1,208.4** | | 1,328.6 |
| | | | **3,056.1** | | 3,123.0 |
| **Non-current assets** | | | | | |
| Debtors: amounts falling due after more than one year | 16 | | **16.3** | | 13.6 |
| **Current assets** | | | | | |
| Stock | 15 | **109.9** | | 82.4 | |
| Debtors: amounts falling due within one year | 17 | **63.9** | | 56.4 | |
| Investments | 18 | **5.2** | | 22.2 | |
| Cash at bank and in hand | | **27.5** | | 15.1 | |
| | | **206.5** | | 176.1 | |
| Creditors: amounts falling due within one year | 19 | **(217.1)** | | (224.4) | |
| **Net current liabilities** | | | **(10.6)** | | (48.3) |
| **Non-current liabilities** | | | | | |
| Creditors: amounts falling due after more than one year | 20 | **(2,853.0)** | | (2,904.9) | |
| Pension liability | 25 | **(2.2)** | | (6.7) | |
| | | | **(2,855.2)** | | (2,911.6) |
| **Net Assets** | | | **206.6** | | 176.7 |
| **Capital and reserves** | | | | | |
| Income and expenditure reserve | | | **206.6** | | 176.7 |
| **Total capital and reserves** | | | **206.6** | | 176.7 |

The notes on pages 15 to 47 form an integral part of these financial statements.

The financial statements on pages 11 to 47 were approved by the Board on 18 July 2019, and signed on its behalf by:

| | | |
|---|---|---|
| **L Lackey** | **D Cowans** | **C Martin** |
| **Chair** | **Board Member** | **Secretary** |

## Places for People Homes Limited
## Statement of Changes in Reserves
## For the year ending 31 March 2019

| | Total Reserves £m |
|---|---|
| **Balance at 1 April 2018** | **176.7** |
| **Total comprehensive income for the year** | |
| Surplus for the year | 39.0 |
| Fair value gain on interest rate and currency swaps | 6.0 |
| Deferred tax on interest rate and currency swaps | (0.5) |
| Actuarial loss recognised in the pension scheme | (12.8) |
| Deferred tax arising on pension scheme | (1.3) |
| Initial recognition of multi-employer defined benefit scheme | (0.5) |
| **Balance at 31 March 2019** | **206.6** |

## Places for People Homes Limited
## Statement of Cash Flows
## For the year ending 31 March 2019

| | **2019** | 2018 |
|---|---|---|
| | **£m** | £m |
| **Net cash flow from operating activities (see note a)** | **144.1** | 121.9 |
| **Additional pension contributions** | **(16.3)** | - |
| **Cash flow from investing activities** | | |
| Purchase of housing and investment properties | **(141.3)** | (172.3) |
| Proceeds from the disposal of housing and investment properties | **222.7** | 20.6 |
| Purchase of other fixed assets | **(10.0)** | (5.2) |
| Purchase of fixed and current asset investments | **(72.7)** | (260.9) |
| Proceeds from the disposal of fixed and current asset investments | **79.9** | 191.7 |
| Repayment of government and other grants | **1.8** | 0.6 |
| Dividends received | **6.4** | 4.0 |
| Interest received | **5.8** | 9.9 |
| **Net cash flow from investing activities** | **92.6** | (211.6) |
| **Cash flow from financing activities** | | |
| Interest element of finance lease rental payment | **(10.3)** | (6.4) |
| Repayments of borrowings | **(152.2)** | (198.0) |
| New loans | **62.2** | 363.1 |
| Capital element of finance rental lease payments | **(1.0)** | (0.7) |
| Tax paid | **(8.3)** | (0.2) |
| Interest paid | **(98.4)** | (86.9) |
| **Net cash flow from financing activities** | **(208.0)** | 70.9 |
| **Net change in cash and cash equivalents** | **12.4** | (18.8) |
| **Cash and cash equivalents at beginning of year** | **15.1** | 33.9 |
| **Cash and cash equivalents at end of the year** | **27.5** | 15.1 |

**Note a**

| | | |
|---|---|---|
| Surplus for the year | **39.0** | 38.0 |
| *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 | **16.7** | 23.0 |
| Amortisation of grants | **(10.1)** | (9.0) |
| Appreciation of fixed asset investments | **(1.0)** | (1.4) |
| Gain on revaluation of investment properties | **(0.4)** | (3.4) |
| Increase in stock | **(28.7)** | (18.2) |
| Decrease/(increase) in trade and other debtors | **26.2** | (5.0) |
| Increase in trade and other creditors | **29.7** | 15.1 |
| Pension adjustment | **(4.7)** | (4.3) |
| Surplus on tangible fixed asset disposals | **(14.6)** | (5.6) |
| Interest payable | **108.7** | 98.9 |
| Interest receivable | **(15.9)** | (9.9) |
| Dividend receivable | **(6.4)** | (4.0) |
| Taxation | **5.6** | 7.7 |
| **Cash flow from operating activities** | **144.1** | 121.9 |

The notes on pages 15 to 47 form an integral part of these financial statements.

# 1. PRINCIPAL ACCOUNTING POLICIES

**Basis of accounting**

A summary of the principal accounting policies, which have been applied consistently, is set out below.

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), the Statement of Recommended Practice for Registered Social Housing Providers (SORP), the Accounting Direction for Private Registered Providers of Social Housing 2015, and with the Companies Act 2006. The Association is registered under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator Social Housing (RSH) as a housing provider.

The Association's ultimate parent undertaking, Places for People Group Limited, includes the Association in its consolidated financial statements. The consolidated financial statements of Places for People Group Limited are prepared in accordance with FRS 102 and are available to the public and may be obtained from Places for People Group Limited, 80 Cheapside, London, EC2V 6EE. The Association is considered to be a qualifying entity for the purposes of FRS 102 and has applied the exemptions available under FRS 102.1.11 and FRS 102.1.12.

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

**Significant Judgements**

The following are the significant judgements 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 ending 31 March 2018, 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.

The Association has reviewed this assessment for the year ended 31 March 2019 and concluded the arrangement should continue to be classified as a finance lease.

*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.

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 the residual value of social housing property structure to be cost. The net book value of social housing properties is £1.8bn. The residual value of social housing property structure is £200m above the carrying value as at 31 March 2019. A 10% reduction in residual value would result in no impact to the depreciation charge.

The Association has defined benefit obligations relating to two pension schemes. Note 25 sets out the details for these schemes and the assumptions made to assess the net scheme benefit as at the reporting date. The Association engages qualified actuaries to advise on an appropriate discount rate. A decrease in the discount rate used of 0.1% is estimated to reduce scheme total deficits by £4.5m.

*Recoverability of Stock*

The Association has £109.9m of stock at 31 March 2019 (2018: £82.4m), comprising land of £6.2m, properties in construction of £97.2m and completed properties of £6.5m. FRS 102 section 13 requires stock to be measured at the lower of cost and estimated selling price less costs to complete and sell.

The Association monitors development projects and properties held for sale on an ongoing basis and uses rigorous appraisal techniques to estimate the recoverable amount of stock. Realistic financial projections are used on an individual site basis to allow management to estimate that land and property are held at the appropriate amount.

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

**Turnover**

Turnover represents rental and service charge income receivable (net of void losses), income from the sale of properties, income from the sale of the first tranche of shared ownership properties, fees and revenue grants from local authorities and Homes England, mortgage broker fees, equity loan fee income, personal loans interest and loan service delivery fees and other income.

Rental income is recognised from the point the property becomes available for letting, net of any voids. Income from land and property sales is recognised when the risks and rewards of ownership have passed to the purchaser. Long term contract revenue is recognised based on the total contract value and the stage of completion of the contract. Mortgage fee income is recognised over the term of the contract. Other income is recognised upon the delivery of services.

All turnover arises from activities within the United Kingdom.

**Corporation tax**

The Association is liable to United Kingdom Corporation Tax.

The charge for taxation for the year is based on the profit for the year end and includes current tax on the taxable profit for the year and deferred taxation. Deferred taxation is recognised in respect of all timing differences between the treatment of certain items for taxation and for accounting purposes which have arisen but not reversed by the statement of financial position date.

**VAT**

The majority of the Association's turnover is exempt from VAT. However, certain activities are subject to VAT and give rise to VAT recovery. Where appropriate, costs are stated including irrecoverable VAT.

**Pensions**

There are three pension schemes, two of which are defined benefit pension schemes based on final pensionable salary. Details of the schemes are set out in Note 25.

Employees joining the Association have the option of joining the Places for People Group Stakeholder Scheme ('Stakeholder Scheme'), a defined contribution scheme. The costs of contributing to the Stakeholder Scheme are accounted for as an expense in the year in which they occur. Contributions from the Association and participating employees are paid into independently administered funds. These payments are made in accordance with triennial calculations by professionally qualified independent actuaries.

Pension scheme assets are measured by independent experts using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

Pension scheme deficits are recognised in full. The movement in scheme deficit is split between operating charges, finance costs and, in other comprehensive income, actuarial gains and losses.

The Association participates in the Social Housing Pension Scheme (SHPS), a multi-employer defined benefit scheme. During the year, the Association recognised its individual share of the SHPS scheme deficit following an exercise carried out by independent actuaries to identify each member's share of the deficit. In previous year's, the Association recognised a liability based on the present value of the agreed deficit reduction contributions. The change in the liability as a result of the change in estimate has been recognised in other comprehensive income as indicated in the amendments made to FRS 102 Section 28 'Employee Benefits'. The in-year movement in the scheme deficit is split between operating charges, finance costs and, in other comprehensive income, actuarial gains and losses.

**Housing Properties**

Housing properties are those held primarily for the provision of social benefits. Housing properties are stated at the lower of depreciated cost or its recoverable amount. Cost is taken as the purchase price together with costs of acquisition and improvements, attributable administrative costs and interest costs incurred, including related development and administrative costs and interest payable.

The Association capitalises expenditure on housing properties which results in an increase in either the existing use value of the property or the disposal value of the property.

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

**Investment properties**

Properties held for rental income or capital appreciation that are not held primarily for the provision of social benefit are held as investment properties at fair value, with changes to fair value recognised in the statement of comprehensive income. Private rental sector properties were valued at 31 March 2015 by a qualified RICS chartered surveyor and are reassessed by the directors on an annual basis.

**Land**

Land is stated at lower of cost or its recoverable amount. Land purchased for the development of properties which are planned to be subsequently owned and managed by the Association is recorded in housing properties. Land purchased for the development of properties to be sold is held within stock in current assets.

**Other fixed assets**

Other fixed assets are recognised initially at cost and subsequently held at the lower of depreciated cost or its recoverable amount.

**Depreciation**

Fixed assets, other than freehold land and investment properties, 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. 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 |
| Social Alarms | From 20-40 |
| Surveys | 15 |
| Initial and replacement scheme assets | From 1 to 5 |
| Other elements (new build) | 100-125 |
| Other elements (rehab) | 80 |
| Other elements (leasehold) | Lesser of term |
| Shared Ownership housing: | |
| All elements (new build) | 100 |
| All elements (rehab) | 80 |
| All elements (leasehold) | Lesser of term |
| Other fixed assets: | |
| Offices (new build) | 100 |
| Offices (rehab) | 80 |
| Office refurbishment | From 10-20 |
| Offices (long leasehold) | Lesser of term |
| Offices (short leasehold) | Terms of lease |
| Plant & Equipment | 5 |
| Cars and commercial vehicles | 5 |
| Computer hardware, software and infrastructure | From 3-15 |

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

**Fixed asset investments**

Fixed asset investments are measured at cost. An annual review is carried out by management to assess if there are any triggers that would lead to an impairment review. In the event of any impairment, the investment is measured at the lower of its recoverable amount or its value in use. Investments in joint ventures are recognised initially at cost and subsequently measured using the equity method.

**Stock**

Properties purchased for improvement 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.

Stock includes land and property held with the intention to sell, including assets construction and those purchased for improvement prior to sale. Stock is stated at the lower of cost and estimated selling price less costs to complete and sell with any provisions being charged to cost of sales. The cost of stock is the purchase price together with costs of acquisition and attributable overhead costs.

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. The unsold equity of shared ownership properties is recognised within housing properties.

**Impairment**

An impairment review is undertaken when there is an indication the asset may be impaired. If assets are found to be impaired, the amount of impairment is disclosed in Note 3.

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.

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

The Association defines cash generating units as housing 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 housing schemes as it aligns with the management and operation of the business.

**Long term contracts**

Long term contracts are stated at cost plus attributable profit after providing for anticipated future losses and contingencies. Progress payments received are deducted from these amounts. Cost includes appropriate attributable overheads. Long term contract work in progress is included in debtors as amounts recoverable on contracts.

Cash retentions relating to customers and contractors are recognised, within debtors and creditors respectively, in line with the terms and stage of the relevant contract. Cost accruals for works completed but not yet invoiced by suppliers and costs estimated for defect remediation are recognised in line with profit recognition on the project and held until actual costs are incurred.

**Social Housing Grant and Other Capital Grant**

Government grants are included within creditors in the statement of financial position and credited to the statement of comprehensive income over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred.

When Social Housing Grant (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 other grants are retained following the disposal of property, it is shown under the Disposal Proceeds and Recycled Capital Grant Funds within creditors. These funds will be used for the provision of new social housing for rent and sale and become repayable if unutilised.

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

**Concessionary Loans**

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

Under the HomeBuy scheme, the Association receives HomeBuy grant representing a percentage of the open market purchase price of a property in order to advance interest free loans to a homebuyer. The loans advanced by the Association meet the definition of concessionary loans and are shown as fixed assets investments on the statement of financial position. 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.

**Financial Instruments**

The Association has elected to apply the recognition and measurement provisions of International Accounting Standard 39 as allowed by FRS 102 sections 11 and 12. 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.
- Amounts recoverable on long term contracts are included with debtors.
- 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 and 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. Discounts are recognised in the statement of comprehensive income on an effective yield basis.
- Derivatives, comprising interest rate and currency swaps, are held at fair value. Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in reserves. Any ineffective portion of the hedge is recognised immediately in the statement of comprehensive income account. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of comprehensive income immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk. The associated cumulative gain or loss is removed from equity and recognised in the statement of comprehensive income account in the same period or periods during which the hedged forecast transaction affects profit or loss.
- The cost of raising finance is amortised over the period of the associated financial instrument. The deferred cost is offset against the liability recognised in the statement of financial position.
- Financial liabilities are predominantly measured at amortised cost using the effective interest method.

The effective interest rate includes interest and all directly attributable incremental fees and costs.

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

Cash at bank and in hand in the statement of financial position comprises all cash and cash equivalents that mature or are convertible within one day or less.

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 in the statement of financial position.

Other debtors, including tenant arrears, and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the statement of comprehensive income.

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

**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.

**Leases**

The Association classifies finance leases as those where the risk and reward of ownership of the leased asset has transferred to the Association. Other leases are classified as operating leases.

Assets obtained under finance leases are capitalised as tangible fixed assets and depreciated over the shorter of the lease term and their economic useful lives. Obligations under finance leases are included in creditors net of the finance charge allocated to future periods. The finance element of the rental is charged to the statement of comprehensive income using the effective interest rate method.

Costs in respect of operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term. Income in respect of operating leases where the Association is the lessor is recognised in the statement of comprehensive income on a straight line basis over the lease term, reduced by the cost of any lease incentives.

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

| | 2019 | | | | | 2018 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Turnover** | **Cost of sales** | **Operating costs** | **Other operating items** | **Operating surplus** | Turnover | Cost of sales | Operating costs | Other operating items | Operating surplus |
| | **£m** | **£m** | **£m** | **£m** | **£m** | £m | £m | £m | £m | £m |
| **Social housing lettings (note 3)** | **198.8** | **-** | **(96.7)** | **-** | **102.1** | 200.2 | - | (102.8) | - | 97.4 |
| **Other social housing activities** | | | | | | | | | | |
| Social housing property sales | **0.5** | **-** | **(0.6)** | **-** | **(0.1)** | 0.6 | (0.1) | (0.9) | - | (0.4) |
| Shared Ownership property sales | **4.8** | **(3.7)** | **(0.3)** | **-** | **0.8** | 2.5 | (1.7) | (0.3) | - | 0.5 |
| Charges for support services | **0.3** | **-** | **(0.2)** | **-** | **0.1** | 0.3 | - | (0.3) | - | - |
| | **204.4** | **(3.7)** | **(97.8)** | **-** | **102.9** | 203.6 | (1.8) | (104.3) | - | 97.5 |
| Non-social housing activities | **59.9** | **(19.3)** | **(27.5)** | **-** | **13.1** | 76.8 | (26.3) | (26.3) | - | 24.2 |
| | **264.3** | **(23.0)** | **(125.3)** | **-** | **116.0** | 280.4 | (28.1) | (130.6) | - | 121.7 |
| Surplus on sale of fixed assets (note 4) | **-** | **-** | **-** | **14.6** | **14.6** | - | - | - | 5.6 | 5.6 |
| | **264.3** | **(23.0)** | **(125.3)** | **14.6** | **130.6** | 280.4 | (28.1) | (130.6) | 5.6 | 127.3 |

| | 2019 | 2018 |
|---|---|---|
| **Analysis of turnover** | **£m** | £m |
| Social housing activities | **204.4** | 203.6 |
| Non-social housing activities | | |
| Non-social housing property sales | **9.4** | 23.1 |
| Non-social construction | **12.5** | 10.7 |
| Non-social housing lettings | **33.8** | 39.2 |
| Retirement | **0.1** | - |
| Mortgages and Equity loans | **3.1** | 3.2 |
| Other | **1.0** | 0.6 |
| | **264.3** | 280.4 |

## 3. INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

| | 2019 | | | 2018 |
|---|---|---|---|---|
| | **General needs housing** | **Other** | **Total** | Total |
| | **£m** | **£m** | **£m** | £m |
| **Income** | | | | |
| Rent receivable net of identifiable service charges | **155.7** | **4.8** | **160.5** | 162.5 |
| Service charge income | **15.2** | **0.1** | **15.3** | 16.0 |
| Amortised government grants | **9.6** | **0.5** | **10.1** | 9.0 |
| Revenue guarantee | **5.4** | **-** | **5.4** | 5.4 |
| Other income | **7.5** | **-** | **7.5** | 7.3 |
| **Turnover from social housing lettings** | **193.4** | **5.4** | **198.8** | 200.2 |
| **Expenditure on social housing lettings activities** | | | | |
| Management | **(24.7)** | **(0.4)** | **(25.1)** | (23.6) |
| Service charge costs | **(15.1)** | **(0.2)** | **(15.3)** | (15.6) |
| Routine maintenance | **(23.1)** | **(0.2)** | **(23.3)** | (23.6) |
| Planned maintenance | **(7.7)** | **(0.2)** | **(7.9)** | (7.8) |
| Major repairs expenditure | **(3.0)** | **-** | **(3.0)** | (2.7) |
| Bad debts | **(1.3)** | **-** | **(1.3)** | (1.2) |
| Depreciation on housing assets | **(14.0)** | **-** | **(14.0)** | (16.9) |
| External leases relating to housing properties | **-** | **-** | **-** | (4.1) |
| Intra group property recharges | **(5.3)** | **-** | **(5.3)** | (6.4) |
| Other costs | **(1.5)** | **-** | **(1.5)** | (0.9) |
| **Operating costs on social housing lettings** | **(95.7)** | **(1.0)** | **(96.7)** | (102.8) |
| **Operating surplus on social housing lettings** | **97.7** | **4.4** | **102.1** | 97.4 |
| **Void Losses** | **(1.4)** | **-** | **(1.4)** | (1.4) |

## 4. SALE OF FIXED ASSETS

| | **2019** | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | **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 | **11.7** | **(9.3)** | **(0.8)** | **1.6** | 21.1 | (14.1) | (1.4) | 5.6 |
| Sale of fixed asset investments | **229.0** | **(213.7)** | **(2.3)** | **13.0** | - | - | - | - |
| | **240.7** | **(223.0)** | **(3.1)** | **14.6** | 21.1 | (14.1) | (1.4) | 5.6 |

## 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: | **2019 No.** | 2018 No. |
|---|---|---|
| Managing housing services | **976** | 883 |
| Developing and selling houses | **72** | 61 |
| Care services | **21** | 23 |
| | **1,069** | 967 |

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): | **2019 £m** | 2018 £m |
|---|---|---|
| Wages and salaries | **36.5** | 31.7 |
| Severance costs | **0.1** | 0.8 |
| Social security costs | **3.7** | 3.0 |
| Other pension costs | **3.2** | 1.5 |
| | **43.5** | 37.0 |

Remuneration banding for key management personnel is disclosed below, which is considered by the Places for People Group to be Executive Directors and members of the Group management team, which includes staff with authority and responsibility for planning, directing and controlling activities of the Group's operations.

| | **2019 No.** | 2018 No. |
|---|---|---|
| £60,000 - £69,999 | **1** | - |
| £70,000 - £79,999 | **1** | - |
| £80,000 - £89,999 | **1** | 3 |
| £90,000 - £99,999 | **3** | 2 |
| £110,000 - £119,999 | **1** | - |
| £150,000 - £159,999 | **-** | 1 |
| £160,000 - £169,999 | **1** | - |
| £220,000 - £229,999 | **-** | 1 |
| £240,000 - £249,999 | **1** | - |

## 7. INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2019 | 2018 |
|---|---|---|
| | £m | £m |
| On financial assets not at fair value through income and expense: | | |
| Interest receivable on loans to related undertakings | **10.9** | 3.0 |
| Other interest receivable | **5.0** | 6.9 |
| Dividend receivable | **6.4** | 4.0 |
| | **22.3** | 13.9 |

## 8. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2019 | 2018 |
|---|---|---|
| On financial liabilities not at fair value through income and expense: | £m | £m |
| On loans from related undertakings | **31.2** | 24.8 |
| On bank loans and overdrafts | **66.9** | 68.7 |
| On finance leases | **10.3** | 6.4 |
| In respect of Recycled Capital Grant Fund | **0.2** | 0.1 |
| | **108.6** | 100.0 |
| On defined benefit retirement schemes: | | |
| Expected return on pension assets | **(5.8)** | (5.8) |
| Interest on scheme liabilities | **6.0** | 6.0 |
| | **0.2** | 0.2 |
| On financial liabilities at fair value through income and expense: | | |
| Fair value (gains)/losses on interest rate and currency swaps | **-** | (1.0) |
| | **108.8** | 99.2 |
| Less: Capitalised interest | **(0.1)** | (0.3) |
| | **108.7** | 98.9 |
| Capitalisation rate used to determine the finance costs capitalised during the year: | **5.22%** | 4.30% |

## 9. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

| | 2019 | 2018 |
|---|---|---|
| Surplus on ordinary activities before taxation is stated after charging: | £m | £m |
| Depreciation and impairment: | | |
| Tangible fixed assets | **16.7** | 23.0 |
| Payments under operating leases: | | |
| Motor vehicles | **4.9** | 4.3 |
| Housing properties | **0.7** | 4.1 |

Auditor's remuneration in relation to audit services in the year was £55,000 (2018: £49,000).

## 10. TAXATION

| a) Analysis of charge in period | 2019 £m | 2018 £m |
|---|---|---|
| **Current tax** | | |
| UK corporation tax on surplus of the period | **2.4** | 6.0 |
| Adjustments in respect of prior periods | **0.3** | - |
| Group relief payable | **1.8** | 1.6 |
| Group relief - in respect of prior periods | **-** | (0.1) |
| **Total current tax on surplus on ordinary activities** | **4.5** | 7.5 |
| **Deferred tax (note 10e)** | | |
| Origination and reversal of timing differences | **1.7** | 1.3 |
| Adjustments in respect of prior periods | **(0.6)** | (1.1) |
| **Total deferred tax** | **1.1** | 0.2 |
| **Tax on surplus on ordinary activities (note 10c)** | **5.6** | 7.7 |

**b) Tax included in company statement total other comprehensive income**

| The tax charge/(credit) is made up as follows: | 2019 £m | 2018 £m |
|---|---|---|
| Pension deficit | **1.3** | 2.7 |
| Fair value adjustment on swaps | **0.5** | 0.9 |
| Fair value adjustments on swaps - prior year | **-** | 1.0 |
| | **1.8** | 4.6 |

**c) Factors affecting tax charge for period**

The tax assessed is lower than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

| | 2019 £m | 2018 £m |
|---|---|---|
| Surplus on ordinary activities before tax | **44.6** | 45.7 |
| Surplus on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%) | **8.5** | 8.7 |
| Effects of: | | |
| Income not deductible for tax purposes | **(1.7)** | (3.0) |
| Movement in unrecognised deferred tax | **(0.6)** | 3.2 |
| Rate difference | **(0.3)** | - |
| Adjustments in respect of prior periods | **(0.3)** | (1.2) |
| **Tax charge for period (note 10a)** | **5.6** | 7.7 |

## 10. TAXATION (Continued)

**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** | **2019** | 2018 |
|---|---|---|
| | **£m** | £m |
| Accelerated capital allowances | **1.5** | 0.7 |
| Other short term timing differences | **0.5** | (0.4) |
| Losses | **(0.1)** | - |
| Pension actuarial losses taken through other comprehensive income | **(4.3)** | (5.6) |
| **Provision for deferred tax** | **(2.4)** | (5.3) |
| Provision at 1 April | **(5.3)** | (10.1) |
| Expense in the year in statement of comprehensive income | **1.1** | 0.2 |
| Expense in the year in statement of comprehensive income in other comprehensive income | **1.8** | 4.6 |
| **Provision at 31 March at 19% (2018: 19%) (note 17)** | **(2.4)** | (5.3) |

A deferred tax asset of £2.4m has been recognised at 31 March 2019. 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 2018 | 1,877.1 | 139.2 | 5.6 | 4.5 | **2,026.4** |
| Additions | - | - | 62.2 | 5.1 | **67.3** |
| Change of tenure | (1.0) | 0.6 | (0.5) | 0.9 | **-** |
| Transfer to completed schemes | 44.8 | 6.3 | (44.7) | (6.4) | **-** |
| Transfer to sales account on disposal | (6.8) | (4.1) | - | - | **(10.9)** |
| **At 31 March 2019** | **1,914.1** | **142.0** | **22.6** | **4.1** | **2,082.8** |
| **Depreciation and impairment** | | | | | |
| At 1 April 2018 | (253.1) | (13.7) | - | - | **(266.8)** |
| Charge for year: | | | | | |
| Depreciation | (14.0) | - | - | - | **(14.0)** |
| Eliminated on disposal: | | | | | |
| Depreciation | 1.9 | 0.4 | - | - | **2.3** |
| Impairment | 0.1 | - | - | - | **0.1** |
| **At 31 March 2019** | **(265.1)** | **(13.3)** | **-** | **-** | **(278.4)** |
| **Net book value at 31 March 2019** | **1,649.0** | **128.7** | **22.6** | **4.1** | **1,804.4** |
| Net book value at 1 April 2018 | 1,624.0 | 125.5 | 5.6 | 4.5 | 1,759.6 |

LSE denotes Leasehold Schemes for the Elderly.

| Housing properties comprise: | **2019** | 2018 |
|---|---|---|
| | **£m** | £m |
| Freehold | **1,721.5** | 1,675.5 |
| Long leasehold | **354.8** | 344.3 |
| Short leasehold | **6.5** | 6.6 |
| | **2,082.8** | 2,026.4 |

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 £0.7m (2018: £1.1m).

Additions to housing properties in the course of construction during the year include capitalised interest of £0.1m (2018: £0.3m).

Expenditure on major works to existing properties during the year was £29.5m (2018: £49.8m).

## 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 2018 | 25.6 | 11.8 | 10.6 | 3.1 | 6.4 | **57.5** |
| Additions | 6.7 | 2.8 | 0.1 | 0.6 | 0.1 | **10.3** |
| Change of tenure | - | 1.2 | - | - | - | **1.2** |
| Disposals | - | (0.3) | - | - | - | **(0.3)** |
| **At 31 March 2019** | **32.3** | **15.5** | **10.7** | **3.7** | **6.5** | **68.7** |
| **Depreciation** | | | | | | |
| At 1 April 2018 | (12.7) | (0.6) | (1.8) | (1.6) | (5.2) | **(21.9)** |
| Charge for year | (1.5) | (0.1) | (0.1) | (0.4) | (0.6) | **(2.7)** |
| **At 31 March 2019** | **(14.2)** | **(0.7)** | **(1.9)** | **(2.0)** | **(5.8)** | **(24.6)** |
| **Impairment** | | | | | | |
| At 1 April 2018 | - | (0.3) | (0.5) | - | - | **(0.8)** |
| **At 31 March 2019** | **-** | **(0.3)** | **(0.5)** | **-** | **-** | **(0.8)** |
| **Net book value at 31 March 2019** | **18.1** | **14.5** | **8.3** | **1.7** | **0.7** | **43.3** |
| Net book value at 1 April 2018 | 12.9 | 10.9 | 8.3 | 1.5 | 1.2 | 34.8 |

## 13. FIXED ASSET INVESTMENTS

| | 2019 | 2018 |
|---|---|---|
| | **£m** | £m |
| External investments and investment in related undertakings (a) | **768.4** | 749.8 |
| Investment property (b) | **384.7** | 515.8 |
| **Total fixed asset investments** | **1,153.1** | 1,265.6 |

| **(a) External investments and investment in related undertakings** | 2019 | 2018 |
|---|---|---|
| | **£m** | £m |
| **Cost** | | |
| At 1 April | **750.0** | 682.0 |
| At 31 March | **768.6** | 750.0 |
| **Accumulated impairment** | | |
| At 1 April and 31 March | **(0.2)** | (0.2) |
| **Net book value at 31 March** | **768.4** | 749.8 |
| Equity investments in related undertakings | **431.8** | 431.8 |
| Investments in joint venture undertakings | **18.1** | 11.4 |
| External investments | **16.9** | 0.9 |
| Cash deposits | **43.2** | 54.1 |
| Amounts due from related undertakings | **205.9** | 180.0 |
| Amounts due from joint venture undertakings | **52.7** | 71.8 |
| | **768.6** | 750.0 |

The 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 £50 million. The reserves equate to one year's payment of interest and principal.

## 13. FIXED ASSET INVESTMENTS (Continued)

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

| | 2019 | 2018 |
|---|---|---|
| | £m | £m |
| Investments in related undertakings | | |
| Blueroom Properties Limited | **36.0** | 36.0 |
| Cityscape Edinburgh LLP | **5.8** | 5.8 |
| Lighthouse Court LLP | **2.7** | 2.7 |
| Places for People Financial Services Limited | **1.0** | 1.0 |
| Places for People Landscapes Limited | **0.3** | 0.3 |
| Places for People Scotland Limited | **1.0** | 1.0 |
| Places for People Ventures Limited | **185.0** | 185.0 |
| Places for People Ventures Operations Limited | **200.0** | 200.0 |
| | **431.8** | 431.8 |
| Investments in joint venture undertakings | | |
| South Ridge Development LLP | **0.1** | - |
| East Wick & Sweetwater Projects (Holdings) Limited | **18.0** | 11.4 |
| | **18.1** | 11.4 |
| External investments | | |
| Viridian Concepts Limited | **0.2** | 0.2 |
| Picture Living LP | **16.7** | 0.7 |
| | **16.9** | 0.9 |
| | **466.8** | 444.1 |

| **(b) Investment properties** | **£m** |
|---|---|
| At 1 April 2018 | 515.8 |
| Additions | 76.2 |
| Change of Tenure | 5.7 |
| Revaluation in year | 0.4 |
| Disposals | (213.4) |
| **At 31 March 2019** | **384.7** |

## 14. HOMEBUY FIXED ASSET INVESTMENTS

| | 2019 | 2018 |
|---|---|---|
| | £m | £m |
| **Gross valuation** | | |
| At 1 April | **83.1** | 94.5 |
| Net appreciation in year | **1.4** | 1.7 |
| Disposals in year | **(11.2)** | (13.1) |
| **At 31 March** | **73.3** | 83.1 |
| **Other associated liabilities** | | |
| At 1 April | **(20.1)** | (22.8) |
| Net appreciation in year | **(0.4)** | (0.3) |
| Disposals in year | **2.5** | 3.0 |
| **At 31 March** | **(18.0)** | (20.1) |
| **Net book value at 31 March** | **55.3** | 63.0 |

## 15. STOCK

| | 2019 | 2018 |
|---|---|---|
| | £m | £m |
| **Housing properties for sale** | | |
| Buildings - Completed | **6.5** | 4.7 |
| Buildings - In Progress | **97.2** | 69.7 |
| Land | **6.2** | 8.0 |
| | **109.9** | 82.4 |

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

| | 2019 | 2018 |
|---|---|---|
| | £m | £m |
| Other trade debtors | **4.5** | 8.7 |
| Mortgages | **2.1** | 2.4 |
| Derivative financial instruments held to manage the interest rate profile and currency risk | **9.7** | 2.5 |
| | **16.3** | 13.6 |

## 17. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2019 | 2018 |
|---|---|---|
| | £m | £m |
| Rental debtors | **7.0** | 7.4 |
| Less: provision for bad and doubtful debts | **(3.0)** | (3.0) |
| | **4.0** | 4.4 |
| Agency leases | **0.2** | 0.1 |
| Other trade debtors | **6.0** | 4.4 |
| Mortgages | **0.2** | 0.2 |
| Amounts due from related undertakings | **7.1** | 15.3 |
| Corporation Tax | **3.1** | - |
| Deferred tax (note 10) | **2.4** | 5.3 |
| Other taxes | **0.5** | 0.5 |
| Development debtor | **19.6** | 14.2 |
| Sundry debtors, prepayments and accrued income | **8.8** | 11.5 |
| Derivative financial instruments held to manage the interest rate profile and currency risk | **12.0** | 0.5 |
| | **63.9** | 56.4 |

## 18. CURRENT ASSET INVESTMENTS

| | 2019 | 2018 |
|---|---|---|
| | £m | £m |
| Cash held as security | **5.2** | 22.2 |

## 19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2019 | 2018 |
|---|---|---|
| | £m | £m |
| Housing and bank loans | **25.4** | 68.2 |
| Debenture stocks and bonds | **3.1** | 22.4 |
| Discount on bond issue | **(5.1)** | (4.6) |
| Finance lease | **1.1** | 1.0 |
| Amounts owed to related undertakings | **62.2** | - |
| Revaluation of foreign currency denominated debt | **10.6** | - |
| Derivative financial instruments held to manage the interest rate profile and currency risk | **2.5** | 1.8 |
| | **99.8** | 88.8 |
| Deferred Government Grant | **10.1** | 9.1 |
| Amounts owed to joint venture undertaking | **1.8** | 4.5 |
| Recycled Capital Grant Fund and Disposals Proceeds Fund | **11.2** | 10.7 |
| Interest on loans | **27.2** | 31.8 |
| Trade creditors | **5.3** | 5.9 |
| Corporation Tax | **-** | 2.5 |
| Development creditor | **25.4** | 28.5 |
| Other creditors and accruals | **24.5** | 31.0 |
| Payments received on account | **7.4** | 7.3 |
| Prepaid rent | **4.4** | 4.1 |
| SHPS pension liability | **-** | 0.2 |
| | **217.1** | 224.4 |

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

| | 2019 | 2018 |
|---|---|---|
| | £m | £m |
| **Debt** | | |
| Debenture stocks and bonds | **727.5** | 761.5 |
| Discount on bond issue | **(37.4)** | (37.0) |
| Housing and bank loans | **201.3** | 226.8 |
| Amounts due to related undertakings | **1,020.3** | 1,004.3 |
| Obligations under finance lease | **156.3** | 157.4 |
| Revaluation of foreign currency denominated debt | **7.2** | (2.9) |
| Derivative financial instruments to manage the interest rate profile and currency risk | **22.6** | 28.0 |
| | **2,097.8** | 2,138.1 |
| **Other financial liabilities** | | |
| Recycled Capital Grant Fund | **28.9** | 33.3 |
| Disposal Proceeds Fund | **0.1** | 0.2 |
| Deferred government grant | **696.3** | 697.3 |
| Amounts due to joint venture undertakings | **0.2** | 0.6 |
| HomeBuy grant | **29.7** | 33.9 |
| SHPS pension liability | **-** | 1.5 |
| **Total creditors falling due after more than one year** | **2,853.0** | 2,904.9 |

The total value of the loans subject to a guarantee is £nil (2018: £63.0m).

All secured loans are supported by specific charges on the Group or Associations' housing properties and are repayable at varying rates of interest from, 1.25% - 18.03%, in instalments.

Included within housing and bank loans is £8.2m (2018: £12.6m) which relates to the cost of debt issue.

## 21. RECYCLED CAPITAL GRANT FUND AND DISPOSAL PROCEEDS FUND

### RECYCLED CAPITAL GRANT FUND

| | | Homes England | | Greater London Authority | |
|---|---|---|---|---|---|
| | | **2019** | 2018 | **2019** | 2018 |
| | | **£m** | £m | **£m** | £m |
| At 1 April | | **28.5** | 25.1 | **15.5** | 16.7 |
| Inputs to RCGF: | Grant recycled | **6.2** | 9.5 | **1.4** | 2.1 |
| | Interest Accrued | **0.2** | 0.1 | **0.1** | 0.1 |
| Recycling of grant: | New Build | **(4.0)** | (3.9) | **(3.4)** | - |
| | Transfers to other Group members | **(1.6)** | (2.3) | **-** | - |
| Repayment of grant to the HE/GLA | | **-** | - | **(2.8)** | (3.4) |
| **At 31 March** | | **29.3** | 28.5 | **10.8** | 15.5 |
| Amounts 3 years old or older where repayment may be required | | **7.0** | 4.2 | **4.2** | 6.5 |
| **Total recycled capital grant fund** | | **40.1** | 44.0 | | |

### DISPOSALS PROCEEDS FUND

| | | Homes England | | Greater London Authority | |
|---|---|---|---|---|---|
| | | **2019** | 2018 | **2019** | 2018 |
| | | **£m** | £m | **£m** | £m |
| At 1 April | | **0.1** | 0.1 | **0.1** | - |
| Inputs to RCGF: | Grant recycled | **-** | 0.1 | **-** | 0.1 |
| Recycling of grant: | New Build | **(0.1)** | - | **-** | - |
| | Other | **-** | (0.1) | **-** | - |
| **At 31 March** | | **-** | 0.1 | **0.1** | 0.1 |
| Amounts 3 years old or older where repayment may be required | | **-** | - | **-** | - |
| **Total disposal proceeds fund** | | **0.1** | 0.2 | | |

## 22. NON-EQUITY SHARE CAPITAL

| | **2019** | 2018 |
|---|---|---|
| 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.

## 23. CAPITAL COMMITMENTS

| | **2019** | 2018 |
|---|---|---|
| | **£m** | £m |
| Capital expenditure authorised and contracted but not provided for within the financial statements | **54.2** | 71.5 |
| Additional expenditure authorised by the Board | **425.7** | 505.6 |

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:

| | **2019** | 2018 |
|---|---|---|
| | **£m** | £m |
| **Motor vehicles and equipment** | | |
| In one year or less | **1.6** | 2.0 |
| In one year or more but less than five years | **2.0** | 2.8 |
| | **3.6** | 4.8 |
| **Land and buildings** | | |
| In one year or less | **0.7** | 0.7 |
| In one year or more but less than five years | **2.7** | 2.7 |
| In more than five years | **7.4** | 8.1 |
| | **10.8** | 11.5 |

## 24. 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 £144.1m (2018: £121.9m). Places for People Homes had further available facilities of £775.0m (2018: £413.8m) and the Group has established a European Medium Term Note Programme of £682.5m (2018: £345.5m) 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 81% 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 £0.4m 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.

## 24. 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 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 Group. 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 12.0% of debt matures within the next 5 years, of which 3.0% of debt matures during the next financial year.

**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 2019 the Association held cross currency interest rate swaps with a mark to market value of £0.2m (2018: £4.5m) and interest rate swaps with a mark to market value of £3.3m (2018: £nil). The currency swaps are held at fair value as disclosed in note 20.

**Liquidity Risk**

The interest rate risk analysis below is considered to be a key component of the Association's liquidity risk.

## 24. FINANCIAL INSTRUMENTS (Continued)

**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 tables take into account interest-bearing assets and liabilities only.

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 as at 31 March 2019**

| | **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 | **3.75%** | **125.5** | **-** | **3.0** | **-** | **54.0** | **-** | **68.5** |
| Floating rate | **3.76%** | **111.6** | **8.6** | **23.6** | **51.5** | **-** | **19.6** | **8.3** |
| Amounts due from related undertakings | **6.42%** | **43.3** | **-** | **-** | **-** | **-** | **28.6** | **14.7** |
| | | **280.4** | **8.6** | **26.6** | **51.5** | **54.0** | **48.2** | **91.5** |
| Mortgages and loans | | **2.4** | **0.2** | **0.2** | **0.2** | **0.2** | **0.2** | **1.4** |
| Derivative financial instruments held to manage the interest rate profile and currency risk | | **21.7** | **12.0** | **1.3** | **1.2** | **2.6** | **1.0** | **3.6** |
| | | **304.5** | **20.8** | **28.1** | **52.9** | **56.8** | **49.4** | **96.5** |

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

Comparative figures as at 31 March 2018 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 | 3.56% | 130.5 | - | 31.5 | - | - | 73.3 | 25.7 |
| Floating rate | 3.10% | 78.7 | - | - | 20.2 | 50.3 | - | 8.2 |
| Amounts due from related undertakings | 5.84% | 42.6 | - | - | - | - | - | 42.6 |
| | | 251.8 | - | 31.5 | 20.2 | 50.3 | 73.3 | 76.5 |
| Mortgages and loans | | 2.6 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 1.6 |
| 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 |
| | | 257.4 | 0.7 | 32.2 | 20.9 | 51.0 | 74.0 | 78.6 |

## 24. FINANCIAL INSTRUMENTS (Continued)

**Ageing Profile and Interest Rate Risk of Financial Liabilities as at 31 March 2019**

| | **Effective interest rate** | **Total** | **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** |
| Stocks and bonds: | | | | | | | | |
| Fixed rate | **5.86%** | **1,084.3** | **41.8** | **38.2** | **38.1** | **38.2** | **34.5** | **893.5** |
| Discount on bond issue | | **(42.5)** | **-** | **-** | **-** | **-** | **-** | **(42.5)** |
| | | **1,041.8** | **41.8** | **38.2** | **38.1** | **38.2** | **34.5** | **851.0** |
| Housing and other loans: | | | | | | | | |
| Fixed rate | **3.64%** | **1,290.0** | **122.5** | **40.9** | **38.8** | **105.9** | **35.3** | **946.6** |
| Floating rate | **1.48%** | **207.0** | **5.3** | **12.4** | **5.1** | **68.6** | **27.5** | **88.1** |
| Index linked | **2.33%** | **98.9** | **3.4** | **0.7** | **49.1** | **0.3** | **0.3** | **45.1** |
| | | **2,637.7** | **173.0** | **92.2** | **131.1** | **213.0** | **97.6** | **1,930.8** |
| Finance leases | **6.00%** | **470.1** | **11.5** | **11.5** | **11.5** | **11.5** | **11.5** | **412.6** |
| Derivative financial instruments held to manage interest rate risk | | **25.0** | **2.5** | **2.5** | **2.4** | **2.0** | **1.8** | **13.8** |
| | | **3,132.8** | **187.0** | **106.2** | **145.0** | **226.5** | **110.9** | **2,357.2** |

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

Comparative figures as at 31 March 2018 were, as follows:

| | Effective interest rate | Total | 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 |
| Stocks and bonds: | | | | | | | | |
| Fixed rate | 4.44% | 1,180.4 | 67.4 | 61.9 | 60.1 | 38.2 | 38.3 | 914.5 |
| Discount on bond issue | | (41.6) | - | - | - | - | - | (41.6) |
| | | 1,138.8 | 67.4 | 61.9 | 60.1 | 38.2 | 38.3 | 872.9 |
| Housing and other loans: | | | | | | | | |
| Fixed rate | 5.19% | 996.2 | 17.5 | 104.5 | 32.7 | 27.7 | 98.7 | 715.1 |
| Floating rate | 2.21% | 362.0 | 16.1 | 8.8 | 150.8 | 5.8 | 95.5 | 85.0 |
| Index linked | 4.09% | 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 |
| Finance leases | | 445.8 | 10.4 | 10.4 | 10.4 | 10.4 | 10.4 | 393.8 |
| Derivative financial instruments held to manage interest rate risk | | 29.9 | 1.9 | (2.2) | 1.8 | 1.8 | 1.7 | 24.9 |
| | | 3,071.0 | 115.3 | 185.5 | 256.6 | 132.7 | 244.9 | 2,136.0 |

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**

| | **2019** | 2018 |
|---|---|---|
| At 31 March Places for People Homes had undrawn committed borrowing facilities expiring as follows: | **£m** | £m |
| In one year or less, or on demand | **135.0** | 100.0 |
| In more than one year but not more than two years | **265.0** | 43.8 |
| In more than two years | **375.0** | 270.0 |
| | **775.0** | 413.8 |

£111.2m of the undrawn committed borrowing facilities require fixed charge security to be placed with lenders (2018: £51.4m).

## 24. 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.

| | | **2019** | | 2018 | |
|---|---|---|---|---|---|
| | | **Book value** | **Fair value** | Book value | Fair value |
| | Note | **£m** | **£m** | £m | £m |
| **Financial assets** | | | | | |
| Fixed asset investments | 13 & 14 | **823.7** | **827.5** | 812.8 | 816.2 |
| Current asset investments | 18 | **5.2** | **5.2** | 22.2 | 22.2 |
| Cash at bank and in hand | | **27.5** | **27.5** | 15.1 | 15.1 |
| Long term debtors | 16 | **4.5** | **4.5** | 8.7 | 8.7 |
| Mortgages | 16 & 17 | **2.3** | **2.3** | 2.6 | 2.6 |
| Derivative financial instruments held to manage interest rate risk | 16 & 17 | **21.7** | **21.7** | 3.0 | 3.0 |
| Financial assets falling due within one year | 17 | **36.9** | **36.9** | 38.4 | 38.4 |
| | | **921.8** | **925.6** | 902.8 | 906.2 |
| **Financial liabilities** | | | | | |
| Debenture stocks and bonds | 19 & 20 | **730.6** | **845.1** | 783.9 | 901.9 |
| Discount on bond issue | 19 & 20 | **(42.5)** | **(42.5)** | (41.6) | (41.6) |
| Housing and bank loans | 19 & 20 | **226.6** | **226.6** | 295.0 | 295.0 |
| Prepaid rent | 19 | **4.4** | **4.4** | 4.1 | 4.1 |
| Amounts owed to related undertakings | 19 & 20 | **1,082.5** | **1,082.5** | 1,004.3 | 1,004.3 |
| Amounts owed to joint venture undertakings | 19 & 20 | **2.0** | **2.0** | 5.1 | 5.1 |
| Revaluation of foreign currency denominated debt | 19 & 20 | **17.8** | **17.8** | (2.9) | (2.9) |
| Derivative financial instruments held to manage interest rate risk | 19 & 20 | **25.1** | **25.1** | 29.8 | 29.8 |
| Other financial liabilities | 19 & 20 | **197.6** | **197.6** | 202.6 | 202.6 |
| Financial liabilities falling due within one year | 19 | **70.9** | **70.9** | 66.2 | 66.2 |
| | | **2,315.0** | **2,429.5** | 2,346.5 | 2,464.5 |

Of the financial assets above £21.7m (2018: £3.0m) are derivative financial instruments, the remaining amounts being measured at amortised cost.

Of the financial liabilities above £25.1m (2018: £29.8m) are derivative financial instruments with the remaining amounts being measured at amortised cost.

## 24. FINANCIAL INSTRUMENTS (Continued)

**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 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**

The measurement of fair value for financial instruments has been done 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.

## 25. 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 £2.8m (2018: £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 (GRBS)**

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

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 2018 and the present value of the obligation has been updated in a manner intended to be consistent with the asset value at the reporting date. Contributions to the Plan are made in accordance with the recommendations of the actuary as stipulated in the Schedule of Contributions. The current Schedule requires that the company pay 5m in the year ended 31st March 2019 £5m in the year 31 March 2020.

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 Association has considered the implications of the High Court ruling in the Lloyds Bank Group Pension Trustees case on the requirement to equalise pensions in respect of Guaranteed Minimum Pensions (GMP). This has resulted in a £0.2m increase in pension obligation which has been recognised as a past service cost. Any future clarifications to GMP leading to a change in financial assumptions are expected to be recognised in equity.

**Social Housing Pension Scheme**

Places for People Homes Limited participates in the Social Housing Pension Scheme (SHPS), a multi-employer scheme which provides benefits to non-associated employers.

SHPS is a defined benefit scheme in the UK and 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 last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A recovery plan has been put in place with the aim of removing this deficit by 30 September 2026.

SHPS 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.

For financial years ending on or before 28 February 2019, it has not been possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the Group has previously accounted for SHPS as a defined contribution scheme. For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the scheme as a defined benefit scheme. For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the company's fair share of the scheme's total assets to calculate the company's net deficit or surplus at the accounting period start and end dates.

The mortality assumption used at 31 March 2019 is that a male currently aged 65 years old has a life expectancy of 21.8 years, a female currently aged 65 years old has a life expectancy of 23.5 years, a male currently aged 45 years old has a life expectancy of 45.0 years and a female currently aged 45 years old has a life expectancy of 48.2 years.

## 25. PENSION OBLIGATIONS (Continued)

**The major assumptions used by the actuary were:**

| | **2019** | | 2018 | |
|---|---|---|---|---|
| | **SHPS** | **GRBS** | SHPS | GRBS |
| Discount rate | **2.40%** | **2.50%** | - | 2.70% |
| Price inflation (RPI) | **3.30%** | **3.20%** | - | 3.10% |
| Price inflation (CPI) | **2.30%** | **-** | - | - |
| Salary growth | **3.30%** | **-** | - | - |
| Rate of increase in pensions in payment LP15% | **-** | **3.10%** | - | 3.00% |
| Rate of increase in pensions in payment LP12.5% | **-** | **2.10%** | - | 2.10% |

The mortality assumption used at 31 March 2019 is 105% S2PA CMI_2018 core projections with a long-term rate of improvement of 1.0%. The mortality assumption used at 31 March 2018 was 115% S2PA CMI_2017 core projections with a long-term rate of improvement of 1.0%. Based on these assumptions, a male currently aged 60 years old has a life expectancy of 25.4 years (2018: 25.2 years), a female currently aged 60 years old has a life expectancy of 27.5 years (2018: 27.2 years), a male currently age 40 years old will expect to have a life expectancy of 26.6 years (2018: 26.4 years) when they reach age 60 and a female currently aged 40 years old will expect to have a life expectancy of 28.8 years (2018: 28.6 years) when they reach age 60.

**Amounts recognised in the Statement of Financial Position**

| **Value at 31 March 2019** | **SHPS** | **GRBS** | **Total** |
|---|---|---|---|
| | **£m** | **£m** | **£m** |
| Fair value of plan assets | **9.3** | **229.3** | **238.6** |
| Present value of defined benefit obligation | **(11.4)** | **(229.4)** | **(240.8)** |
| Net liability recognised in the statement of financial position | **(2.1)** | **(0.1)** | **(2.2)** |

| Value at 31 March 2018 | SHPS | GRBS | Total |
|---|---|---|---|
| | £m | £m | £m |
| Fair value of plan assets | - | 209.6 | 209.6 |
| Present value of defined benefit obligation | - | (216.3) | (216.3) |
| Net liability recognised in the statement of financial position | - | (6.7) | (6.7) |

**The major categories of assets as a percentage of total assets are as follows:**

| | **2019** | | 2018 | |
|---|---|---|---|---|
| | **SHPS** | **GRBS** | SHPS | GRBS |
| Diversified growth funds | **11.6%** | **36.0%** | - | 41.0% |
| Equities | **16.8%** | **13.0%** | - | 14.0% |
| Liability driven investments | **36.6%** | **34.0%** | - | 36.0% |
| Absolute return bonds | **8.7%** | **6.0%** | - | 7.0% |
| Corporate bonds | **6.5%** | **-** | - | - |
| Cash | **-** | **11.0%** | - | 2.0% |
| Other fixed interest | **3.6%** | **-** | - | - |
| Insurance linked securities | **5.9%** | **-** | - | - |
| Direct lending | **1.3%** | **-** | - | - |
| Property | **9.0%** | **-** | - | - |
| | **100%** | **100%** | - | 100% |

## 25. PENSION OBLIGATIONS (Continued)

**Analysis of amounts recognised in the Statement of Comprehensive Income**

| **Year ending 31 March 2019** | **SHPS** | **GRBS** | **Total** |
|---|---|---|---|
| | **£m** | **£m** | **£m** |
| Expected return on plan assets | **0.2** | **5.6** | **5.8** |
| Interest on scheme liabilities | **(0.3)** | **(5.7)** | **(6.0)** |
| Amounts charged to other finance costs | **(0.1)** | **(0.1)** | **(0.2)** |
| Past service costs charged to operating costs | **-** | **(0.2)** | **(0.2)** |
| | **(0.1)** | **(0.3)** | **(0.4)** |

| Year ending 31 March 2018 | SHPS | GRBS | Total |
|---|---|---|---|
| | £m | £m | £m |
| Expected return on plan assets | - | 5.8 | 5.8 |
| Interest on scheme liabilities | - | (6.0) | (6.0) |
| Amounts charged to other finance costs | - | (0.2) | (0.2) |

**Amounts recognised in Other Comprehensive Income**

| **Year ending 31 March 2019** | **SHPS** | **GRBS** | **Total** |
|---|---|---|---|
| | **£m** | **£m** | **£m** |
| Initial recognition of multi-employer defined benefit scheme | **(0.5)** | **-** | **(0.5)** |
| Actuarial loss in pension scheme | **-** | **(12.8)** | **(12.8)** |

| Year ending 31 March 2018 | SHPS | GRBS | Total |
|---|---|---|---|
| | £m | £m | £m |
| Actuarial loss in pension scheme | - | (3.3) | (3.3) |

| **Movement in fair value of plan assets** | **SHPS** | **GRBS** | **Total** |
|---|---|---|---|
| | **£m** | **£m** | **£m** |
| As at 1 April 2018 | **-** | **209.6** | **209.6** |
| Initial recognition of multi-employer defined benefit scheme | **9.0** | **-** | **9.0** |
| Interest on plan assets | **0.2** | **5.6** | **5.8** |
| Company contributions | **0.3** | **19.6** | **19.9** |
| Benefits paid | **(0.3)** | **(8.9)** | **(9.2)** |
| Return on plan assets less interest | **0.1** | **3.4** | **3.5** |
| **As at 31 March 2019** | **9.3** | **229.3** | **238.6** |

## 25. PENSION OBLIGATIONS (Continued)

| Movement in present value of defined benefit obligation | SHPS | GRBS | Total |
|---|---|---|---|
| | £m | £m | £m |
| As at 1 April 2018 | - | 216.3 | 216.3 |
| Initial recognition of multi-employer defined benefit scheme | 11.2 | - | 11.2 |
| Past service costs | - | 0.2 | 0.2 |
| Interest costs | 0.3 | 5.7 | 6.0 |
| Benefits paid | (0.3) | (8.9) | (9.2) |
| Losses/(gains) from changes to demographic assumptions | (0.2) | 8.9 | 8.7 |
| Losses from changes to financial assumptions | 0.6 | 9.8 | 10.4 |
| Gains from experience adjustments | (0.2) | (2.6) | (2.8) |
| **As at 31 March 2019** | 11.4 | 229.4 | 240.8 |

## 26. 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 2019 in respect of such guarantees was £1,164m (2018: £1,064m). The total interest accrued at 31 March 2019 relating to this debt was £14.8m (2018: £10.3m).

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.

A Health and Safety Executive prosecution is underway against the Association in respect of breaches of the Control of Vibration Regulations 2005. The Directors are unclear at this stage as to the scale of any potential fine because it is impractical to estimate the financial impact of the prosecution until the case progresses further.

## 27. EVENTS AFTER THE REPORTING DATE

In May 2019, Places for People Homes acquired a 10% holding in Ilke Homes Holdings Limited for a consideration of £10m.

## 28. RELATED PARTY TRANSACTIONS AND ULTIMATE PARENT UNDERTAKING

Under Section 33 of FRS 102 defined benefit pension schemes are considered to be related parties. Employees of the Association are members of the following defined benefit schemes: The Social Housing Pension Scheme, The Places for People Group Retirement Benefit Scheme, The Places for People Group Stakeholder Scheme. Details of transactions with the schemes are disclosed in note 25.

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

| | 2019 No. | 2018 No. |
|---|---|---|
| **Social housing managed** | | |
| - General Needs Housing | **34,612** | 34,890 |
| - Affordable Housing | **1,302** | 1,127 |
| - Low cost home ownership accommodation | **477** | 568 |
| **Total social housing managed** | **36,391** | 36,585 |
| **Non social housing managed** | | |
| Market rent | **668** | 681 |
| Leased housing - freehold only | **1,382** | 1,352 |
| Staff | **45** | 64 |
| Total housing managed | **38,486** | 38,682 |
| Total housing owned but managed by another body | **9,631** | 11,632 |
| Total housing owned or managed | **48,117** | 50,314 |
| Garages, commercial premises and other non-residential units managed or serviced | **1,225** | 1,136 |
| Total residential and non-residential units managed or serviced | **49,342** | 51,450 |

As disclosed in the table above, the Association manages 36,391 social housing units (2018: 36,585).

The number of social housing units owned by the Association are:

| | 2019 | 2018 |
|---|---|---|
| Social housing | | |
| - General Needs Housing | **33,139** | 33,415 |
| - Affordable Housing | **1,220** | 1,041 |
| - Supported Housing | **449** | 592 |
| - Housing for Older people | **529** | 474 |
| - Low cost home ownership accommodation | **2,742** | 2,699 |
| Social housing stock owned | **38,079** | 38,221 |

The Association manages 3,152 (2018: 3,210) social housing residential units which are owned by other Registered Providers. The Association owns 4,840 (2018: 4,846) social housing units that are managed by another body.